

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 2****TO****FORM S-1****REGISTRATION STATEMENT****UNDER****THE SECURITIES ACT OF 1933****GENERAL MOTORS COMPANY**

(Exact name of registrant as specified in its charter)

**3711**(Primary Standard Industrial  
Classification Code Number)**300 Renaissance Center****Detroit, Michigan 48265-3000****(313) 556-5000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Nick S. Cyprus****Vice President, Controller and Chief Accounting Officer****General Motors Company****300 Renaissance Center****Detroit, Michigan 48265-3000****(313) 556-5000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**(212) 450-4000****Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company **CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price (1)</b>	<b>Amount of Registration Fee (2)</b>
Common stock, par value \$0.01 per share	\$100,000,000	\$7,130 (5)
Series B mandatory convertible junior preferred stock, par value \$0.01 per share (3)	\$100,000,000 (4)	\$7,130 (5)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Calculated pursuant to Rule 457(o) under the Securities Act based on an estimate of the maximum aggregate offering price.

(3) In accordance with Rule 457(i) under the Securities Act, this registration statement also registers the shares of our common stock that are initially issuable upon conversion of the Series B preferred stock registered hereby. The number of shares of our common stock issuable upon such conversion is subject to adjustment upon the occurrence of certain events described herein and will vary based on the public offering price of the common stock registered hereby. Pursuant to Rule 416 under the Securities Act, the number of shares of our common stock to be registered includes an indeterminate number of shares of common stock that may become issuable upon conversion of the Series B preferred stock as a result of such adjustments.

(4) Includes \$ in aggregate offering amount of our common stock that may be issued as dividends on Series B preferred stock in accordance with the terms thereof.

(5) Previously paid.

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

## EXPLANATORY NOTE

This Registration Statement contains a prospectus relating to an offering of shares of our common stock (for purposes of this Explanatory Note, the Common Stock Prospectus), together with separate prospectus pages relating to an offering of shares of our Series B preferred stock (for purposes of this Explanatory Note, the Series B Preferred Stock Prospectus). The complete Common Stock Prospectus follows immediately. Following the Common Stock Prospectus are the following alternative and additional pages for the Series B Preferred Stock Prospectus:

- front and back cover pages, which will replace the front and back cover pages of the Common Stock Prospectus;
- pages for the “Prospectus Summary—The Offering” section, which will replace the “Prospectus Summary—The Offering” section of the Common Stock Prospectus;
- pages for the “Risk Factors—Risks Relating to this Offering and Ownership of Our Series B Preferred Stock and Common Stock” section, which will replace the “Risk Factors—Risks Relating to this Offering and Ownership of Our Common Stock” section of the Common Stock Prospectus;
- pages for the “Ratio of Earnings to Fixed Charges and Preferred Stock Dividends” section, which will be added to the Series B Preferred Stock Prospectus;
- pages for the “Description of Series B Preferred Stock” section, which will replace the “Concurrent Offering of Series B Preferred Stock” section of the Common Stock Prospectus;
- pages for the “Material U.S. Federal Tax Considerations” section, which will replace the “Material U.S. Federal Tax Considerations for Non-U.S. Holders” section of the Common Stock Prospectus; and
- pages for the “Underwriting” section, which will replace the “Underwriting” section of the Common Stock Prospectus.

In addition, the following disclosures contained within the Common Stock Prospectus will be replaced in the Series B Preferred Stock Prospectus as follows:

- the reference to “—Risks Relating to this Offering and Ownership of Our Common Stock—” contained in the last sentence of footnote (2) to the beneficial ownership table included in the “Principal and Selling Stockholders” section of the Common Stock Prospectus will be replaced with a reference to “—Risks Relating to this Offering and Ownership of Our Series B Preferred Stock and Common Stock—” in the Series B Preferred Stock Prospectus.
- the reference to “Risk Factors—Risks Relating to this Offering and Ownership of Our Common Stock—Canada Holdings, a selling stockholder in the common stock offering, is a wholly owned subsidiary of Canada Development Investment Corporation, which is owned by the federal Government of Canada, and your ability to bring a claim against Canada Holdings under the U.S. securities laws or otherwise, or to recover on any judgment against it, may be limited” contained in the last sentence of footnote (3) to the beneficial ownership table included in the “Principal and Selling Stockholders” section of the Common Stock Prospectus will be replaced with a reference to “Risk Factors—Risks Relating to this Offering and Ownership of Our Series B Preferred Stock and Common Stock—Canada Holdings is a wholly owned subsidiary of Canada Development Investment Corporation, which is owned by the federal Government of Canada, and your ability to bring a claim against Canada Holdings alleging any complaint, or to recover on any judgment against it, may be limited” in the Series B Preferred Stock Prospectus.

Each of the complete Common Stock Prospectus and Series B Preferred Stock Prospectus will be filed with the Securities and Exchange Commission in accordance with Rule 424 under the Securities Act of 1933. The closing of the offering of common stock is not conditioned upon the closing of the offering of Series B preferred stock, but the closing of the offering of Series B preferred stock is conditioned upon the closing of the offering of common stock.

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The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities and it is not soliciting an offer to buy the securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED OCTOBER 14, 2010**

PRELIMINARY PROSPECTUS

Shares



**G E N E R A L M O T O R S C O M P A N Y**

**Common Stock**

Selling stockholders, including the United States Department of the Treasury, are offering \_\_\_\_\_ shares of our common stock. We are not selling any shares of our common stock in this offering. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Currently, no public market exists for our common stock. We currently estimate that the public offering price of our common stock will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We intend to apply for the listing of our common stock on the New York Stock Exchange under the symbol "GM" and the Toronto Stock Exchange under the symbol "\_\_\_\_\_".

The selling stockholders have granted the underwriters an option to purchase up to an additional \_\_\_\_\_ shares of common stock to cover over-allotments at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus.

Concurrently with this offering, we are also making a public offering of \_\_\_\_\_ shares of our Series B preferred stock. In that offering, we have granted the underwriters an option to purchase up to \_\_\_\_\_ additional shares of Series B preferred stock to cover over-allotments. We cannot assure you that the offering of Series B preferred stock will be completed or, if completed, on what terms it will be completed. The closing of this offering is not conditioned upon the closing of the offering of Series B preferred stock, but the closing of our offering of Series B preferred stock is conditioned upon the closing of this offering.

**Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 14 of this prospectus.**

	Per Share	Total
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions	\$ _____	\$ _____
Proceeds, before expenses, to the selling stockholders	\$ _____	\$ _____

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or the accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of common stock to investors on or about \_\_\_\_\_, 2010.

**Morgan Stanley  
Barclays Capital  
Goldman, Sachs & Co.**

**J.P. Morgan  
Credit Suisse  
RBC Capital Markets**

**BofA Merrill Lynch**

**Citi  
Deutsche Bank Securities  
UBS Investment Bank**

The date of this prospectus is \_\_\_\_\_, 2010.







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**ABOUT THIS PROSPECTUS**

In this prospectus, unless the context indicates otherwise, for the periods on or subsequent to July 10, 2009, references to “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM” refer to General Motors Company and, where appropriate, its subsidiaries. General Motors Company is the successor entity solely for accounting and financial reporting purposes to General Motors Corporation, which is sometimes referred to in this prospectus, for the periods on or before July 9, 2009, as “Old GM.”

General Motors Company was formed by the United States Department of the Treasury (UST) in 2009. Prior to July 10, 2009, our business was operated by Old GM. On June 1, 2009, Old GM and three of its domestic direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). On July 10, 2009, we, through certain of our subsidiaries, acquired substantially all of the assets and assumed certain liabilities of Old GM (the 363 Sale). The accompanying audited consolidated financial statements and unaudited condensed consolidated interim financial statements include the financial statements and related information of Old GM as it is our predecessor entity solely for accounting and financial reporting purposes. On July 10, 2009 in connection with the closing of the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Company, which is sometimes referred to in this prospectus for the periods on or after July 10, 2009 as “MLC.” MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities.

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Neither we, the selling stockholders nor the underwriters have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We have not, the selling stockholders have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, the selling stockholders are not and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and in any free writing prospectus prepared by or on behalf of us to which we have referred you is accurate only as of the date on the front cover of this prospectus or the date of such free writing prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

### **MARKET AND INDUSTRY DATA**

All references in this prospectus to total industry sales, projections, estimates or other data attributable to IHS Global Insight are based on forecasts and information provided to us by IHS Global Insight, an economic and financial analysis firm. The forecasts and other information prepared by IHS Global Insight are subscription-based. Information relating to our relative position in the global automotive industry is based upon the good faith estimates of management, and includes all sales by joint ventures on a total vehicle basis, not based on the percentage of ownership in the joint venture.



## PROSPECTUS SUMMARY

This summary highlights aspects of our business and this offering, but it does not contain all of the information that you should consider in making your investment decision. You should read this entire prospectus carefully, including the “Risk Factors” section and our audited consolidated financial statements and unaudited condensed consolidated interim financial statements and related notes, before making an investment decision.

### GENERAL MOTORS COMPANY

#### Our Company

We are a leading global automotive company. Our vision is to design, build and sell the world’s best vehicles. We seek to distinguish our vehicles through superior design, quality, reliability, telematics (wireless voice and data) and infotainment and safety within their respective vehicle segments. Our business is diversified across products and geographic markets, with operations and sales in over 120 countries. We assemble our passenger cars, crossover vehicles, light trucks, sport utility vehicles, vans and other vehicles in 71 assembly facilities worldwide and have 87 additional global manufacturing facilities. With a global network of over 21,700 independent dealers we meet the local sales and service needs of our retail and fleet customers. In 2009, we and Old GM sold 7.5 million vehicles, representing 11.6% of total vehicle sales worldwide. Approximately 72% of our and Old GM’s total 2009 vehicle sales volume was generated outside the United States, including 38.7% from emerging markets, such as Brazil, Russia, India and China (collectively BRIC), which have recently experienced the industry’s highest volume growth.

Our business is organized into three geographically-based segments:

- General Motors North America (GMNA), with manufacturing and distribution operations in the U.S., Canada and Mexico and distribution operations in Central America and the Caribbean, represented 33.2% of our and Old GM’s total 2009 vehicle sales volume. In North America, we sell our vehicles through four brands – Chevrolet, GMC, Buick and Cadillac – which are manufactured at plants across the U.S., Canada and Mexico and imported from other GM regions. In 2009, GMNA had the largest market share of any competitor in this market at 19.0% based on vehicle sales volume.
- General Motors International Operations (GMIO), with manufacturing and distribution operations in Asia-Pacific, South America, Russia, the Commonwealth of Independent States, Eastern Europe, Africa and the Middle East, is our largest segment by vehicle sales volume, and represented 44.5% of our and Old GM’s total 2009 vehicle sales volume including sales through our joint ventures. In these regions, we sell our vehicles under the Buick, Cadillac, Chevrolet, Daewoo, FAW, GMC, Holden, Isuzu, Jiefang, Opel and Wuling brands. In 2009, GMIO had the second largest market share for this market at 10.2% based on vehicle sales volume and the number one market share across the BRIC markets based on vehicle sales volume. Approximately 54.9% of GMIO’s volume is from China, where, primarily through our joint ventures, we had the number one market share at 13.3% based on vehicle sales volume in 2009.
- General Motors Europe (GME), with manufacturing and distribution operations across Western and Central Europe, represented 22.3% of our and Old GM’s total 2009 vehicle sales volume. In Western and Central Europe, we sell our vehicles under the Opel and Vauxhall (U.K. only) brands, which are manufactured in Europe, and under the Chevrolet brand, which is imported from South Korea where it is manufactured by GM Daewoo Auto & Technology, Inc. (GM Daewoo) of which we own 70.1%. In 2009, GME had the number five market share in this market, at 8.9% based on vehicle sales volume.

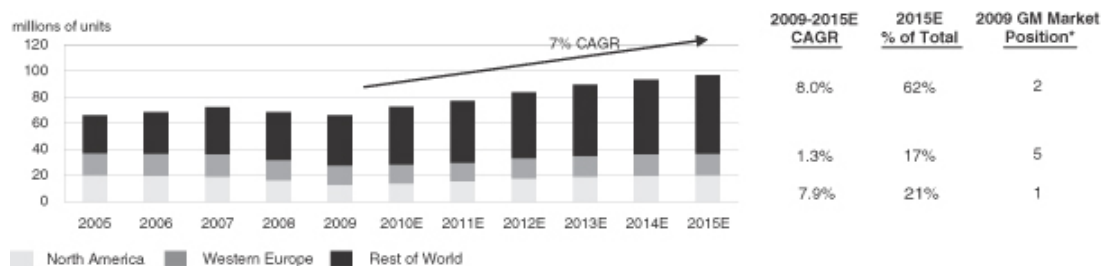
We offer a global vehicle portfolio of cars, crossovers and trucks. We are committed to leadership in vehicle design, quality, reliability, telematics and infotainment and safety, as well as to developing key energy efficiency, energy diversity and advanced propulsion technologies, including electric vehicles with range extending capabilities such as the new Chevrolet Volt.

Our company commenced operations on July 10, 2009 when we completed the acquisition of substantially all of the assets and assumption of certain liabilities of Old GM through a 363 Sale under the U.S. Bankruptcy Code. Immediately prior to this offering, our common stock was held of record by four stockholders: the United States Department of the Treasury, Canada GEN Investment Corporation (Canada Holdings), the UAW Retiree Medical Benefits Trust (New VEBA) and Motors Liquidation Company. As a result of the 363 Sale and other recent restructuring and cost savings initiatives, we have improved our financial position and level of operational flexibility as compared to Old GM when it operated the business. We commenced operations upon completion of the 363 Sale with a total amount of debt and other liabilities at July 10, 2009 that was \$92.7 billion less than Old GM's total amount of debt and other liabilities at July 9, 2009. We reached a competitive labor agreement with our unions, began restructuring our dealer network and reduced and refocused our brand strategy in the U.S. to our four brands.

Our results for the three months ended March 31 and June 30, 2010 included net income of \$1.2 billion and \$1.6 billion. For the period from July 10, 2009 to December 31, 2009, we had a net loss of \$3.8 billion, which included a settlement loss of \$2.6 billion related to the 2009 revised UAW settlement agreement. We reported revenue of \$31.5 billion and \$33.2 billion in the three months ended March 31 and June 30, 2010, representing 40.3% and 43.9% year-over-year increases as compared to Old GM's revenue for the corresponding periods. For the period from July 10, 2009 to December 31, 2009, our revenue was \$57.5 billion.

**Our Industry and Market Opportunity**

The global automotive industry sold 66 million new vehicles in 2009. Vehicle sales are widely distributed across the world in developed and emerging markets. According to IHS Global Insight (an economic and financial analysis firm), total vehicle sales in emerging markets (Asia, excluding Japan, South America and Eastern Europe) are estimated to equal or exceed those in mature markets (North America, Western Europe and Japan) starting in 2010, as rising income levels drive secular growth. We believe that this expected growth in emerging markets, combined with an estimated recovery in mature markets, creates a potential growth opportunity for the global automotive industry. IHS Global Insight forecasts global vehicle sales to increase at a compound annual growth rate (CAGR) of 6.6% from 2009 to 2015:



\*Note: GM market position is calculated based upon GM's internal data and includes all sales by joint ventures on a total vehicle basis, not based on the percentage of ownership in the joint venture. These market positions were not furnished by IHS Global Insight.

Designing, manufacturing and selling vehicles is capital intensive. It requires substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in

order to meet both consumer preferences and regulatory requirements. Large original equipment manufacturers (OEMs) are able to benefit from economies of scale by leveraging their investments and activities on a global basis across brands and nameplates (commonly referred to as models). The automotive industry is also cyclical and tends to track changes in the general economic environment. OEMs that have a diversified revenue base across geographies and products and have access to capital are well positioned to withstand industry downturns and to capitalize on industry growth. The largest automotive OEMs are GM, Toyota, Volkswagen, Hyundai and Ford, all of which operate on a global basis and produce cars and trucks across a broad range of vehicle segments.

### **Our Competitive Strengths**

We believe the following strengths provide us with a foundation for profitability, growth and execution on our strategic vision to design, build and sell the world's best vehicles:

- *Global presence, scale and dealer network.* We are currently the world's second largest automaker based on vehicle sales volume and, as a result of our relative market positions in GMNA and GMIO, are positioned to benefit from future growth resulting from economic recovery in developed markets and continued secular growth in emerging markets. In 2009, we and Old GM sold 7.5 million vehicles in over 120 countries and generated \$104.6 billion in revenue, although our and Old GM's combined worldwide market share of 11.6% based on vehicle sales volume in 2009 had declined from Old GM's worldwide market share of 13.2% based on vehicle sales volume in 2007. We operate a global distribution network with over 21,700 independent dealers. Our presence and scale enable us to deploy our purchasing, research and development, design, engineering, marketing and distribution resources and capabilities globally across our vehicle production base.
- *Market share in emerging markets, such as China and Brazil.* Across the BRIC markets, we and Old GM had the industry-leading market share of 12.7% based on vehicle sales volume in 2009, which has grown from a 9.8% share in 2004. In China, the fastest growing global market by volume of vehicles sold, through our joint ventures we and Old GM had the number one market position with a share of 13.3% based on vehicle sales volume in 2009. We and Old GM also held the third largest market share in Brazil at 19.0% based on vehicle sales volume in 2009.
- *Portfolio of high-quality vehicles.* Our global portfolio includes vehicles in most key segments, with 31 nameplates in the U.S. and another 179 nameplates internationally. Our and Old GM's long-term investment over the last decade in our product portfolio has resulted in successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX. Sales of these vehicles have had higher transaction prices than the products they replaced and have increased vehicle segment market shares. These vehicles also have had higher residual values. The design, quality, reliability and safety of our vehicles has been recognized worldwide by a number of third parties, including J.D. Power, Consumers Digest, the European Car of the Year Organizing Committee, the Chinese Automotive Media Association and Brazil's AutoEsporte Magazine.
- *Commitment to new technologies.* We have invested in a diverse set of new technologies designed to meet customer needs around the world. Our research and product development efforts in the areas of energy efficiency and energy diversity have been focused on advanced and alternative propulsion and fuel efficiency. Our investment in telematics and infotainment technology enables us to provide through OnStar a service offering that creates a connection to the customer and a platform for future infotainment initiatives.
- *Competitive cost structure in GMNA.* We have substantially completed the restructuring of our North American operations, which has reduced our cost base and improved our capacity utilization and product line profitability. We accomplished this through brand rationalization, manufacturing footprint

reduction, ongoing dealer network optimization, salaried and hourly headcount reductions, labor agreement restructuring and transfer of hourly retiree healthcare obligations to the New VEBA. The reduced costs resulting from these actions, along with our improved price realization and lower incentives, have reduced our profitability breakeven point in North America. For the six months ended June 30, 2010 and based on GMNA's current market share, GMNA's earnings before interest and income taxes (EBIT) (EBIT is not an operating measure under U.S. GAAP—refer to the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Segment Results" for additional discussion) would have achieved breakeven with annual U.S. industry sales of approximately 10.5 to 11.0 million vehicles.

- *Competitive global cost structure.* Global architectures (that is, vehicle characteristics and dimensions supporting common sets of major vehicle underbody components and subsystems) allow us to streamline our product development and manufacturing processes, which has resulted in reduced material and engineering costs. This allows us to design and engineer our vehicles globally while balancing cost efficient production locations and proximity to the end customer. Approximately 43% of our vehicles are manufactured in regions we believe to be low-cost locations, such as China, Mexico, Eastern Europe, India and Russia, with all-in active labor costs of less than \$15 per hour.
- *Strong balance sheet and liquidity.* As of June 30, 2010, we had available liquidity (cash, cash equivalents and marketable securities) of \$31.5 billion and outstanding debt of \$8.2 billion. In addition, we have no significant contractual debt maturities until 2015. Although our U.S. and non-U.S. pension plans were underfunded by \$17.1 billion and \$10.3 billion on a U.S. GAAP basis at December 31, 2009, as of June 30, 2010 we have no expected material mandatory pension contributions until 2014. We believe that our combination of cash and cash equivalents plus cash flow from operations should provide sufficient cash to fund our new product and technology development efforts, European restructuring program, growth initiatives and further cost-reduction initiatives in the medium term.
- *Strong leadership team with focused direction.* Our new executive management team, which includes our new Chief Executive Officer and Chief Financial Officer from outside the automotive industry as well as many senior officers who have been promoted to new roles from within the organization, combines years of experience at GM and new perspectives on growth, innovation and strategy deployment, and operates in a streamlined organizational structure. This allows for more direct lines of communication, quicker decision-making and direct responsibility for individuals in various areas of our business. The members of our Board of Directors, a majority of whom were not directors of Old GM, are directly involved in strategy formation and review.

#### **Our Strategy**

Our vision is to design, build and sell the world's best vehicles. The primary elements of our strategy to achieve this vision are to:

- Deliver a product portfolio of the world's best vehicles, allowing us to maximize sales under any market conditions;
- Sell our vehicles globally by targeting developed markets, which are projected to have increases in vehicle demand as the global economy recovers, and further strengthening our position in high growth emerging markets;
- Improve revenue realization and maintain a competitive cost structure to allow us to remain profitable at lower industry volumes and across the lifecycle of our product portfolio; and
- Maintain a strong balance sheet by reducing financial leverage given the high operating leverage of our business model.

Our management team is focused on hiring new and promoting current talented employees who can bring new perspectives to our business in order to execute on our strategy as follows:

**Deliver quality products.** We intend to maintain a broad portfolio of vehicles so that we are positioned to meet global consumer preferences. We plan to do this in several ways.

- *Concentrate our design, engineering and marketing resources on fewer brands and architectures.* We plan to increase the volume of vehicles produced from common global architectures to more than 50% of our total volumes in 2014 from less than 17% today. We expect that this initiative will result in greater investment per architecture and brand and will increase our product development and manufacturing flexibility, allowing us to maintain a steady schedule of important new product launches in the future. We believe our four-brand strategy in the U.S. will continue to enable us to allocate higher marketing expenditures per brand.
- *Develop products across vehicle segments in our global markets.* We plan to develop vehicles in each of the key segments of the global markets in which we compete. For example, in September 2010 we introduced the Chevrolet Cruze in the U.S. small car segment, an important and growing segment where we have historically been under-represented.
- *Continued investment in a portfolio of technologies.* We will continue to invest in technologies that support energy diversity and energy efficiency as well as in safety, telematics and infotainment technology. We are committed to advanced propulsion technologies and intend to offer a portfolio of fuel efficient alternatives that use energy sources such as petroleum, bio-fuels, hydrogen and electricity, including the new Chevrolet Volt. Additionally, we are expanding our telematics and infotainment offerings and, as a result of our OnStar service and our partnerships with companies such as Google, are in a position to deliver safety, security, navigation and connectivity systems and features.

**Sell our vehicles globally.** We will continue to compete in the largest and fastest growing markets globally.

- *Broaden GMNA product portfolio.* We plan to launch 19 new vehicles in GMNA across our four brands between 2010 and 2012, primarily in the growing car and crossover segments, where, in some cases, we are under-represented, and an additional 27 new vehicles between 2013 and 2014.
- *Increase sales in GMIO, particularly China and Brazil.* We plan to continue to execute our growth strategies in countries where we already hold strong positions, such as China and Brazil, and to improve share in other important markets, including South Korea, South Africa, Russia, India and the Association of Southeast Asian Nations (ASEAN) region. We aim to launch 77 new vehicles throughout GMIO through 2012. We plan to enhance and strengthen our GMIO product portfolio through three strategies: leveraging our global architectures, pursuing local and regional solutions to meet specific market requirements and expanding our joint venture partner collaboration opportunities.
- *Refresh GME's vehicle portfolio.* To improve our product quality and product perception in Europe, by the start of 2012, we plan to have 80% of our Opel/Vauxhall carlines volume refreshed such that the model stylings are less than three years old. We have three product launches scheduled in 2010 and another four product launches scheduled in 2011.
- *Ensure competitive financing is available to our dealers and customers.* Through our long-standing arrangements with Ally Financial Inc., formerly GMAC, Inc. (Ally Financial), and a variety of other worldwide, regional and local lenders, we provide our customers and dealers with access to financing alternatives. We plan to further expand the range of financing options available to our customers and dealers to help grow our vehicle sales. In particular, on October 1, 2010, we acquired AmeriCredit

Corp. (AmeriCredit), which we subsequently renamed General Motors Financial Company, Inc. (GM Financial) and which we expect will enable us to offer increased availability of leasing and sub-prime financing for our customers throughout economic cycles.

**Reduce breakeven levels through improved revenue realization and a competitive cost structure.** In developed markets, we are improving our cost structure to become profitable at lower industry volumes.

- *Capitalize on cost structure improvement and maintain reduced incentive levels in GMNA.* We plan to sustain the cost reduction and operating flexibility progress we have made as a result of our North American restructuring. We aim to increase our vehicle profitability by maintaining competitive incentive levels with our strengthened product portfolio and by actively managing our production levels through monitoring of our dealer inventory levels.
- *Execute on our Opel/Vauxhall restructuring plan.* The objective of our Opel/Vauxhall restructuring plan along with the refreshed product portfolio pipeline is to restore the profitability of the GME business. The restructuring plan includes an agreement to reduce our European manufacturing capacity by 20% and reduce labor costs by \$323 million per year.
- *Enhance manufacturing flexibility.* We primarily produce vehicles in locations where we sell them and we have significant manufacturing capacity in medium- and low-cost countries. We intend to maximize capacity utilization across our production footprint to meet demand without requiring significant additional capital investment.

**Maintain a strong balance sheet.** Given our business's high operating leverage and the cyclical nature of our industry, we intend to minimize our financial leverage. We plan to use excess cash to repay debt and to make discretionary contributions to our U.S. pension plan. Based on this planned reduction in financial leverage and the anticipated benefits resulting from our operating strategy described above, we will aim to attain an investment grade credit rating over the long term.

#### **Risks Affecting Us**

Investing in our securities involves substantial risk, and our business is subject to numerous risks and uncertainties. You should carefully consider all of the information set forth in this prospectus and, in particular, the information under the heading "Risk Factors," prior to making an investment in our securities.

#### **UST Ownership of our Common Stock**

Immediately following this offering, the UST will own approximately % of our outstanding shares of common stock ( % if the underwriters in the offering of common stock exercise their over-allotment option in full). As a result of this stock ownership interest, the UST has the ability to exert control, through its power to vote for the election of our directors, over various matters. Although we believe that the UST has not exerted control to influence our business and operations since the July 10, 2009 closing of the 363 Sale, to the extent the UST elects to exert such control in the future, its interests (as a government entity) may differ from those of our other stockholders. In particular, the UST may have a greater interest in promoting U.S. economic growth and jobs than our other stockholders. For example, while we have repaid in full our indebtedness under our credit agreement with the UST that we entered into on the closing of the 363 Sale, a continuing covenant requires that we use our commercially reasonable best efforts to ensure, subject to exceptions, that our manufacturing volume in the United States is consistent with specified benchmarks.

In addition, due to the UST's ownership interest in the Company, we are subject to executive compensation limitations under various statutes and regulations. Various executive compensation covenants in our credit

agreement with the UST also continue to apply to us. These statutes, regulations and covenants restrict the compensation that we can provide to our top executives and prohibit certain types of compensation or benefits for any employees. Despite these compensation limitations, we have been able to recruit strong people to join our senior leadership team from outside our Company, including our new Chief Executive Officer and Chief Financial Officer, and we have been able to retain other strong members of our senior leadership team that have many years of experience at GM.

**Corporate Information**

Our principal executive offices are located at 300 Renaissance Center, Detroit, Michigan 48265-3000, and our telephone number is (313) 556-5000. Our website is [www.gm.com](http://www.gm.com). Our website and the information included in, or linked to on, our website are not part of this prospectus. We have included our website address in this prospectus solely as a textual reference.

**THE OFFERING**

Common stock offered by the selling stockholders	The number of shares to be offered and the price range have not been determined.
Common stock to be outstanding immediately after this offering	500,000,000 shares
Voting rights	Holder s of our common stock are entitled to one vote for each share of common stock held.
Common stock listing	We intend to apply for listing of the common stock on the New York Stock Exchange under the symbol “GM” and the Toronto Stock Exchange under the symbol “ ”.
Use of proceeds	<p>We will not receive any proceeds from the sale of our common stock by the selling stockholders in this offering.</p> <p>We estimate that the net proceeds to us from the concurrent offering of our Series B preferred stock, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately \$ (or approximately \$ if the underwriters in that offering exercise their over-allotment option in full). We intend to use the net proceeds from the concurrent offering of our Series B preferred stock for general corporate purposes, including repayment of debt and other obligations and making voluntary contributions to our pension plans.</p>
Underwriters’ option	The selling stockholders have granted the underwriters a 30-day option to purchase up to additional shares of our common stock to cover over-allotments at the public offering price, less the underwriting discount.
Dividend policy	We have no current plans to pay dividends on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our secured note agreement with the New VEBA (as amended and restated, the VEBA Note Agreement), and other factors. So long as any share of our Series A Preferred Stock or our Series B preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been



Concurrent Series B preferred stock offering

paid on our Series A Preferred Stock and our Series B preferred stock, subject to exceptions such as dividends on our common stock payable solely in shares of our common stock.

Concurrently with this offering of common stock, we are making a public offering of \_\_\_\_\_ shares of our Series B preferred stock, and we have granted the underwriters of that offering a 30-day option to purchase up to \_\_\_\_\_ additional shares of Series B preferred stock to cover over-allotments. Such shares of Series B preferred stock will be convertible into an aggregate of up to \_\_\_\_\_ shares of our common stock (up to \_\_\_\_\_ shares of our common stock if the underwriters in that offering exercise their over-allotment option in full), in each case subject to anti-dilution, make-whole and other adjustments, assuming a public offering price per share of our common stock equal to \$ \_\_\_\_\_, the midpoint of the range indicated on the cover of this prospectus.

We cannot assure you that the offering of Series B preferred stock will be completed or, if completed, on what terms it will be completed. The closing of this offering is not conditioned upon the closing of the Series B preferred stock offering, but the closing of our offering of Series B preferred stock is conditioned upon the closing of this offering. See the section of this prospectus entitled “Concurrent Offering of Series B Preferred Stock” for a summary of the terms of our Series B preferred stock and a further description of the concurrent offering.

Conflicts of Interest

Because Citigroup Global Markets, Inc. is an affiliate of the UST under Rule 2720 of the Conduct Rules of the Financial Industry Regulatory Authority, Inc. (FINRA), a “conflict of interest” is deemed to exist under Rule 2720. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 2720 of the FINRA Conduct Rules. For more information, see the section of this prospectus entitled “Underwriting—Conflicts of Interest.”

Risk factors

See “Risk Factors” beginning on page 14 of this prospectus for a discussion of risks you should carefully consider before deciding whether to invest in our common stock.

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The number of shares of common stock that will be outstanding after this offering is based on 500,000,000 shares of our common stock outstanding as of September 30, 2010 and excludes:

- 45,454,545 shares of our common stock issuable upon the exercise of warrants held by MLC as of September 30, 2010 at an exercise price of \$30.00 per share;
- 45,454,545 shares of our common stock issuable upon the exercise of warrants held by MLC as of September 30, 2010 at an exercise price of \$55.00 per share; and
- 15,151,515 shares of our common stock issuable upon the exercise of warrants held by the New VEBA as of September 30, 2010 at an exercise price of \$126.92 per share.

The number of shares of common stock that will be outstanding after this offering also excludes up to approximately 6 million shares issuable upon settlement of restricted stock units awarded pursuant to the General Motors Company 2009 Long-Term Incentive Plan and salary stock units awarded pursuant to the General Motors Company Salary Stock Plan as of June 30, 2010. The number of outstanding shares also excludes any additional shares of our common stock we are obligated to issue to MLC (Adjustment Shares) in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares (10,000,000 shares, subject to adjustment for stock dividends, stock splits and other transactions) issued if estimated general unsecured claims total \$42.0 billion or more. We currently believe that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In the circumstance where estimated general unsecured claims equal \$37.0 billion, we would be required to issue 2.9 million Adjustment Shares to MLC.

The number of shares of common stock that will be outstanding after this offering also excludes up to \_\_\_\_\_ shares of our common stock (up to \_\_\_\_\_ shares if the underwriters in our offering of Series B preferred stock exercise their over-allotment option in full), in each case subject to anti-dilution, make-whole and other adjustments, that would be issuable upon conversion of shares of Series B preferred stock issued in our concurrent offering of Series B preferred stock.

**SUMMARY FINANCIAL AND OPERATING DATA**

The following table summarizes the consolidated historical financial data of General Motors Company (Successor) and Old GM (Predecessor) for the periods presented. We derived the consolidated historical financial data for the periods July 10, 2009 through December 31, 2009 (Successor) and January 1, 2009 through July 9, 2009 (Predecessor) and the years ended December 31, 2008 and 2007 (Predecessor) and as of December 31, 2009 (Successor) and December 31, 2008 (Predecessor) from the audited consolidated financial statements included elsewhere in this prospectus. We derived the consolidated historical financial statement data for the years ended December 31, 2006 and 2005 (Predecessor) and as of December 31, 2007, 2006 and 2005 (Predecessor) from our audited consolidated financial statements for such years, which are not included in this prospectus. We derived the consolidated historical financial data for the six months ended June 30, 2010 and as of June 30, 2010 from the unaudited condensed consolidated interim financial statements included elsewhere in this prospectus.

The data set forth in the following table should be read together with the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated interim financial statements on the same basis as our audited consolidated financial statements and, in our opinion, have included all adjustments necessary to present fairly in all material respects our financial position and results of operations. Historical results for any prior period are not necessarily indicative of results to be expected in any future period, and results for any interim period are not necessarily indicative of results for a full fiscal year.

**Summary Financial Data**  
**(Dollars in millions, except per share amounts)**

	Successor		Predecessor				
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009(a)	January 1, 2009 Through July 9, 2009	Years Ended December 31,			
	Unaudited		2008	2007	2006	2005	
<b>Income Statement Data:</b>							
Total net sales and revenue(b)	\$ 64,650	\$ 57,474	\$ 47,115	\$ 148,979	\$ 179,984	\$ 204,467	\$ 192,143
Reorganization gains, net(c)	\$ —	\$ —	\$ 128,155	\$ —	\$ —	\$ —	\$ —
Income (loss) from continuing operations(c)(d)	\$ 2,808	\$ (3,786)	\$ 109,003	\$ (31,051)	\$ (42,685)	\$ (2,155)	\$ (10,625)
Income from discontinued operations, net of tax(e)	—	—	—	—	256	445	313
Gain on sale of discontinued operations, net of tax(e)	—	—	—	—	4,293	—	—
Cumulative effect of a change in accounting principle(f)	—	—	—	—	—	—	(109)
Net income (loss)(c)	2,808	(3,786)	109,003	(31,051)	(38,136)	(1,710)	(10,421)
Less: Net (income) loss attributable to noncontrolling interests	(204)	(511)	115	108	(406)	(324)	(48)
Less: Cumulative dividends on preferred stock	(405)	(131)	—	—	—	—	—
Net income (loss) attributable to common stockholders(c)	\$ 2,199	\$ (4,428)	\$ 109,118	\$ (30,943)	\$ (38,542)	\$ (2,034)	\$ (10,469)
GM \$0.01 par value common stock and Old GM \$1-2/3 par value common stock							
<b>Basic earnings (loss) per share:</b>							
Income (loss) from continuing operations attributable to common stockholders before cumulative effect of change in accounting principle	\$ 4.40	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (76.16)	\$ (4.39)	\$ (18.87)
Income from discontinued operations attributable to common stockholders(e)	—	—	—	—	8.04	0.79	0.55
Loss from cumulative effect of a change in accounting principle attributable to common stockholders(f)	—	—	—	—	—	—	(0.19)
Net income (loss) attributable to common stockholders	\$ 4.40	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (68.12)	\$ (3.60)	\$ (18.51)
<b>Diluted earnings (loss) per share:</b>							
Income (loss) from continuing operations attributable to common stockholders before cumulative effect of change in accounting principle	\$ 4.21	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (76.16)	\$ (4.39)	\$ (18.87)
Income from discontinued operations attributable to common stockholders(e)	—	—	—	—	8.04	0.79	0.55
Loss from cumulative effect of a change in accounting principle attributable to common stockholders(f)	—	—	—	—	—	—	(0.19)
Net income (loss) attributable to common stockholders	\$ 4.21	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (68.12)	\$ (3.60)	\$ (18.51)
Cash dividends per common share	\$ —	\$ —	\$ —	\$ 0.50	\$ 1.00	\$ 1.00	\$ 2.00
<b>Balance Sheet Data (as of period end):</b>							
Total assets(b)(d)(g)	\$ 131,899	\$ 136,295	\$ 91,039	\$ 148,846	\$ 185,995	\$ 473,938	
Notes and loans payable(b)(h)	\$ 8,161	\$ 15,783	\$ 45,938	\$ 43,578	\$ 47,476	\$ 286,943	
Series A Preferred Stock	\$ 6,998	\$ 6,998	\$ —	\$ —	\$ —	\$ —	
Equity (deficit)(d)(f)(i)(j)	\$ 23,901	\$ 21,957	\$ (85,076)	\$ (35,152)	\$ (4,076)	\$ 15,931	

- (a) At July 10, 2009 we applied fresh-start reporting following the guidance in ASC 852, "Reorganizations." The audited consolidated financial statements for the periods ended on or before July 9, 2009 do not include the effect of any changes in the fair value of assets or liabilities as a result of the application of fresh-start reporting. Therefore, our financial information at and for any period after July 10, 2009 is not comparable to Old GM's financial information.
- (b) In November 2006 Old GM sold a 51% controlling ownership interest in Ally Financial, resulting in a significant decrease in total consolidated net sales and revenue, assets and notes and loans payable.
- (c) In the period January 1, 2009 through July 9, 2009 Old GM recorded Reorganization gains, net of \$128.2 billion directly associated with the Chapter 11 Proceedings, the 363 Sale and the application of fresh-start reporting. Refer to Note 2 to our audited consolidated financial statements for additional detail.
- (d) In September 2007 Old GM recorded full valuation allowances of \$39.0 billion against net deferred tax assets in Canada, Germany and the United States.
- (e) In August 2007 Old GM completed the sale of the commercial and military operations of its Allison business. The results of operations, cash flows and the 2007 gain on sale of Allison have been reported as discontinued operations for all periods presented.
- (f) In December 2005 Old GM recorded an asset retirement obligation of \$181 million, which was \$109 million net of related income tax effects.
- (g) In December 2006 Old GM recorded the funded status of its benefit plans on the consolidated balance sheet with an offsetting adjustment to Accumulated other comprehensive loss of \$16.9 billion in accordance with the adoption of new provisions of ASC 715, "Compensation – Retirement Benefits" (ASC 715).
- (h) In December 2008 Old GM requested and received financial assistance from the U.S. government and entered into a loan and security agreement with the UST (as amended, the UST Loan Agreement), pursuant to which the UST agreed to provide a \$13.4 billion loan facility (UST Loan Facility). In December 2008 Old GM borrowed \$4.0 billion under the UST Loan Facility.
- (i) In January 2007 Old GM recorded a decrease to Retained earnings of \$425 million and a decrease of \$1.2 billion to Accumulated other comprehensive loss in accordance with the early adoption of the measurement provisions of ASC 715.
- (j) In January 2007 Old GM recorded an increase to Retained earnings of \$137 million with a corresponding decrease to its liability for uncertain tax positions in accordance with ASC 740-10, "Income Taxes."

## RISK FACTORS

Investing in our securities involves risk. You should carefully consider each of the following risks and all of the other information contained in this prospectus before deciding to invest in our securities. 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. While we describe each risk separately, some of the risks are interrelated and certain risks could trigger the applicability of other risks described below.

### Risks Relating to Our Business

***Our business is highly dependent on sales volume. Global vehicle sales have declined significantly from their peak levels, and there is no assurance that the global automobile market will recover in the near future or that it will not suffer a significant further downturn.***

Our business and financial results are highly sensitive to sales volume, as demonstrated by the effect of sharp declines in vehicle sales on our business in the U.S. since 2007 and globally since 2008. Vehicle sales in the U.S. have fallen significantly on an annualized basis since their peak in 2007, and sales globally have shown steep declines on an annualized basis since their peak in January 2008. Many of the economic and market conditions that drove the 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 affect sales. In addition, recent concerns over levels of sovereign indebtedness have contributed to a renewed tightening of credit markets in some of the markets in which we do business. Although vehicle sales began to recover in certain of our markets in the three months ended December 31, 2009 and the recovery has continued through September 30, 2010, the recovery in vehicle sales in certain of our markets, including North America, has been proceeding slowly and there is no assurance that this recovery in vehicle sales will continue or spread across all our markets. Further, sales volumes may again decline severely or take longer to recover than we expect, and if they do, our results of operations and financial condition will be materially adversely affected.

***Our ability to change public perception of our company and products is essential to our ability to attract a sufficient number of consumers to consider our vehicles, particularly our new products, which is critical to our ability to achieve long-term profitability.***

Our ability to achieve long-term profitability depends on our ability to entice consumers to consider our products when purchasing a new vehicle. The automotive industry, particularly in the U.S., is very competitive, and our competitors have been very successful in persuading customers that previously purchased our products to purchase their vehicles instead as is reflected by our loss of market share over the past three years. We believe that this is due, in part, to a negative public perception of our products in relation to those of some of our competitors. Changing this perception, including with respect to the fuel efficiency of our products, as well as the perception of our company in light of Old GM's bankruptcy and our status as a recipient of aid under TARP, will be critical to our long-term profitability. If we are unable to change public perception of our company and products, especially our new products, including cars and crossovers, our results of operations and financial condition could be materially adversely affected.

***The pace of introduction and market acceptance of new vehicles is important to our success, and the frequency of new vehicle introductions and vehicle improvements may be materially adversely affected by reductions in capital expenditures.***

Our competitors have introduced new and improved vehicle models designed to meet consumer expectations and will continue to do so. Our profit margins, sales volumes, and market shares may decrease if we are unable to produce models that compare favorably to these competing models. If we are unable to produce new and improved vehicle models on a basis competitive with the models introduced by our competitors, including models of smaller vehicles, demand for our vehicles may be materially adversely affected. Further, the

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pace of our development and introduction of new and improved vehicles depends on our ability to implement successfully improved technological innovations in design, engineering, and manufacturing, which requires extensive capital investment. Any capital expenditure cuts in these areas that we may determine to implement in the future to reduce costs and conserve cash could reduce our ability to develop and implement improved technological innovations, which may materially reduce demand for our vehicles.

***Our future competitiveness and ability to achieve long-term profitability depends on our ability to control our costs, which requires us to successfully implement restructuring initiatives throughout our automotive operations.***

We are continuing to implement a number of cost reduction and productivity improvement initiatives in our automotive operations, including labor modifications and substantial restructuring initiatives for our European operations. Our future competitiveness depends upon our continued success in implementing these restructuring initiatives throughout our automotive operations, especially in North America and Europe. In addition, while some of the elements of cost reduction are within our control, others such as interest rates or return on investments, which influence our expense for pensions, depend more on external factors, and there can be no assurance that such external factors will not materially adversely affect our ability to reduce our structural costs. 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.

***Failure of our suppliers, due to difficult economic conditions affecting our industry, to provide us with the systems, components, and parts that we need to manufacture our automotive products and operate our business could result in a disruption in our operations and have a material adverse effect on our business.***

We rely on many suppliers to provide us with the systems, components, and parts that we need to manufacture our automotive products and operate our business. In recent years, a number of these suppliers have experienced severe financial difficulties and solvency problems, and some have sought relief under the Bankruptcy Code or similar reorganization laws. This trend intensified in 2009 due to the combination of general economic weakness, sharply declining vehicle sales, and tightened credit availability that has affected the automotive industry generally. Suppliers may encounter difficulties in obtaining credit or may receive an opinion from their independent public accountants regarding their financial statements that includes a statement expressing substantial doubt about their ability to continue as a going concern, which could trigger defaults under their financings or other agreements or impede their ability to raise new funds.

When comparable situations have occurred in the past, suppliers have attempted to increase their prices, pass through increased costs, alter payment terms, or seek other relief. In instances where suppliers have not been able to generate sufficient additional revenues or obtain the additional financing they need to continue their operations, either through private sources or government funding, which may not be available, some have been forced to reduce their output, shut down their operations, or file for bankruptcy protection. Such actions would likely increase our costs, create challenges to meeting our quality objectives, and in some cases make it difficult for us to continue production of certain vehicles. To the extent we take steps in such cases to help key suppliers remain in business, our liquidity would be adversely affected. It may also be difficult to find a replacement for certain suppliers without significant delay.

***Increase in cost, disruption of supply, or shortage of raw materials could materially harm our business.***

We use various raw materials in our business including steel, non-ferrous metals such as aluminum and copper, and precious metals such as platinum and palladium. The prices for these raw materials fluctuate depending on market conditions. In recent years, freight charges and raw material costs increased significantly. Substantial increases in the prices for our raw materials increase our operating costs and could reduce our profitability if we cannot recoup the increased costs through increased vehicle prices. In addition, some of these raw materials, such as corrosion-resistant steel, are only available from a limited number of suppliers. We cannot

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guarantee that we will be able to maintain favorable arrangements and relationships with these suppliers. An increase in the cost or a sustained interruption in the supply or shortage of some of these raw materials, which may be caused by a deterioration of our relationships with suppliers or by events such as labor strikes, could negatively affect our net revenues and profitability to a material extent.

***We operate in a highly competitive industry that has excess manufacturing capacity and attempts by our competitors to sell more vehicles could have a significant negative effect on our vehicle pricing, market share, and operating results.***

The global automotive industry is highly competitive, and overall manufacturing capacity in the industry exceeds demand. Many manufacturers have relatively high fixed labor costs as well as significant limitations on their ability to close facilities and reduce fixed costs. Our competitors may respond to these relatively high fixed costs by attempting to sell more vehicles by adding vehicle enhancements, providing subsidized financing or leasing programs, offering option package discounts or other marketing incentives, or reducing vehicle prices in certain markets. In addition, manufacturers in lower cost countries such as China and India have emerged as competitors in key emerging markets and announced their intention of exporting their products to established markets as a bargain alternative to entry-level automobiles. These actions have had, and are expected to continue to have, a significant negative effect on our vehicle pricing, market share, and operating results, and present a significant risk to our ability to enhance our revenue per vehicle.

***Our business plan and other obligations require substantial liquidity, and inadequate cash flow could materially adversely affect our financial condition and future business operations.***

We will require substantial liquidity to support our business plan and meet other funding requirements. We expect total engineering and capital spending of approximately \$13.0 billion in 2010 as we continue to refresh and broaden our product portfolio, increase our sales, and develop advanced technologies, with continued substantial expenditures on engineering and capital spending in subsequent years. In addition, we have debt maturities and capital lease obligations of \$6.1 billion through 2014. These maturities include VEBA Notes of \$2.5 billion due to our expectation that we will prepay the VEBA Notes if we are able to successfully execute a credit facility (see the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Other Liquidity Issues—Credit Facility Negotiations”). While we do not expect significant mandatory U.S. pension contributions prior to 2014, a hypothetical funding valuation at June 30, 2010 projects contributions of \$4.3 billion and \$5.7 billion in 2014 and 2015, and additional contributions may be required thereafter. We also expect to spend \$725 million to \$900 million to fund various escrow deposits in connection with certain South American tax-related administrative and legal proceedings. We also anticipate continued expenditures to implement long-term cost savings and restructuring plans, including our Opel/Vauxhall restructuring plan. Refer to the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for a further discussion of these liquidity requirements and to the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Other Long-Term Liabilities” for a further discussion of the assumptions utilized to estimate the U.S. pension contributions in the hypothetical funding valuation.

If our cash levels approach the minimum cash levels necessary to support our normal business operations, we may be forced to borrow additional funds at rates that may not be favorable, curtail engineering and capital spending, and reduce research and development and other programs that are important to the future success of our business. A reduction in engineering and capital and research and development spending would negatively affect our ability to meet planned product launches and to refresh our product line-up at the pace contemplated in our business plan. If this were to happen, our future revenue and profitability could be negatively affected.

Although we believe that the funding we received in connection with our formation and our purchase of substantially all of MLC’s assets provides us with sufficient liquidity to operate our business, our ability to maintain adequate liquidity over the long-term will depend significantly on the volume, mix and quality of our vehicle sales and our ability to minimize operating expenses. Our liquidity needs are sensitive to changes in each of these and other factors.



***As part of our business plan, we have reduced compensation for our most highly paid executives and have reduced the number of our management and non-management salaried employees, and these actions may materially adversely affect our ability to hire and retain salaried employees.***

As part of the cost reduction initiatives in our business plan, and pursuant to the direction of the Special Master for TARP Executive Compensation (the Special Master), the form and timing of the compensation for our most highly paid executives is not competitive with that offered by other major corporations. Furthermore, while we have repaid in full our indebtedness under our secured credit agreement with the UST dated July 10, 2009, as amended (the UST Credit Agreement), the executive compensation and corporate governance provisions of Section 111 of the Emergency Economic Stabilization Act of 2008, as amended (the EESA), including the Interim Final Rule implementing Section 111 (the Interim Final Rule), will continue to apply to us for the period specified in the EESA and the Interim Final Rule. In addition, certain of the covenants in the UST Credit Agreement will continue to apply to us until the earlier to occur of (i) us ceasing to be a recipient of Exceptional Financial Assistance, as determined pursuant to the Interim Final Rule or any successor or final rule, or (ii) UST ceasing to own any direct or indirect equity interests in us. The effect of Section 111 of EESA, the Interim Final Rule and the covenants is to restrict the compensation that we can provide to our top executives and prohibit certain types of compensation or benefits for any employees. At the same time, we have substantially decreased the number of salaried employees so that the workload is shared among fewer employees and in general the demands on each salaried employee are increased. Companies in similar situations have experienced significant difficulties in hiring and retaining highly skilled employees, particularly in competitive specialties. Given our compensation structure and increasing job demands, there is no assurance that we will continue to be able to hire and retain the 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.

***Our plan to reduce the number of our retail channels and brands and to consolidate our dealer network may reduce our total sales volume and our market share and not result in the cost savings we anticipate.***

As part of our business plan, we will focus our resources in the U.S. on four brands: Chevrolet, Cadillac, Buick and GMC. We completed the sale of Saab Automobile AB (Saab) in February 2010, and have ceased production of our Pontiac, Saturn and HUMMER brands. We have recently completed the federal arbitration process concerning dealer reinstatement and are on track with our plan to consolidate our dealer network by reducing the total number of our U.S. dealerships from approximately 5,200 as of June 30, 2010 to approximately 4,500 by the end of 2010. We anticipate that this reduction in retail outlets, brands, and dealers will result in cost savings over time, but there is no assurance that we will realize all the savings expected. We also anticipate our sales volume and market share will increase over time, but it is also possible that our market share could decline in the short-term and beyond because of these reductions in brands and dealers which may adversely affect our results of operations.

***Our business plan contemplates that we restructure our operations in various European countries, but we may not succeed in doing so, and our failure to restructure these operations in a cost-effective and non-disruptive manner could have a material adverse effect on our business and results of operations.***

Our business plan contemplates that we restructure our operations in various European countries, and we are actively working to accomplish this. We continue to work towards a restructuring of our German and certain other European operations. We cannot be certain that we will be able to successfully complete any of these restructurings. In addition, restructurings, whether or not ultimately successful, can involve significant expense and disruption to the business as well as labor disruptions, which can adversely affect the business. Moreover, in June 2010 the German federal government notified us of its decision not to provide loan guarantees to Opel/ Vauxhall. As a result, we decided to fund the requirements of Opel/Vauxhall internally and withdrew all applications for government loan guarantees from European governments. We anticipate that our decision to restructure our European operations will require us to invest \$1.3 billion of additional funds and require significant management attention. We cannot assure you that any of our contemplated restructurings will be completed or achieve the desired results, and if we cannot successfully complete such restructurings, we may

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choose to, or the directors of the relevant entity may be compelled to, or creditors may force us to, seek relief for our various European operations under applicable local bankruptcy, reorganization, insolvency, or similar laws, where we may lose control over the outcome of the restructuring process due to the appointment of a local receiver, trustee, or administrator (or similar official) or otherwise and which could result in a liquidation and us losing all or a substantial part of our interest in the business.

***Our U.S. defined benefit pension plans are currently underfunded, and our pension funding obligations could increase significantly due to a reduction in funded status as a result of a variety of factors, including weak performance of financial markets, declining interest rates, investment decisions that do not achieve adequate returns, and investment risk inherent in our investment portfolio.***

Our future funding obligations for our U.S. defined benefit pension plans qualified with the Internal Revenue Service (IRS) depend upon the future performance of assets placed in trusts for these plans, the level of interest rates used to determine funding levels, the level of benefits provided for by the plans and any changes in government laws and regulations. Our employee benefit plans currently hold a significant amount of equity and fixed income securities. A detailed description of the investment funds and strategies is shown in Note 19 to our audited consolidated financial statements, which also describes significant concentrations of risk to the plan investments. Due to Old GM's contributions to the plans and to the strong performance of these assets during prior periods, the U.S. hourly and salaried pension plans were consistently overfunded from 2005 through 2007, which allowed Old GM to maintain a surplus without making additional contributions to the plans. However, the funded status subsequently deteriorated due to a combination of factors. Adverse equity and credit markets reduced the market value of plan assets, while the present value of pension liabilities rose significantly in response to declines in the discount rate, the effect of separation programs and increases in the level of pension benefits and number of beneficiaries. This increase in beneficiaries was partially due to the inclusion of certain Delphi Corporation (Delphi) hourly employees. As a result of these adverse factors, our U.S. defined benefit pension plans were underfunded on a U.S. GAAP basis by \$17.1 billion at December 31, 2009. In addition, at December 31, 2009 our non-U.S. defined benefit pension plans were underfunded on a U.S. GAAP basis by \$10.3 billion.

The defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including an expected rate of return on plan assets and a discount rate. In the U.S., from December 31, 2009 to June 30, 2010, interest rates on high quality corporate bonds decreased. We believe that a discount rate calculated at June 30, 2010 would be approximately 65 to 75 basis points lower than the rates used to measure the pension plans at December 31, 2009, the date of the last remeasurement for the U.S. pension plans. As a result, funded status would decrease if the plans were remeasured at June 30, 2010, holding all other factors (e.g., actuarial assumptions and asset returns) constant (see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" for an indication of the sensitivity associated with movements in discount rates). It is not possible for us to predict the economic environment at our next scheduled remeasurement as of December 31, 2010. Accordingly, discount rates and plan assets may be significantly different from those at June 30, 2010.

The next U.S. pension funding valuation date based on the requirements of the Pension Protection Act (PPA) of 2006 will be October 1, 2010. However, based on a hypothetical funding valuation at June 30, 2010, we may need to make significant contributions to our U.S. pension plans in 2014 and beyond (see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Other Long-Term Liabilities" for more details).

If the total values of the assets held by our pension plans decline and/or the returns on such assets underperform the Company's return assumptions, our pension expenses would generally increase and could materially adversely affect our financial position. Changes in interest rates that are not offset by contributions, asset returns and/or hedging activities could also increase our obligations under such plans. If local legal authorities increase the minimum funding requirements for our pension plans outside the U.S., we could be required to contribute more funds, which would negatively affect our cash flow.

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Due to the complexity and magnitude of our investments, additional risks exist. Examples include significant changes in investment policy, insufficient market capacity to complete a particular investment strategy, and an inherent divergence in objectives between the ability to manage risk in the short term and inability to quickly rebalance illiquid and long-term investments.

If we are unable to meet our required funding obligations for our U.S. pension plans under the terms imposed by regulators at a given point in time, we would need to request a funding waiver from the IRS. If the waiver were granted, we would have the opportunity to make up the missed funding, with interest to the plan. Additional periods of missed funding could further reduce the plans' funded status, resulting in limitations on plan amendments and lump sum payouts from the plans. Continued deterioration in the plans' funded status could result in benefit accrual elimination. These actions could materially adversely affect our relations with our employees and their labor unions.

***If adequate financing on acceptable terms is not available through Ally Financial or other sources to our customers and dealers, distributors, and suppliers to enable them to continue their business relationships with us, our business could be materially adversely affected.***

Our customers and dealers require financing to purchase a significant percentage of our global vehicle sales. Historically, Ally Financial has provided most of the financing for our and Old GM's dealers and a significant amount of financing for our and Old GM's customers. Due to recent conditions in credit markets, particularly later in 2008, retail customers and dealers experienced severe difficulty in accessing the credit markets. As a result, the number of vehicles sold or leased declined rapidly in the second half of 2008, with lease contract volume dropping significantly by the end of 2008. This had a significant adverse effect on Old GM vehicle sales overall because many of its competitors had captive financing subsidiaries that were better capitalized than Ally Financial during 2008 and 2009 and thus were able to offer consumers subsidized financing and leasing offers.

Similarly, the reduced availability of Ally Financial wholesale dealer financing (in the second half of 2008 and 2009), the increased cost of such financing, and the limited availability of other sources of dealer financing due to the general weakness of the credit market has caused and may continue to cause dealers to modify their plans to purchase vehicles from us.

Because of recent modifications to our commercial agreements with Ally Financial, Ally Financial no longer is subject to contractual wholesale funding commitments or retail underwriting targets. In addition, Ally Financial's credit rating has declined in recent years. This may negatively affect its access to funding and therefore its ability to provide adequate financing at competitive rates to our customers and dealers. In addition, a number of other factors could negatively affect Ally Financial's business and financial condition and therefore its ability to provide adequate financing at competitive rates. These factors include regulations to which Ally Financial is subject as a result of its bank holding company status, disruptions in Ally Financial's funding sources and access to credit markets, Ally Financial's significant indebtedness, adverse conditions in the residential mortgage market and housing markets that have adversely affected Ally Financial because of its mortgage business, increases or decreases in interest rates, changes in currency exchange rates and fluctuations in valuations of investment securities held by Ally Financial.

***Our failure to successfully develop our own captive financing unit, including through GM Financial, could leave us at a disadvantage to our competitors that have their own captive financing subsidiaries and that therefore may be able to offer consumers and dealers financing and leasing on better terms than our customers and dealers are able to obtain.***

Many of our competitors operate and control their own captive financing subsidiaries. If any of our competitors with captive financing subsidiaries are able to continue to offer consumers and dealers financing and leasing on better terms than our customers and dealers are able to obtain, consumers may be more inclined to purchase our competitors' vehicles and our competitors' dealers may be better able to stock our competitors' products.

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On October 1, 2010 we completed our acquisition of AmeriCredit, which we subsequently renamed GM Financial and which we expect will enable us to offer increased availability of leasing and sub-prime financing for our customers. Our failure to successfully develop our own captive financing unit, including through the AmeriCredit acquisition, could result in our loss of customers to our competitors with their own captive financing subsidiaries and could adversely affect our dealers' ability to stock our vehicles if they are not able to obtain necessary financing at competitive rates from other sources.

***We intend to rely on our new captive financing unit, GM Financial, to support additional consumer leasing of our vehicles and additional sales of our vehicles to consumers requiring sub-prime vehicle financing, and GM Financial faces a number of business, economic and financial risks that could impair its access to capital and negatively affect its business and operations and its ability to provide leasing and sub-prime financing options to consumers to support additional sales of our vehicles.***

GM Financial is subject to various risks that could negatively affect its business, operations and access to capital and therefore its ability to provide leasing and sub-prime financing options at competitive rates to consumers of our vehicles. Because we intend to rely on GM Financial to serve as an additional source of leasing and sub-prime financing options for consumers, any impairment of GM Financial's ability to provide such leasing or sub-prime financing would negatively affect our efforts to expand our market penetration among consumers who rely on leasing and sub-prime financing options to acquire new vehicles. The factors that could adversely affect GM Financial's business and operations and impair its ability to provide leasing and sub-prime financing at competitive rates include:

- the availability of borrowings under its credit facility to finance its loan origination activities pending securitization;
- its ability to transfer loan receivables to securitization trusts and sell securities in the asset-backed securities market to generate cash proceeds to repay its credit facilities and purchase additional loan receivables;
- the performance of loans in its portfolio, which could be materially impacted by delinquencies, defaults or prepayments;
- its ability to implement its strategy with respect to desired loan origination volume and effective use of credit risk management techniques and servicing strategies;
- its ability to effectively manage risks relating to sub-prime automobile receivables;
- wholesale auction values of repossessed vehicles; and
- fluctuations in interest rates.

The above factors, alone or in combination, could negatively affect GM Financial's business and operations and its ability to provide leasing and sub-prime financing options to consumers to support additional sales of our vehicles.

***The UST (or its designee) will continue to own a substantial interest in us following this offering, and its interests may differ from those of our other stockholders.***

Immediately following this offering, the UST will own approximately % of our outstanding shares of common stock ( % if the underwriters in the offering of common stock exercise their over-allotment option in full). As a result of this stock ownership interest, the UST has the ability to exert control, through its power to vote for the election of our directors, over various matters. To the extent the UST elects to exert such control over

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us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

- The selection, tenure and compensation of our management;
- Our business strategy and product offerings;
- Our relationship with our employees, unions and other constituencies; and
- Our financing activities, including the issuance of debt and equity securities.

In particular, the UST may have a greater interest in promoting U.S. economic growth and jobs than other stockholders of the Company. For example, while we have repaid in full our indebtedness under the UST Credit Agreement, a covenant that continues to apply until the earlier of December 31, 2014 or the UST has been paid in full the total amount of all UST invested capital requires that we use our commercially reasonable best efforts to ensure, subject to exceptions, that our manufacturing volume in the United States is consistent with specified benchmarks.

In the future we may also become subject to new and additional laws and government regulations regarding various aspects of our business as a result of participation in the TARP program and the U.S. government's ownership in our business. These regulations could make it more difficult for us to compete with other companies that are not subject to similar regulations.

***The VEBA Note Agreement, the UST Credit Agreement and the Canadian Loan Agreement contain significant covenants that may restrict our ability and the ability of our subsidiaries to take actions management believes are important to our long-term strategy.***

Our secured note agreement with the New VEBA (as amended and restated, the VEBA Note Agreement), contains affirmative covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. The affirmative covenants impose obligations on us with respect to, among other things, financial reporting to the New VEBA, use of proceeds of asset sales, maintenance of facility collateral and other property and payment of obligations. The negative covenants in the VEBA Note Agreement generally apply to us and most of our subsidiaries and restrict us with respect to, among other things, granting liens, distributions on capital stock, amendments or waivers of certain documents and entering into new indebtedness.

In addition, while we have repaid in full our indebtedness under the UST Credit Agreement, the executive compensation and corporate governance provisions of Section 111 of the EESA, including the Interim Final Rule, will continue to apply to us for the period specified in the EESA and the Interim Final Rule. In addition, certain of the covenants in the UST Credit Agreement will continue to apply to us until the earlier of (i) us ceasing to be a recipient of Exceptional Financial Assistance, as determined pursuant to the Interim Final Rule or any successor or final rule, or (ii) UST ceasing to own any direct or indirect equity interests in us. The effect of Section 111 of EESA, the Interim Final Rule and the covenants is to restrict the compensation that we can provide to our top executives and prohibit certain types of compensation or benefits for any employees. Similarly, covenants in our wholly-owned subsidiary General Motors of Canada Limited's (GMCL) amended and restated loan agreement (the Canadian Loan Agreement) with Export Development Canada (EDC) limit compensation and benefits for Canadian employees.

Compliance with the covenants contained in the VEBA Note Agreement, the UST Credit Agreement and the Canadian Loan Agreement could restrict our ability to take actions that management believes are important to our long-term strategy. If strategic transactions we wish to undertake are prohibited, our ability to execute our long-term strategy could be materially adversely affected.

In addition, the UST Credit Agreement contains a covenant requiring us to use our commercially reasonable best efforts to ensure that our manufacturing volume conducted in the United States is consistent with at least

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ninety percent of the projected manufacturing level (1,801,000 units in 2010, 1,934,000 units in 2011, 1,998,000 units in 2012, 2,156,000 units in 2013 and 2,260,000 units in 2014), absent a material adverse change in our business or operating environment which would make the commitment non-economic. In the event that such a material adverse change occurs, the UST Credit Agreement provides that we will use commercially reasonable best efforts to ensure that the volume of United States manufacturing is the minimum variance from the projected manufacturing level that is consistent with good business judgment and the intent of the commitment.

To the extent we fail to comply with any of the covenants in the UST Credit Agreement that continue to apply to us, the UST is entitled to seek specific performance and the appointment of a court-ordered monitor acceptable to the UST (at our sole expense) to ensure compliance with those covenants. Compliance with the manufacturing volume covenant could require us to increase production volumes in our U.S. plants, shift production from low-cost locations to the U.S. or refrain from shifting production from U.S. plants to low-cost locations.

The Canadian Loan Agreement and related agreements include certain covenants requiring GMCL to meet certain annual Canadian production volumes expressed as ratios to total overall production volumes in the U.S. and Canada and to overall production volumes in the North American Free Trade Agreement (NAFTA) region. The targets cover vehicles and specified engine and transmission production in Canada. These agreements also include covenants on annual GMCL capital expenditures and research and development expenses. In the event a material adverse change occurs that makes the fulfillment of these covenants non-economic (other than a material adverse change caused by the actions or inactions of GMCL), there is an undertaking that the lender will consider adjustments to mitigate the business effect of the material adverse change. These covenants survive GMCL's repayment of the loans and certain of the covenants have effect through December 31, 2016.

Finally, monitoring and certifying our compliance with the VEBA Note Agreement, the UST Credit Agreement and the Canadian Loan Agreement requires a high level of expense and management attention on a continuing basis.

***Even though we have made significant modifications to our obligations to the New VEBA, we are still obligated to contribute a significant amount of cash to fund the New VEBA in the future.***

Even though we have made significant modifications to our obligations to the New VEBA, we are still required to contribute a significant amount of cash to the New VEBA over a period of years. The amounts payable to the New VEBA include: (1) dividends payable on the 260 million shares of Series A Preferred Stock issued to the New VEBA in connection with the closing of the 363 Sale, which have a liquidation preference of \$25.00 per share and accrue cumulative dividends at a rate equal to 9.0% per annum (payable quarterly on March 15, June 15, September 15 and December 15) if, as and when declared by our Board of Directors (the UST and Canada Holdings hold an additional 100 million shares of Series A Preferred Stock); and (2) payments on the notes (VEBA Notes) issued to the New VEBA pursuant to the VEBA Note Agreement in three equal installments of \$1.4 billion on July 15, 2013, 2015 and 2017. On or after December 31, 2014, we may redeem, in whole or in part, the shares of Series A Preferred Stock at the time outstanding, at a redemption price per share equal to the sum of: (1) \$25.00 per share; and (2) subject to limited exceptions, any accrued and unpaid dividends. There is no assurance that we will be able to obtain all of the necessary funding to fund our existing VEBA payment obligations on terms that will be acceptable to us. If we are unable to obtain funding from internal or external sources or some combination thereof on terms that are consistent with our business plan, we would have to delay, reduce, or cancel other planned expenditures.

***Our planned investment in new technology in the future is significant and may not be funded at anticipated levels and, even if funded at anticipated levels, may not result in successful vehicle applications.***

We intend to invest significant capital resources to support our products and to develop new technology. In addition, we plan to invest heavily in alternative fuel and advanced propulsion technologies between 2010 and

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2012, largely to support our planned expansion of hybrid and electric vehicles, consistent with our announced objective of being recognized as the industry leader in fuel efficiency. Moreover, if our future operations do not provide us with the liquidity we anticipate, we may be forced to reduce, delay, or cancel our planned investments in new technology.

In some cases, the technologies that we plan to employ, such as hydrogen fuel cells and advanced battery technology, are not yet commercially practical and depend on significant future technological advances by us and by suppliers. For example, we have announced that we intend to produce by November 2010 the Chevrolet Volt, an electric car, which requires battery technology that has not yet proven to be commercially viable. There can be no assurance that these advances will occur in a timely or feasible way, that the funds that we have budgeted for these purposes will be adequate, or that we will be able to establish our right to these technologies. However, our competitors and others are pursuing similar technologies and other competing technologies, in some cases with more money available, and there can be no assurance that they will not acquire similar or superior technologies sooner than we do or on an exclusive basis or at a significant price advantage.

***New laws, regulations, or policies of governmental organizations regarding increased fuel economy requirements and reduced greenhouse gas emissions, or changes in existing ones, may have a significant effect on how we do business.***

We are affected significantly by governmental regulations that can increase costs related to the production of our vehicles and affect our product portfolio. We anticipate that the number and extent of these regulations, and the related costs and changes to our product lineup, will increase significantly in the future. In the U.S. and Europe, for example, governmental regulation is primarily driven by concerns about the environment (including greenhouse gas emissions), vehicle safety, fuel economy, and energy security. These government regulatory requirements could significantly affect our plans for global product development and may result in substantial costs, including civil penalties. They may also result in limits on the types of vehicles we sell and where we sell them, which can affect revenue.

Corporate Average Fuel Economy (CAFE) provisions in the Energy Independence and Security Act of 2007 (the EISA) mandate fuel economy standards beginning in the 2011 model year that would increase to at least 35 mpg by 2020 on a combined car and truck fleet basis, a 40% increase over current levels. In addition, California is implementing a program to regulate vehicle greenhouse gas emissions (AB 1493 Rules) and therefore will require increased fuel economy. This California program has standards currently established for the 2009 model year through the 2016 model year. Thirteen additional states and the Province of Quebec have also adopted the California greenhouse gas standards.

On May 19, 2009, President Obama announced his intention for the federal government to implement a harmonized federal program to regulate fuel economy and greenhouse gases. He directed the Environmental Protection Agency (EPA) and the United States Department of Transportation (DOT) to work together to create standards through a joint rulemaking for control of emissions of greenhouse gases and for fuel economy. In the first phase, these standards would apply to passenger cars, light-duty trucks, and medium-duty passenger vehicles built in model years 2012 through 2016. The California Air Resources Board (CARB) has agreed that compliance with EPA's greenhouse gas standards will be deemed compliance with the California greenhouse gas standards for the 2012 through 2016 model years. EPA and the National Highway Traffic Safety Administration (NHTSA), on behalf of DOT, issued their final rule to implement this new federal program on April 1, 2010. We have committed to work with EPA, the NHTSA, the states, and other stakeholders in support of a strong national program to reduce oil consumption and address global climate change.

We are committed to meeting or exceeding these regulatory requirements, and our product plan of record projects compliance with the anticipated federal program through the 2016 model year. We expect that to comply with these standards we will be required to sell a significant volume of hybrid or electrically powered vehicles throughout the U.S., as well as implement new technologies for conventional internal combustion engines, all at

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increased cost levels. There is no assurance that we will be able to produce and sell vehicles that use such technologies on a profitable basis, or that our customers will purchase such vehicles in the quantities necessary for us to comply with these regulatory programs.

In addition, the European Union (EU) passed legislation, effective April 23, 2009, to begin regulating vehicle carbon dioxide emissions beginning in 2012. The legislation sets a target of a fleet average of 95 grams per kilometer for 2020, with the requirements for each manufacturer based on the weight of the vehicles it sells. Additional measures have been proposed or adopted in Europe to regulate features such as tire rolling resistance, vehicle air conditioners, tire pressure monitors, gear shift indicators, and others. At the national level, 17 EU Member States have adopted some form of fuel consumption or carbon dioxide-based vehicle taxation system, which could result in specific market requirements for us to introduce technology earlier than is required for compliance with the EU emissions standards.

Other governments around the world, such as Canada, South Korea, and China are also creating new policies to address these same issues. As in the U.S., these government policies could significantly affect our plans for product development. Due to these regulations, we could be subject to sizable civil penalties or have to restrict product offerings drastically to remain in compliance. Additionally, the regulations will result in substantial costs, which could be difficult to pass through to our customers, and could result in limits on the types of vehicles we sell and where we sell them, which could affect our operations, including facility closings, reduced employment, increased costs, and loss of revenue.

***We may be unable to qualify for federal funding for our advanced technology vehicle programs under Section 136 of the EISA or may not be selected to participate in the program.***

The U.S. Congress provided the United States Department of Energy (DOE) with \$25.0 billion in funding to make direct loans to eligible applicants for the costs of re-equipping, expanding, and establishing manufacturing facilities in the U.S. to produce advanced technology vehicles and components for these vehicles. Old GM submitted three applications for Section 136 Loans aggregating \$10.3 billion to support its advanced technology vehicle programs prior to July 2009. Based on the findings of the Presidential Task Force on the Auto Industry (Auto Task Force) under Old GM's UST Loan Agreement in March 2009, the DOE determined that Old GM did not meet the viability requirements for Section 136 Loans.

On July 10, 2009 we purchased certain assets of Old GM pursuant to Section 363 of the Bankruptcy Code, including the rights to the loan applications submitted to the Advanced Technology Vehicle Manufacturing Incentive Program (the ATVMIP). Further, we submitted a fourth application in August 2009. Subsequently, the DOE advised us to resubmit a consolidated application including all the four applications submitted earlier and also the Electric Power Steering project acquired from Delphi in October 2009. We submitted the consolidated application in October 2009, which requested an aggregate amount of \$14.4 billion of Section 136 Loans. Ongoing product portfolio updates and project modifications requested from the DOE have the potential to reduce the maximum loan amount. To date, the DOE has announced that it would provide approximately \$8.4 billion in Section 136 Loans to Ford Motor Company, Nissan Motor Company, Tesla Motors, Inc., Fisker Automotive, Inc., and Tenneco Inc. There can be no assurance that we will qualify for any remaining loans or receive any such loans even if we qualify.

***A significant amount of our operations are conducted by joint ventures that we cannot operate solely for our benefit.***

Many of our operations, particularly in emerging markets, are carried on by joint ventures such as Shanghai General Motors Co., Ltd. (SGM). In joint ventures, we share ownership and management of a company with one or more parties who may not have the same goals, strategies, priorities, or resources as we do. In general, joint ventures are intended to be operated for the equal benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In joint ventures, we are required to pay more



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attention to our relationship with our co-owners as well as with the joint venture, and if a co-owner changes, our relationship may be materially adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so that we do not receive all the benefits from our successful joint ventures.

***Our business in China is subject to aggressive competition and is sensitive to economic and market conditions.***

Maintaining a strong position in the Chinese market is a key component of our global growth strategy. The automotive market in China is highly competitive, with competition from many of the largest global manufacturers and numerous smaller domestic manufacturers. As the size of the Chinese market continues to increase, we anticipate that additional competitors, both international and domestic, will seek to enter the Chinese market and that existing market participants will act aggressively to increase their market share. Increased competition may result in price reductions, reduced margins and our inability to gain or hold market share. In addition, our business in China is sensitive to economic and market conditions that drive sales volume in China. If we are unable to maintain our position in the Chinese market or if vehicle sales in China decrease or do not continue to increase, our business and financial results could be materially adversely affected.

***Shortages of and volatility in the price of oil have caused and may have a material adverse effect on our business due to shifts in consumer vehicle demand.***

Volatile oil prices in 2008 and 2009 contributed to weaker demand for some of Old GM's and our higher margin vehicles, especially our fullsize sport utility vehicles, as consumer demand shifted to smaller, more fuel-efficient vehicles, which provide lower profit margins and in recent years represented a smaller proportion of Old GM's and our sales volume in North America. Fullsize pick-up trucks, which are generally less fuel efficient than smaller vehicles, represented a higher percentage of Old GM's and our North American sales during 2008 and 2009 compared to the total industry average percentage of fullsize pick-up truck sales in those periods. Demand for traditional sport utility vehicles and vans also declined during the same periods. Any future increases in the price of oil in the U.S. or in our other markets or any sustained shortage of oil could further weaken the demand for such vehicles, which could reduce our market share in affected markets, decrease profitability, and have a material adverse effect on our business.

***Restrictions in our labor agreements could limit our ability to pursue or achieve cost savings through restructuring initiatives, and labor strikes, work stoppages, or similar difficulties could significantly disrupt our operations.***

Substantially all of the hourly employees in our U.S., Canadian, and European automotive operations are represented by labor unions and are covered by collective bargaining agreements, which usually have a multi-year duration. Many of these agreements include provisions that limit our ability to realize cost savings from restructuring initiatives such as plant closings and reductions in workforce. Our current collective bargaining agreement with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) will expire in September 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 in furtherance of our North American initiatives. A lengthy strike by the UAW that involves all or a significant portion of our manufacturing facilities in the United States would have a material adverse effect on our operations and financial condition, particularly our liquidity.

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***Despite the formation of our new company, we continue to have indebtedness and other obligations. Our obligations together with our cash needs may require us to seek additional financing, minimize capital expenditures, or seek to refinance some or all of our debt.***

Despite the formation of our new company, we continue to have indebtedness and other obligations, including significant liabilities to our underfunded defined benefit pension plans. Our current and future indebtedness and other obligations could have several important consequences. For example, they could:

- Require us to dedicate a larger portion of our cash flow from operations than we currently do to the payment of principal and interest on our indebtedness and other obligations, which will reduce the funds available for other purposes such as product development;
- Make it more difficult for us to satisfy our obligations;
- Make us more vulnerable to adverse economic and industry conditions and adverse developments in our business;
- Limit our ability to withstand competitive pressures;
- Limit our ability to fund working capital, capital expenditures, and other general corporate purposes; and
- Reduce our flexibility in responding to changing business and economic conditions.

Future liquidity needs may require us to seek additional financing or minimize capital expenditures. There is no assurance that either of these alternatives would be available to us on satisfactory terms or on terms that would not require us to renegotiate the terms and conditions of our existing debt agreements.

***Our failure to comply with the covenants in the agreements governing our present and future indebtedness could materially adversely affect our financial condition and liquidity.***

Several of the agreements governing our indebtedness, including the VEBA Note Agreement and other loan facility agreements, contain covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. In the past, we have failed to meet certain of these covenants, including by failing to provide financial statements in a timely manner and failing certain financial tests. In addition, the Chapter 11 Proceedings and the change in control as a result of the 363 Sale triggered technical defaults in certain loans for which we had assumed the obligations. A breach of any of the covenants in the agreements governing our indebtedness, if uncured, could lead to an event of default under any such agreements, which in some circumstances could give the lender the right to demand that we accelerate repayment of amounts due under the agreement. Therefore, in the event of any such breach, we may need to seek covenant waivers or amendments from the lenders or to seek alternative or additional sources of financing, and we cannot assure you that we would be able to obtain any such waivers or amendments or alternative or additional financing on acceptable terms, if at all. Refer to Note 13 to our unaudited condensed consolidated interim financial statements for additional information on technical defaults and covenant violations that have occurred recently. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain additional financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity.

***The ability of our new executive management team to quickly learn the automotive industry and lead our company will be critical to our ability to succeed, and our business and results of operations could be materially adversely affected if they are unsuccessful.***

Within the past year we have substantially changed our executive management team. We have a new Chief Executive Officer who started on September 1, 2010 and a new Chief Financial Officer who started on January 1,

2010, both of whom have no outside automotive industry experience. We have also promoted from within GM many new senior officers. It is important to our success that the new members of the executive management team quickly understand the automotive industry and that our senior officers quickly adapt and excel in their new senior management roles. If they are unable to do so, and as a result are unable to provide effective guidance and leadership, our business and financial results could be materially adversely affected.

***We could be materially adversely affected by changes or imbalances in foreign currency exchange and other rates.***

Given the nature and global spread of our business, we have significant exposures to risks related to changes in foreign currency exchange rates, commodity prices, and interest rates, which can have material adverse effects on our business. For example, at times certain of our competitors have derived competitive advantage from relative weakness of the Japanese Yen through pricing advantages for vehicles and parts imported from Japan to markets with more robust currencies like the U.S. and Western Europe. Similarly, a significant strengthening of the Korean Won relative to the U.S. dollar or the Euro would affect the competitiveness of our Korean operations as well as that of certain Korean competitors. As yet another example, a relative weakness of the British Pound compared to the Euro has an adverse effect on our results of operations in Europe. In addition, in preparing our consolidated financial statements, we translate our revenues and expenses outside the U.S. into U.S. Dollars using the average foreign currency exchange rate for the period and the assets and liabilities using the foreign currency exchange rate at the balance sheet date. As a result, foreign currency fluctuations and the associated translations could have a material adverse effect on our results of operations.

***Our businesses outside the U.S. expose us to additional risks that may materially adversely affect our business.***

The majority of our vehicle sales are generated outside the U.S. We are pursuing growth opportunities for our business in a variety of business environments outside the U.S. Operating in a large number of different regions and countries exposes us to political, economic, and other risks as well as multiple foreign regulatory requirements that are subject to change, including:

- Economic downturns in foreign countries or geographic regions where we have significant operations, such as China;
- Economic tensions between governments and changes in international trade and investment policies, including imposing restrictions on the repatriation of dividends, especially between the United States and China;
- Foreign regulations restricting our ability to sell our products in those countries;
- Differing local product preferences and product requirements, including fuel economy, vehicle emissions, and safety;
- Differing labor regulations and union relationships;
- Consequences from changes in tax laws;
- Difficulties in obtaining financing in foreign countries for local operations; and
- Political and economic instability, natural calamities, war, and terrorism.

The effects of these risks may, individually or in the aggregate, materially adversely affect our business.

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***New laws, regulations, or policies of governmental organizations regarding safety standards, or changes in existing ones, may have a significant negative effect on how we do business.***

Our products must satisfy legal safety requirements. Meeting or exceeding government-mandated safety standards is difficult and costly because crashworthiness standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards. While we are managing our product development and production operations on a global basis to reduce costs and lead times, unique national or regional standards or vehicle rating programs can result in additional costs for product development, testing, and manufacturing. Governments often require the implementation of new requirements during the middle of a product cycle, which can be substantially more expensive than accommodating these requirements during the design of a new product.

***The costs and effect on our reputation of product recalls could materially adversely affect our business.***

From time to time, we recall our products to address performance, compliance, or safety-related issues. The costs we incur in connection with these recalls typically include the cost of the part being replaced and labor to remove and replace the defective part. In addition, product recalls can harm our reputation and cause us to lose customers, particularly if those recalls cause consumers to question the safety or reliability of our products. Any costs incurred or lost sales caused by future product recalls could materially adversely affect our business. Conversely, not issuing a recall or not issuing a recall on a timely basis can harm our reputation and cause us to lose customers for the same reasons as expressed above.

***We have determined that our disclosure controls and procedures and our internal control over financial reporting are currently not effective. The lack of effective internal controls could materially adversely affect our financial condition and ability to carry out our business plan.***

Our management team for financial reporting, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our internal controls. At December 31, 2009, because of the inability to sufficiently test the effectiveness of remediated internal controls, we concluded that our internal control over financial reporting was not effective. At June 30, 2010 we concluded that our disclosure controls and procedures were not effective at a reasonable assurance level because of the material weakness in our internal control over financial reporting that continued to exist. Until we have been able to test the operating effectiveness of remediated internal controls and ensure the effectiveness of our disclosure controls and procedures, any material weaknesses may materially adversely affect our ability to report accurately our financial condition and results of operations in the future in a timely and reliable manner. In addition, although we continually review and evaluate internal control systems to allow management to report on the sufficiency of our internal controls, we cannot assure you that we will not discover additional weaknesses in our internal control over financial reporting. Any such additional weakness or failure to remediate the existing weakness could materially adversely affect our financial condition or ability to comply with applicable financial reporting requirements and the requirements of the Company's various financing agreements.

### **Risks Relating to this Offering and Ownership of Our Common Stock**

***The sale or availability for sale of substantial amounts of our common stock could cause our common stock price to decline or impair our ability to raise capital.***

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, or the conversion of shares of our Series B preferred stock or the perception that conversion could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of equity and equity-related securities. Upon completion of this offering, there will be 500,000,000 shares of common stock issued and outstanding. Upon completion of the concurrent offering of Series B preferred stock, up to \_\_\_\_\_ shares of common stock (up to \_\_\_\_\_ shares if the underwriters in that offering exercise their over-allotment option in full), in each case subject to anti-dilution, make-whole and other adjustments,

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will be issuable upon conversion of the shares of Series B preferred stock, assuming a public offering price per share of our common stock equal to \$ \_\_\_\_\_, the midpoint of the range indicated on the cover of this prospectus. Of the 500,000,000 outstanding shares of common stock, the \_\_\_\_\_ shares of common stock to be sold in this offering ( \_\_\_\_\_ shares if the underwriters in this offering exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act), unless those shares are held by any of our “affiliates,” as that term is defined under Rule 144 of the Securities Act. Following the expiration of any applicable lock-up periods referred to in the section of this prospectus entitled “Shares Eligible for Future Sale,” the \_\_\_\_\_ remaining outstanding shares of common stock ( \_\_\_\_\_ remaining outstanding shares if the underwriters in this offering exercise their over-allotment option in full) may be eligible for resale under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. In addition, pursuant to the October 15, 2009 Equity Registration Rights Agreement we entered into with the UST, Canada Holdings, the New VEBA, MLC, and our previous legal entity prior to our October 2009 holding company reorganization (which is now a wholly-owned subsidiary of the Company) (Equity Registration Rights Agreement), we have granted our existing common stockholders the right to require us, in certain circumstances to file registration statements under the Securities Act covering additional resales of our common stock and other equity securities held by them and the right to participate in other registered offerings in certain circumstances. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, the UST, Canada Holdings, the New VEBA and MLC might sell a large number of the shares of our common stock and warrants to acquire our common stock that they hold. Further, MLC might distribute shares of our common stock and warrants to acquire our common stock that it holds to its numerous creditors and other stakeholders pursuant to a plan of reorganization confirmed by the Bankruptcy Court in the Chapter 11 Proceedings, and those creditors and other stakeholders might resell those shares and warrants. Such sales or distributions of a substantial number of shares of our common stock or warrants could adversely affect the market price of our common stock.

***We have no current plans to pay dividends on our common stock, and our ability to pay dividends on our common stock may be limited.***

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. So long as any share of our Series A Preferred Stock or our Series B preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock and our Series B preferred stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. In addition, the VEBA Note Agreement contains certain restrictions on our ability to pay dividends on our common stock, other than dividends payable solely in shares of our common stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory “surplus” (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on our common stock, we may not have sufficient cash to pay dividends in cash on our common stock.

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***Anti-takeover provisions contained in our organizational documents and Delaware law could delay or prevent a takeover attempt or change in control of our company, which could adversely affect the price of our common stock.***

Our amended and restated certificate of incorporation, as amended (Certificate of Incorporation), our amended and restated bylaws, as amended (Bylaws), and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our organizational documents include provisions:

- Authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- Limiting the liability of, and providing indemnification to, our directors and officers;
- Limiting the ability of our stockholders to call and bring business before special meetings;
- Prohibiting our stockholders, after the completion of this offering, from taking action by written consent in lieu of a meeting except where such consent is signed by the holders of all shares of stock of the Company then outstanding and entitled to vote;
- Requiring, after the completion of this offering, advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nomination of candidates for election to our Board of Directors; and
- Limiting, after the completion of this offering, the determination of the number of directors on our Board of Directors and the filling of vacancies or newly created seats on the board to our Board of Directors then in office.

These provisions, alone or together, could delay hostile takeovers and changes in control of the Company or changes in management.

In addition, after the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which generally prohibits a corporation from engaging in various business combination transactions with any “interested stockholder” (generally defined as a stockholder who owns 15% or more of a corporation’s voting stock) for a period of three years following the time that such stockholder became an interested stockholder, except under certain circumstances including receipt of prior board approval.

Any provision of our Certificate of Incorporation or our Bylaws or Delaware law that has the effect of delaying or deterring a hostile takeover or change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

See the sections of this prospectus entitled “Description of Capital Stock—Certain Provisions of Our Certificate of Incorporation and Bylaws” and “Description of Capital Stock—Certain Anti-Takeover Effects of Delaware Law” for a further discussion of these provisions.

***The Series B preferred stock may adversely affect the market price of our common stock.***

The market price of our common stock is likely to be influenced by the Series B preferred stock. For example, the market price of our common stock could become more volatile and could be depressed by:

- investors’ anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the Series B preferred stock;

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- possible sales of our common stock by investors who view the Series B preferred stock as a more attractive means of equity participation in us than owning shares of our common stock; and
- hedging or arbitrage trading activity that may develop involving the Series B preferred stock and our common stock.

***The UST, a selling stockholder in the common stock offering, is a federal agency, and your ability to bring a claim against it under the U.S. securities laws or otherwise may be limited.***

The doctrine of sovereign immunity provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. Although Congress has enacted a number of statutes, including the Federal Tort Claims Act (the FTCA), that permit various claims against the United States and agencies and instrumentalities thereof, those statutes impose limitations. In particular, while the FTCA permits various tort claims against the United States, it excludes claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, the UST and its officers, agents and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), by virtue of Section 3(c) thereof. Thus, any attempt to assert a claim against the UST or any of its officers, agents or employees alleging a violation of the U.S. securities laws, including the Securities Act and the Exchange Act, resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part, or any other act or omission in connection with this offering, would likely be barred. Further, any attempt to assert a claim against the UST or any of its officers, agents or employees alleging any other complaint, including as a result of any future action by the UST as a stockholder of the Company, would also likely be barred under sovereign immunity unless specifically permitted by act of Congress.

***Canada Holdings, a selling stockholder in the common stock offering, is a wholly-owned subsidiary of Canada Development Investment Corporation, which is owned by the federal Government of Canada, and your ability to bring a claim against Canada Holdings under the U.S. securities laws or otherwise, or to recover on any judgment against it, may be limited.***

Canada Holdings is a wholly-owned subsidiary of Canada Development Investment Corporation. Canada Development Investment Corporation is a Canadian federal Crown corporation, meaning that it is a business corporation established under the Canada Business Corporations Act, owned by the federal Government of Canada. The Foreign Sovereign Immunities Act of 1976 (the FSIA) provides that, subject to existing international agreements to which the United States was a party at the time of the enactment of the FSIA, a foreign state or any agency or instrumentality of a foreign state is immune from U.S. federal and state court jurisdiction unless a specific exception to the FSIA applies. One such exception under the FSIA applies to claims arising out of “commercial activity” by a foreign state or its agency or instrumentality. However, it is not certain that a court would consider any acts or omissions by Canada Holdings in connection with this offering or otherwise to be “commercial activities” under the FSIA. Absent an applicable exception under the FSIA, any attempt to assert a claim against Canada Holdings alleging a violation of the U.S. securities laws, including the Securities Act and the Exchange Act, resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part, or any other act or omission in connection with this offering, may be barred. Further, absent an applicable exception under the FSIA, any attempt to assert a claim against Canada Holdings or any of its officers, agents or employees alleging any other complaint, including as a result of any future action by Canada Holdings as a stockholder of the Company, may also be barred.

In addition, even if a U.S. judgment could be obtained in such an action, it may not be possible to enforce in Canada a judgment based on such a U.S. judgment, and it may also not be possible to execute upon property of Canada Holdings in the United States to enforce a U.S. judgment.

## FORWARD-LOOKING STATEMENTS

This prospectus may include forward-looking statements. Our use of the words “may,” “will,” “would,” “could,” “should,” “believes,” “estimates,” “projects,” “potential,” “expects,” “plans,” “seeks,” “intends,” “evaluates,” “pursues,” “anticipates,” “continues,” “designs,” “impacts,” “affects,” “forecasts,” “target,” “outlook,” “initiative,” “objective,” “designed,” “priorities,” “goal,” or the negative of those words or other similar expressions is intended to identify forward-looking statements that represent our current judgment about possible future events. All statements in this prospectus, and in related comments by our management, other than statements of historical facts, including statements about future events or financial performance, are forward-looking statements that involve certain risks and uncertainties.

These statements are based on certain assumptions and analyses made in light of our experience and perception of historical trends, current conditions, and expected future developments as well as other factors that we believe are appropriate in the circumstances. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results. Whether actual future results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties, including the risks and uncertainties discussed in this prospectus under the caption “Risk Factors” and elsewhere, and other factors including the following, many of which are beyond our control:

- Our ability to realize production efficiencies and to achieve reductions in costs as a result of our restructuring initiatives and labor modifications;
- Our ability to maintain quality control over our vehicles and avoid material vehicle recalls;
- Our ability to maintain adequate liquidity and financing sources and an appropriate level of debt, including as required to fund our planned significant investment in new technology, and, even if funded, our ability to realize successful vehicle applications of new technology;
- The effect of business or liquidity difficulties for us or one or more subsidiaries on other entities in our corporate group as a result of our highly integrated and complex corporate structure and operation;
- Our ability to continue to attract customers, particularly for our new products, including cars and crossover vehicles;
- Availability of adequate financing on acceptable terms to our customers, dealers, distributors and suppliers to enable them to continue their business relationships with us;
- The financial viability and ability to borrow of our key suppliers and their ability to provide systems, components and parts without disruption;
- Our ability to take actions we believe are important to our long-term strategy, including our ability to enter into certain material transactions outside of the ordinary course of business, which may be limited due to significant covenants in the VEBA Note Agreement;
- Our ability to manage the distribution channels for our products, including our ability to consolidate our dealer network;
- Our ability to qualify for federal funding of our advanced technology vehicle programs under Section 136 of the Energy Independence and Security Act of 2007;
- The ability to successfully restructure our European operations;



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- The continued availability of both wholesale and retail financing from Ally Financial and its affiliates in the United States, Canada and the other markets in which we operate to support our ability to sell vehicles in those markets, which is dependent on Ally Financial's ability to obtain funding and which may be suspended by Ally Financial if Ally Financial's credit exposure to us exceeds certain limitations provided in our operating arrangements with Ally Financial;
- Our ability to develop captive financing capability, including through GM Financial;
- Overall strength and stability of general economic conditions and of the automotive industry, both in the United States and in global markets;
- Continued economic instability or poor economic conditions in the United States and global markets, including the credit markets, or changes in economic conditions, commodity prices, housing prices, foreign currency exchange rates or political stability in the markets in which we operate;
- Shortages of and increases or volatility in the price of oil;
- Significant changes in the competitive environment, including the effect of competition and excess manufacturing capacity in our markets, on our pricing policies or use of incentives and the introduction of new and improved vehicle models by our competitors;
- Significant changes in economic and market conditions in China, including the effect of competition from new market entrants, on our vehicle sales and market position in China;
- Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations, including where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;
- Costs and risks associated with litigation;
- Significant increases in our pension expense or projected pension contributions resulting from changes in the value of plan assets, the discount rate applied to value the pension liabilities or other assumption changes; and
- Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings.

Consequently, all of the forward-looking statements made in this prospectus are qualified by these cautionary statements, and there can be no assurance that the actual results or developments that we anticipate will be realized or, even if realized, that they will have the expected consequences to or effects on us and our subsidiaries or our businesses or operations. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events, or other such factors that affect the subject of these statements, except where we are expressly required to do so by law.

## USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders (including any shares sold by the selling stockholders pursuant to the underwriters' over-allotment option) in the common stock offering.

We estimate that the net proceeds to us from the offering of our Series B preferred stock, based upon an assumed public offering price per share of our Series B preferred stock of \$ , will be approximately \$ (or approximately \$ if the underwriters in the Series B preferred stock offering exercise their over-allotment option in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds to us from the Series B preferred stock offering for general corporate purposes, including repayment of debt and other obligations and making voluntary contributions to our pension plans.

## **DIVIDEND POLICY**

The declaration of any dividend on our common stock or our Series B preferred stock is a matter to be acted upon by our Board of Directors in its sole discretion. Our payment of dividends on our common stock and our Series B preferred stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our VEBA Note Agreement, and other factors. We have no current plans to pay dividends on our common stock.

So long as any share of our Series A Preferred Stock or our Series B preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock and our Series B preferred stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. In addition, the VEBA Note Agreement contains certain restrictions on our ability to pay dividends on our common stock, other than dividends payable solely in shares of our common stock. In particular, the VEBA Note Agreement provides that we may not pay any such dividends on our common stock unless no default or event of default has occurred under the agreement and is continuing at the time of such payment and, immediately prior to and after giving effect to such dividend, our consolidated leverage ratio is less than 3.00 to 1.00. Refer to the section of this prospectus entitled “Business—Significant Transactions—Agreements with the UST, EDC and New VEBA” for a more detailed discussion of the VEBA Note Agreement.

So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our Series B preferred stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our Series B preferred stock payable solely in shares of our common stock.

## CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2010, actual and as adjusted to reflect: (1) the issuance and sale by us of \_\_\_\_\_ shares of our Series B preferred stock, which is contingent upon the closing of the offering of common stock, at an assumed public offering price of \$ \_\_\_\_\_ per share; and (2) the application of the net proceeds of the offering of our Series B preferred stock as described in the section of this prospectus entitled “Use of Proceeds.”

The as adjusted information below is illustrative only, and our capitalization following the closing of this offering will be adjusted based upon the public offering price for the offering of our Series B preferred stock and other terms of the offering of our Series B preferred stock determined at pricing. You should read the information set forth below in conjunction with our audited consolidated financial statements and unaudited condensed consolidated interim financial statements and the notes thereto and the sections of this prospectus entitled “Selected Historical Financial and Operating Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

(Dollars in millions, except share amounts)	As of June 30, 2010	
	Unaudited	As Adjusted
	Actual	
Cash and cash equivalents (excluding Restricted cash and marketable securities)	\$ 26,773	\$
Short-term debt, including current portion of long-term debt	\$ 5,524	\$
Long-term debt	2,637	
Series A Preferred Stock, \$0.01 par value; 360,000,000 shares issued and outstanding, actual and as adjusted	6,998	
Stockholders’ equity		
% Series B mandatory convertible junior preferred stock, \$0.01 par value; 0 shares issued and outstanding, actual; _____ shares issued and outstanding, as adjusted(a)		
Common stock, \$0.01 par value; 500,000,000 shares issued and outstanding, actual and as adjusted	5	
Capital surplus (principally additional paid-in capital)	24,052	
Accumulated deficit	(2,195)	
Accumulated other comprehensive income	1,153	
Total stockholders’ equity	23,015	
Total capitalization	\$ 38,174	\$

(a) The balance sheet classification of the Series B preferred stock will be determined in accordance with applicable accounting requirements upon closing of the common stock offering and issuance of such preferred stock.

## SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following table summarizes the consolidated historical financial data of General Motors Company (Successor) and Old GM (Predecessor) for the periods presented. We derived the consolidated historical financial data for the periods July 10, 2009 through December 31, 2009 (Successor) and January 1, 2009 through July 9, 2009 (Predecessor) and the years ended December 31, 2008 and 2007 (Predecessor) and as of December 31, 2009 (Successor) and December 31, 2008 (Predecessor) from the audited consolidated financial statements included elsewhere in this prospectus. We derived the consolidated historical financial statement data for the years ended December 31, 2006 and 2005 (Predecessor) and as of December 31, 2007, 2006 and 2005 (Predecessor) from our audited consolidated financial statements for such years, which are not included in this prospectus. We derived the consolidated historical financial data for the six months ended June 30, 2010 and as of June 30, 2010 from the unaudited condensed consolidated interim financial statements included elsewhere in this prospectus.

The data set forth in the following table should be read together with the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated interim financial statements on the same basis as our audited consolidated financial statements and, in our opinion, have included all adjustments necessary to present fairly in all material respects our financial position and results of operations. Historical results for any prior period are not necessarily indicative of results to be expected in any future period, and results for any interim period are not necessarily indicative of results for a full fiscal year.

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**Selected Financial Data**

(Dollars in millions, except per share amounts)

	Successor		Predecessor				
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009(a)	January 1, 2009 Through July 9, 2009	Years Ended December 31,			
	Unaudited		2008	2007	2006	2005	
<b>Income Statement Data:</b>							
Total net sales and revenue(b)	\$ 64,650	\$ 57,474	\$ 47,115	\$ 148,979	\$ 179,984	\$ 204,467	\$ 192,143
Reorganization gains, net(c)	\$ —	\$ —	\$ 128,155	\$ —	\$ —	\$ —	\$ —
Income (loss) from continuing operations(c)(d)	\$ 2,808	\$ (3,786)	\$ 109,003	\$ (31,051)	\$ (42,685)	\$ (2,155)	\$ (10,625)
Income from discontinued operations, net of tax(e)	—	—	—	—	256	445	313
Gain on sale of discontinued operations, net of tax(e)	—	—	—	—	4,293	—	—
Cumulative effect of a change in accounting principle(f)	—	—	—	—	—	—	(109)
Net income (loss)(c)	2,808	(3,786)	109,003	(31,051)	(38,136)	(1,710)	(10,421)
Less: Net (income) loss attributable to noncontrolling interests	(204)	(511)	115	108	(406)	(324)	(48)
Less: Cumulative dividends on preferred stock	(405)	(131)	—	—	—	—	—
Net income (loss) attributable to common stockholders(c)	\$ 2,199	\$ (4,428)	\$ 109,118	\$ (30,943)	\$ (38,542)	\$ (2,034)	\$ (10,469)
GM \$0.01 par value common stock and Old GM \$1-2/3 par value common stock							
Basic earnings (loss) per share:							
Income (loss) from continuing operations attributable to common stockholders before cumulative effect of change in accounting principle	\$ 4.40	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (76.16)	\$ (4.39)	\$ (18.87)
Income from discontinued operations attributable to common stockholders(e)	—	—	—	—	8.04	0.79	0.55
Loss from cumulative effect of a change in accounting principle attributable to common stockholders(f)	—	—	—	—	—	—	(0.19)
Net income (loss) attributable to common stockholders	\$ 4.40	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (68.12)	\$ (3.60)	\$ (18.51)
Diluted earnings (loss) per share:							
Income (loss) from continuing operations attributable to common stockholders before cumulative effect of change in accounting principle	\$ 4.21	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (76.16)	\$ (4.39)	\$ (18.87)
Income from discontinued operations attributable to common stockholders(e)	—	—	—	—	8.04	0.79	0.55
Loss from cumulative effect of a change in accounting principle attributable to common stockholders(f)	—	—	—	—	—	—	(0.19)
Net income (loss) attributable to common stockholders	\$ 4.21	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (68.12)	\$ (3.60)	\$ (18.51)
Cash dividends per common share	\$ —	\$ —	\$ —	\$ 0.50	\$ 1.00	\$ 1.00	\$ 2.00
<b>Balance Sheet Data (as of period end):</b>							
Total assets(b)(d)(g)	\$ 131,899	\$ 136,295	\$ 91,039	\$ 148,846	\$ 185,995	\$ 473,938	\$ 286,943
Notes and loans payable(b)(h)	\$ 8,161	\$ 15,783	\$ 45,938	\$ 43,578	\$ 47,476	\$ —	\$ —
Series A Preferred Stock	\$ 6,998	\$ 6,998	\$ —	\$ —	\$ —	\$ —	\$ —
Equity (deficit)(d)(f)(i)(j)	\$ 23,901	\$ 21,957	\$ (85,076)	\$ (35,152)	\$ (4,076)	\$ 15,931	\$ —

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- (a) At July 10, 2009 we applied fresh-start reporting following the guidance in ASC 852, "Reorganizations." The audited consolidated financial statements for the periods ended on or before July 9, 2009 do not include the effect of any changes in the fair value of assets or liabilities as a result of the application of fresh-start reporting. Therefore, our financial information at and for any period after July 10, 2009 is not comparable to Old GM's financial information.
- (b) In November 2006 Old GM sold a 51% controlling ownership interest in Ally Financial, resulting in a significant decrease in total consolidated net sales and revenue, assets and notes and loans payable.
- (c) In the period January 1, 2009 through July 9, 2009 Old GM recorded Reorganization gains, net of \$128.2 billion directly associated with the Chapter 11 Proceedings, the 363 Sale and the application of fresh-start reporting. Refer to Note 2 to our audited consolidated financial statements for additional detail.
- (d) In September 2007 Old GM recorded full valuation allowances of \$39.0 billion against net deferred tax assets in Canada, Germany and the United States.
- (e) In August 2007 Old GM completed the sale of the commercial and military operations of its Allison business. The results of operations, cash flows and the 2007 gain on sale of Allison have been reported as discontinued operations for all periods presented.
- (f) In December 2005 Old GM recorded an asset retirement obligation of \$181 million, which was \$109 million net of related income tax effects.
- (g) In December 2006 Old GM recorded the funded status of its benefit plans on the consolidated balance sheet with an offsetting adjustment to Accumulated other comprehensive loss of \$16.9 billion in accordance with the adoption of new provisions of ASC 715, "Compensation – Retirement Benefits" (ASC 715).
- (h) In December 2008 Old GM entered into the UST Loan Agreement, pursuant to which the UST agreed to provide a \$13.4 billion UST Loan Facility. In December 2008 Old GM borrowed \$4.0 billion under the UST Loan Facility.
- (i) In January 2007 Old GM recorded a decrease to Retained earnings of \$425 million and a decrease of \$1.2 billion to Accumulated other comprehensive loss in accordance with the early adoption of the measurement provisions of ASC 715.
- (j) In January 2007 Old GM recorded an increase to Retained earnings of \$137 million with a corresponding decrease to its liability for uncertain tax positions in accordance with ASC 740-10, "Income Taxes."

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Motors Company was formed by the UST in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation in the 363 Sale on July 10, 2009 and changed its name to General Motors Company. General Motors Corporation is sometimes referred to in this prospectus, for the periods on or before July 9, 2009, as "Old GM." Prior to July 10, 2009 Old GM operated the business of the Company, and pursuant to an agreement with the Staff of the Securities and Exchange Commission (SEC) as described in a no-action letter issued to Old GM by the SEC staff on July 9, 2009 regarding our filing requirements and those of MLC, the accompanying audited consolidated financial statements and unaudited condensed consolidated interim financial statements include the financial statements and related information of Old GM as it is our predecessor entity solely for accounting and financial reporting purposes. On July 10, 2009 in connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Corporation (MLC). MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities.

### Overview

#### *Our Company*

We are a leading global automotive company. Our vision is to design, build and sell the world's best vehicles. We seek to distinguish our vehicles through superior design, quality, reliability, telematics (wireless voice and data) and infotainment and safety within their respective vehicle segments. Our business is diversified across products and geographic markets, with operations and sales in over 120 countries. We assemble our passenger cars, crossover vehicles, light trucks, sport utility vehicles, vans and other vehicles in 71 assembly facilities worldwide and have 87 additional global manufacturing facilities. With a global network of over 21,700 independent dealers we meet the local sales and service needs of our retail and fleet customers. In 2009, we and Old GM sold 7.5 million vehicles, representing 11.6% of total vehicle sales worldwide. Approximately 72% of our and Old GM's total 2009 vehicle sales volume was generated outside the United States, including 38.7% from emerging markets, such as Brazil, Russia, India and China (collectively BRIC), which have recently experienced the industry's highest volume growth.

Our business is organized into three geographically-based segments:

- General Motors North America (GMNA), with manufacturing and distribution operations in the U.S., Canada and Mexico and distribution operations in Central America and the Caribbean, represented 33.2% of our and Old GM's total 2009 vehicle sales volume. In North America, we sell our vehicles through four brands – Chevrolet, GMC, Buick and Cadillac – which are manufactured at plants across the U.S., Canada and Mexico and imported from other GM regions. In 2009, GMNA had the largest market share of any competitor in this market at 19.0% based on vehicle sales volume.
- General Motors International Operations (GMIO), with manufacturing and distribution operations in Asia-Pacific, South America, Russia, the Commonwealth of Independent States, Eastern Europe, Africa and the Middle East, is our largest segment by vehicle sales volume, and represented 44.5% of our and Old GM's total 2009 vehicle sales volume including sales through our joint ventures. In these regions, we sell our vehicles under the Buick, Cadillac, Chevrolet, Daewoo, FAW, GMC, Holden, Isuzu, Jiefang, Opel and Wuling brands, and we plan to commence sales under the Baojun brand in 2011. In 2009, GMIO had the second largest market share for this market at 10.2% based on vehicle sales volume and the number one market share across the BRIC markets based on vehicle sales volume. Approximately 54.9% of GMIO's volume is from China, where, primarily through our joint ventures, we had the number one market share at 13.3% based on vehicle sales volume in 2009. Our Chinese operations are primarily comprised of three joint ventures: Shanghai General Motors Co., Ltd. (SGM);



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of which we own 49%), SAIC-GM-Wuling Automobile Co., Ltd. (SGMW; of which we own 34%) and FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM; of which we own 50%).

- General Motors Europe (GME), with manufacturing and distribution operations across Western and Central Europe, represented 22.3% of our and Old GM's total 2009 vehicle sales volume. In Western and Central Europe, we sell our vehicles under the Opel and Vauxhall (U.K. only) brands, which are manufactured in Europe, and under the Chevrolet brand, which is imported from South Korea where it is manufactured by GM Daewoo Auto & Technology, Inc. (GM Daewoo) of which we own 70.1%. In 2009, GME had the number five market share in this market, at 8.9% based on vehicle sales volume.

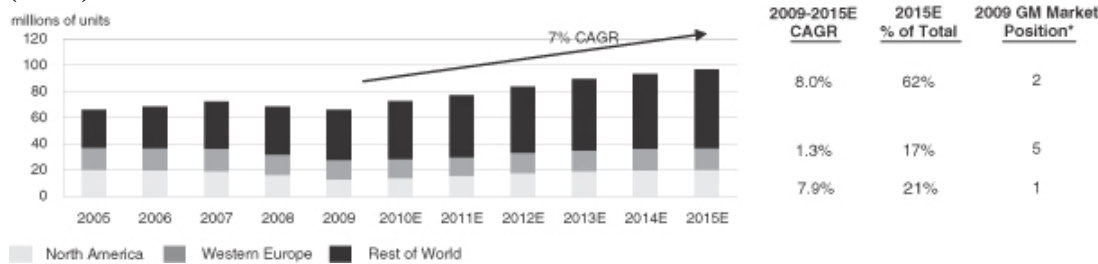
We offer a global vehicle portfolio of cars, crossovers and trucks. We are committed to leadership in vehicle design, quality, reliability, telematics and infotainment and safety, as well as to developing key energy efficiency, energy diversity and advanced propulsion technologies, including electric vehicles with range extending capabilities such as the new Chevrolet Volt.

Our company commenced operations on July 10, 2009 when we completed the acquisition of substantially all of the assets and assumption of certain liabilities of Old GM through a 363 Sale under the Bankruptcy Code. Immediately prior to this offering, our common stock was held of record by four stockholders: the UST, Canada Holdings, the New VEBA and MLC. As a result of the 363 Sale and other recent restructuring and cost savings initiatives, we have improved our financial position and level of operational flexibility as compared to Old GM when it operated the business. We commenced operations upon completion of the 363 Sale with a total amount of debt and other liabilities at July 10, 2009 that was \$92.7 billion less than Old GM's total amount of debt and other liabilities at July 9, 2009. We reached a competitive labor agreement with our unions, began restructuring our dealer network and reduced and refocused our brand strategy in the U.S. to our four brands. Although our U.S. and non-U.S. pension plans were underfunded by \$17.1 billion and \$10.3 billion on a U.S. GAAP basis at December 31, 2009, we have a strong balance sheet, with available liquidity (cash, cash equivalents and marketable securities) of \$31.5 billion and an outstanding debt balance of \$8.2 billion at June 30, 2010.

In recent quarters, we achieved profitability. Our results for the three months ended March 31 and June 30, 2010 included net income of \$1.2 billion and \$1.6 billion. For the period from July 10, 2009 to December 31, 2009, we had a net loss of \$3.8 billion, which included a settlement loss of \$2.6 billion related to the 2009 revised UAW settlement agreement. We reported revenue of \$31.5 billion and \$33.2 billion in the three months ended March 31 and June 30, 2010, representing 40.3% and 43.9% year-over-year increases as compared to Old GM's revenue for the corresponding periods. For the period from July 10, 2009 to December 31, 2009, our revenue was \$57.5 billion.

**Our Industry and Market Opportunity**

The global automotive industry sold 66 million new vehicles in 2009. Vehicle sales are widely distributed across the world in developed and emerging markets. According to IHS Global Insight (an economic and financial analysis firm), total vehicle sales in emerging markets (Asia, excluding Japan, South America and Eastern Europe) are estimated to equal or exceed those in mature markets (North America, Western Europe and Japan) starting in 2010, as rising income levels drive secular growth. We believe that this expected growth in emerging markets, combined with an estimated recovery in mature markets, creates a potential growth opportunity for the global automotive industry. IHS Global Insight forecasts global vehicle sales to increase at a compound annual growth rate (CAGR) of 6.6% from 2009 to 2015:



\*Note: GM market position is calculated based upon GM's internal data and includes all sales by joint ventures on a total vehicle basis, not based on the percentage of ownership in the joint venture. These market positions were not furnished by IHS Global Insight.

**North America**

In 2009, 12.9 million total vehicles were sold in North America. The U.S. is the largest market within North America and experienced substantial declines in 2008 and 2009 with total vehicle sales decreasing from a peak of 17.4 million in 2005 to 10.6 million in 2009. In recent years, shifting consumer preferences and increased fuel economy and emissions regulatory requirements have resulted in cars and crossovers with greater fuel efficiency becoming an increasing proportion of the U.S. vehicle market, a trend we expect to continue. The original equipment manufacturers (OEMs) with the largest vehicle sales volume in the U.S. include GM, Toyota, Ford, Honda and Chrysler.

Industry fundamentals have improved in North America as a result of operational and cost restructuring among the largest automotive OEMs throughout 2008 and 2009. Since the beginning of 2008, excess capacity has been reduced across the industry and in recent months average transaction prices have improved, dealer inventories have declined, and used vehicle prices have increased. We believe that as the recent global recession subsides and consumer confidence increases, pent-up consumer demand will drive new vehicle sales. IHS Global Insight forecasts North American vehicle sales will grow at a 7.9% CAGR from 2009 to 2015, resulting in an estimated 7.4 million additional unit sales per year by 2015.

**Western Europe**

Total vehicle sales in Western Europe decreased from 16.8 million in 2005 to 15.1 million in 2009, showing only a brief recovery in the second half of 2009 due to local scrappage programs in Germany, the United Kingdom and other Western European countries. Given traditionally strong environmental awareness and relatively high gasoline prices in many countries around Western Europe, consumers across the region tend to prefer smaller, more fuel efficient cars. The OEMs with the largest vehicle sales volume in Western Europe include GM, Ford, Volkswagen, Daimler, Peugeot, Renault and Fiat. The overall market environment in Western Europe continues to show limited near-term growth. Between 2009 and 2015, IHS Global Insight forecasts a 1.3% CAGR for unit sales in Western Europe.

### *Rest of World*

In 2009, 37.9 million total vehicles were sold in the rest of the world, representing 58% of global vehicle sales, which encompasses a diverse group of countries including emerging markets such as the BRIC countries as well as more developed markets such as Japan, South Korea and Australia. Consumer preferences vary widely among countries, ranging from small, basic cars to larger cars and trucks. The OEMs with the largest vehicle sales volume in these international markets include GM, Toyota, Volkswagen, Honda, Nissan, Hyundai and smaller OEMs within regional markets.

Projected sales growth within this group of countries is concentrated in emerging markets, where continued strong economic growth is leading to rising income levels and increasing consumer demand for personal vehicles. According to IHS Global Insight, the BRIC markets are estimated to grow at a CAGR of 10.0% from 2009 to 2015, resulting in a projected total of 16.1 million additional units sold per year by 2015. We believe that China is going to be among the most important emerging markets in terms of growth potential. IHS Global Insight estimates that total annual vehicle sales in China will increase by 10.4 million units to a projected total of 24.3 million units in 2015.

### *Global Automotive Industry Characteristics and Largest OEMs*

Designing, manufacturing and selling vehicles is capital intensive. It requires substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in order to meet both consumer preferences and regulatory requirements. Large OEMs are able to benefit from economies of scale by leveraging their investments and activities on a global basis across brands and nameplates (commonly referred to as models). The automotive industry is also cyclical and tends to track changes in the general economic environment. OEMs that have a diversified revenue base across geographies and products and have access to capital are well positioned to withstand industry downturns and to capitalize on industry growth. The largest automotive OEMs are GM, Toyota, Volkswagen, Hyundai and Ford, all of which operate on a global basis and produce cars and trucks across a broad range of vehicle segments.

### *Our Competitive Strengths*

We believe the following strengths provide us with a foundation for profitability, growth and execution on our strategic vision to design, build and sell the world's best vehicles:

- *Global presence, scale and dealer network.* We are currently the world's second largest automaker based on vehicle sales volume and, as a result of our relative market positions in GMNA and GMIO, are positioned to benefit from future growth resulting from economic recovery in developed markets and continued secular growth in emerging markets. In 2009, we and Old GM sold 7.5 million vehicles in over 120 countries and generated \$104.6 billion in revenue, although our and Old GM's combined worldwide market share of 11.6% based on vehicle sales volume in 2009 had declined from Old GM's worldwide market share of 13.2% based on vehicle sales volume in 2007. We operate a global distribution network with over 21,700 independent dealers, and we maintain 10 design centers, 30 engineering centers, and eight science labs around the world. Our presence and scale enable us to deploy our purchasing, research and development, design, engineering, marketing and distribution resources and capabilities globally across our vehicle production base. For example, we have budgeted approximately \$13.0 billion for engineering and capital expenditures in 2010, which will fund the development and production of our products globally.
- *Market share in emerging markets, such as China and Brazil.* Across the BRIC markets, we and Old GM had the industry-leading market share of 12.7% based on vehicle sales volume in 2009, which has grown from a 9.8% share in 2004. In China, the fastest growing global market by volume of vehicles sold, through our joint ventures we and Old GM had the number one market position with a share of

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13.3% based on vehicle sales volume in 2009. We and Old GM also held the third largest market share in Brazil at 19.0% based on vehicle sales volume in 2009. We established a presence in Brazil in 1925 and in China in 1997 and have substantial operating experience in these markets.

- *Portfolio of high-quality vehicles.* Our global portfolio includes vehicles in most key segments, with 31 nameplates in the U.S. and another 179 nameplates internationally. Our and Old GM's long-term investment over the last decade in our product portfolio has resulted in successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX. Sales of these vehicles have had higher transaction prices than the products they replaced and have increased vehicle segment market shares. These vehicles also have had higher residual values. The design, quality, reliability and safety of our vehicles has been recognized worldwide by a number of third parties, including the following:
  - In the U.S., we have three of the top five most dependable models in the industry according to the 2010 J.D. Power Vehicle Dependability Study as well as leading the industry with the most segment leading models in both the 2010 J.D. Power Initial Quality Survey and the 2010 J.D. Power Vehicle Dependability Study;
  - All of our recently introduced U.S. models are Consumers Digest Best Buys;
  - In Europe, the Car of the Year Organizing Committee named the Opel Insignia the 2009 European Car of the Year;
  - In China, the Chinese Automotive Media Association named the new Buick LaCrosse the 2009 Car of the Year; and
  - In Brazil, AutoEsporte Magazine named the Chevrolet Agile the 2010 Car of the Year.
- *Commitment to new technologies.* We have invested in a diverse set of new technologies designed to meet customer needs around the world. Our research and product development efforts in the areas of energy efficiency and energy diversity have been focused on advanced and alternative propulsion and fuel efficiency. For example, the Chevrolet Volt will use lithium-ion battery technology for a typical range of 25-50 miles depending on terrain, driving technique, temperature and battery age, after which the onboard engine's power is seamlessly inverted to provide an additional 300 miles of electric driving range on a full tank of gas prior to refueling. Our investment in telematics and infotainment technology enables us to provide through OnStar a service offering that creates a connection to the customer and a platform for future infotainment initiatives.
- *Competitive cost structure in GMNA.* We have substantially completed the restructuring of our North American operations, which has reduced our cost base and improved our capacity utilization and product line profitability. We accomplished this through brand rationalization, ongoing dealer network optimization, salaried and hourly headcount reductions, labor agreement restructuring, transfer of hourly retiree healthcare obligations to the New VEBA and manufacturing footprint reduction from 71 North American manufacturing facilities for Old GM at December 31, 2008 to 59 at June 30, 2010, and an expected 53 at December 31, 2010. The reduced costs resulting from these actions, along with our improved price realization and lower incentives, have reduced our profitability breakeven point in North America. The breakeven point is a critical metric that provides an indication of GMNA's cost structure and operating leverage. For the six months ended June 30, 2010 and based on GMNA's current market share, GMNA's earnings before interest and income taxes (EBIT) (EBIT is not an operating measure under U.S. GAAP—refer to the section of this prospectus entitled “—Reconciliation of Segment Results” for additional discussion) would have achieved breakeven with annual U.S. industry sales of approximately 10.5 to 11.0 million vehicles.
- *Competitive global cost structure.* Global architectures (that is, vehicle characteristics and dimensions supporting common sets of major vehicle underbody components and subsystems) allow us to

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streamline our product development and manufacturing processes, which has resulted in reduced material and engineering costs. We have consolidated our product development activities under one global development leadership team with a centralized budget. This allows us to design and engineer our vehicles globally while balancing cost efficient production locations and proximity to the end customer. Approximately 43% of our vehicles are manufactured in regions we believe to be low-cost manufacturing locations, such as China, Mexico, Eastern Europe, India and Russia, with all-in active labor costs of less than \$15 per hour, and approximately 17% are manufactured in medium-cost countries, such as South Korea and Brazil, with all-in labor costs between \$15 and \$30 per hour.

- *Strong balance sheet and liquidity.* As of June 30, 2010, we had available liquidity (cash, cash equivalents and marketable securities) of \$31.5 billion and outstanding debt of \$8.2 billion. In addition, we have no significant contractual debt maturities until 2015. Although our U.S. and non-U.S. pension plans were underfunded by \$17.1 billion and \$10.3 billion on a U.S. GAAP basis at December 31, 2009, as of June 30, 2010 we have no expected material mandatory pension contributions until 2014. We believe that our combination of cash and cash equivalents plus cash flow from operations should provide sufficient cash to fund our new product and technology development efforts, European restructuring program, growth initiatives and further cost-reduction initiatives in the medium term.
- *Strong leadership team with focused direction.* Our new executive management team, which includes our new Chief Executive Officer and Chief Financial Officer from outside the automotive industry as well as many senior officers who have been promoted to new roles from within the organization, combines years of experience at GM and new perspectives on growth, innovation and strategy deployment. Our management team operates in a streamlined organizational structure that allows for:
  - More direct lines of communication;
  - Quicker decision-making; and
  - Direct responsibility for individuals in various areas of our business.

As an example, we have eliminated multiple internal strategy boards and committees and instituted a single, smaller executive committee to focus our management functions and shorten our decision-making processes. The members of our Board of Directors, a majority of whom were not directors of Old GM, are directly involved in strategy formation and review.

### ***Our Strategy***

Our vision is to design, build and sell the world's best vehicles. The primary elements of our strategy to achieve this vision are to:

- Deliver a product portfolio of the world's best vehicles, allowing us to maximize sales under any market conditions;
- Sell our vehicles globally by targeting developed markets, which are projected to have increases in vehicle demand as the global economy recovers, and further strengthening our position in high growth emerging markets;
- Improve revenue realization and maintain a competitive cost structure to allow us to remain profitable at lower industry volumes and across the lifecycle of our product portfolio; and
- Maintain a strong balance sheet by reducing financial leverage given the high operating leverage of our business model.

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Our management team is focused on hiring new and promoting current talented employees who can bring new perspectives to our business in order to execute on our strategy as follows:

**Deliver quality products.** We intend to maintain a broad portfolio of vehicles so that we are positioned to meet global consumer preferences. We plan to do this in several ways.

- *Concentrate our design, engineering and marketing resources on fewer brands and architectures.* We plan to increase the volume of vehicles produced from common global architectures to more than 50% of our total volumes in 2014 from less than 17% today. We expect that this initiative will result in greater investment per architecture and brand and will increase our product development and manufacturing flexibility, allowing us to maintain a steady schedule of important new product launches in the future. We believe our four-brand strategy in the U.S. will continue to enable us to allocate higher marketing expenditures per brand.
- *Develop products across vehicle segments in our global markets.* We plan to develop vehicles in each of the key segments of the global markets in which we compete. For example, in September 2010 we introduced the Chevrolet Cruze in the U.S. small car segment, an important and growing segment where we have historically been under-represented.
- *Continued investment in a portfolio of technologies.* We will continue to invest in technologies that support energy diversity and energy efficiency as well as in safety, telematics and infotainment technology. We are committed to advanced propulsion technologies and intend to offer a portfolio of fuel efficient alternatives that use energy sources such as petroleum, bio-fuels, hydrogen and electricity, including the new Chevrolet Volt. We are committed to increasing the fuel efficiency of our vehicles with internal combustion engines through features such as cylinder deactivation, direct injection, variable valve timing, turbo-charging with engine downsizing and six speed transmissions. For example, we expect the Chevrolet Cruze Eco to be capable of achieving an estimated 40 miles per gallon on the highway with a traditional internal combustion engine. Additionally, we are expanding our telematics and infotainment offerings and, as a result of our OnStar service and our partnerships with companies such as Google, are in a position to deliver safety, security, navigation and connectivity systems and features.

**Sell our vehicles globally.** We will continue to compete in the largest and fastest growing markets globally.

- *Broaden GMNA product portfolio.* We plan to launch 19 new vehicles in GMNA across our four brands between 2010 and 2012, primarily in the growing car and crossover segments, where, in some cases, we are under-represented, and an additional 27 new vehicles between 2013 and 2014. These near-term launches include the new Chevrolet Volt, Cruze, Spark, Aveo and Malibu and Buick entries in the compact and mid-size segments. We believe that we have achieved a more balanced portfolio in the U.S. market, where we and Old GM maintained a sales volume mix of 42% from cars, 37% from trucks and 21% from crossovers in 2009 compared to 51% from trucks in 2006.
- *Increase sales in GMIO, particularly China and Brazil.* We plan to continue to execute our growth strategies in countries where we already hold strong positions, such as China and Brazil, and to improve share in other important markets, including South Korea, South Africa, Russia, India and the ASEAN region. We aim to launch 77 new vehicles throughout GMIO through 2012. We plan to enhance and strengthen our GMIO product portfolio through three strategies: leveraging our global architectures, pursuing local and regional solutions to meet specific market requirements and expanding our joint venture partner collaboration opportunities.
- *Refresh GME's vehicle portfolio.* To improve our product quality and product perception in Europe, by the start of 2012, we plan to have 80% of our Opel/Vauxhall carlines volume refreshed such that the

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model stylings are less than three years old. We have three product launches scheduled in 2010 and another four product launches scheduled in 2011. As part of our planned rejuvenation of Chevrolet's portfolio, which increasingly supplements our Opel/Vauxhall brands throughout Europe, we are moving the entire Chevrolet lineup to the new GM global architectures.

- *Ensure competitive financing is available to our dealers and customers.* We currently maintain multiple financing programs and arrangements with third parties for our wholesale and retail customers to utilize when purchasing or leasing our vehicles. Through our long-standing arrangements with Ally Financial, Inc., formerly GMAC, Inc. (Ally Financial), and a variety of other worldwide, regional and local lenders, we provide our customers and dealers with access to financing alternatives. We plan to further expand the range of financing options available to our customers and dealers to help grow our vehicle sales. In particular, on October 1, 2010 we acquired AmeriCredit, which we subsequently renamed GM Financial and which we expect will enable us to offer increased availability of leasing and sub-prime financing for our customers throughout economic cycles. We also plan to use GM Financial to initiate targeted customer marketing initiatives to expand our vehicle sales.

**Reduce breakeven levels through improved revenue realization and a competitive cost structure.** In developed markets, we are improving our cost structure to become profitable at lower industry volumes.

- *Capitalize on cost structure improvement and maintain reduced incentive levels in GMNA.* We plan to sustain the cost reduction and operating flexibility progress we have made as a result of our North American restructuring. In addition to becoming more cost competitive, our current U.S. and Canadian hourly labor agreements provide the flexibility to utilize a lower tiered wage and benefit structure for new hires, part-time employees and temporary employees. We aim to increase our vehicle profitability by maintaining competitive incentive levels with our strengthened product portfolio and by actively managing our production levels through monitoring of our dealer inventory levels.
- *Execute on our Opel/Vauxhall restructuring plan.* We expect our Opel/Vauxhall restructuring plan to lower our vehicle manufacturing costs. The plan includes manufacturing rationalization, headcount reduction, labor cost concessions from the remaining workforce and selling, general and administrative efficiency initiatives. Specifically, we have reached an agreement to reduce our European manufacturing capacity by 20% through, among other things, the closing of our Antwerp facility in Belgium and the rationalization of our powertrain operations in our Bochum and Kaiserslautern facilities in Germany. Additionally, we have reached an agreement with the labor unions in Europe to reduce labor costs by \$323 million per year. The objective of our restructuring, along with the refreshed product portfolio pipeline, is to restore the profitability of the GME business.
- *Enhance manufacturing flexibility.* We primarily produce vehicles in locations where we sell them and we have significant manufacturing capacity in medium- and low-cost countries. We intend to maximize capacity utilization across our production footprint to meet demand without requiring significant additional capital investment. For example, we were able to leverage the benefit of a global architecture and start initial production for the U.S. of the Buick Regal 11 months ahead of schedule by temporarily shifting production from North America to Rüsselsheim, Germany.

**Maintain a strong balance sheet.** Given our business's high operating leverage and the cyclical nature of our industry, we intend to minimize our financial leverage. We plan to use excess cash to repay debt and to make discretionary contributions to our U.S. pension plan. Based on this planned reduction in financial leverage and the anticipated benefits resulting from our operating strategy described above, we will aim to attain an investment grade credit rating over the long term.

## **Presentation and Estimates**

### ***Basis of Presentation***

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying audited consolidated financial statements and unaudited condensed consolidated interim financial statements.

We analyze the results of our business through our three segments, namely GMNA, GMIO and GME.

Consistent with industry practice, market share information includes estimates of industry sales in certain countries where public reporting is not legally required or otherwise available on a consistent basis.

### ***Use of Estimates in the Preparation of the Financial Statements***

The audited consolidated financial statements and unaudited condensed consolidated interim financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of our audited consolidated financial statements and unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

## **Chapter 11 Proceedings and the 363 Sale**

### ***Background***

Over time as Old GM's market share declined in North America, Old GM needed to continually restructure its business operations to reduce cost and excess capacity. In addition, legacy labor costs and obligations and capacity in its dealer network made Old GM less competitive than new entrants into the U.S. market. These factors continued to strain Old GM's liquidity. In 2005 Old GM incurred significant losses from operations and from restructuring activities such as providing support to Delphi and other efforts intended to reduce operating costs. Old GM managed its liquidity during this time through a series of cost reduction initiatives, capital markets transactions and sales of assets. However, the global credit market crisis had a dramatic effect on Old GM and the automotive industry. In the second half of 2008, the increased turmoil in the mortgage and overall credit markets (particularly the lack of financing for buyers or lessees of vehicles), the continued reductions in U.S. housing values, the volatility in the price of oil, recessions in the United States and Western Europe and the slowdown of economic growth in the rest of the world created a substantially more difficult business environment. The ability to execute capital markets transactions or sales of assets was extremely limited, vehicle sales in North America and Western Europe contracted severely, and the pace of vehicle sales in the rest of the world slowed. Old GM's liquidity position, as well as its operating performance, were negatively affected by these economic and industry conditions and by other financial and business factors, many of which were beyond its control.

As a result of these economic conditions and the rapid decline in sales in the three months ended December 31, 2008 Old GM determined that, despite the actions it had then taken to restructure its U.S. business, it would be unable to pay its obligations in the normal course of business in 2009 or service its debt in a timely fashion, which required the development of a new plan that depended on financial assistance from the U.S. government.

In December 2008 Old GM requested and received financial assistance from the U.S. government and entered into the UST Loan Agreement. In early 2009 Old GM's business results and liquidity continued to



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deteriorate, and, as a result, Old GM obtained additional funding from the UST under the UST Loan Agreement. Old GM, through its wholly-owned subsidiary GMCL, also received funding from EDC, a corporation wholly-owned by the Government of Canada, under a loan and security agreement entered into in April 2009 (EDC Loan Facility).

As a condition to obtaining the UST Loan Facility under the UST Loan Agreement, Old GM was required to submit a Viability Plan in February 2009 that included specific actions intended to result in the following:

- Repayment of all loans, interest and expenses under the UST Loan Agreement, and all other funding provided by the U.S. government;
- Compliance with federal fuel efficiency and emissions requirements and commencement of domestic manufacturing of advanced technology vehicles;
- Achievement of a positive net present value, using reasonable assumptions and taking into account all existing and projected future costs;
- Rationalization of costs, capitalization and capacity with respect to its manufacturing workforce, suppliers and dealerships; and
- A product mix and cost structure that is competitive in the U.S. marketplace.

The UST Loan Agreement also required Old GM to, among other things, use its best efforts to achieve the following restructuring targets:

### *Debt Reduction*

- Reduction of its outstanding unsecured public debt by not less than two-thirds through conversion of existing unsecured public debt into equity, debt and/or cash or by other appropriate means.

### *Labor Modifications*

- Reduction of the total amount of compensation paid to its U.S. employees so that, by no later than December 31, 2009, the average of such total amount is competitive with the average total amount of such compensation paid to U.S. employees of certain foreign-owned, U.S. domiciled automakers (transplant automakers);
- Elimination of the payment of any compensation or benefits to U.S. employees who have been fired, laid-off, furloughed or idled, other than customary severance pay; and
- Application of work rules for U.S. employees in a manner that is competitive with the work rules for employees of transplant automakers.

### *VEBA Modifications*

- Modification of its retiree healthcare obligations arising under the 2008 UAW Settlement Agreement under which responsibility for providing healthcare for UAW retirees, their spouses and dependents would permanently shift from Old GM to the New Plan funded by the New VEBA, such that payment or contribution of not less than one-half of the value of each future payment was to be made in the form of Old GM common stock, subject to certain limitations.

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The UST Loan Agreement provided that if, by March 31, 2009 or a later date (not to exceed 30 days after March 31, 2009) as determined by the Auto Task Force (Certification Deadline), the Auto Task Force had not certified that Old GM had taken all steps necessary to achieve and sustain its long-term viability, international competitiveness and energy efficiency in accordance with the Viability Plan, then the loans and other obligations under the UST Loan Agreement were to become due and payable on the thirtieth day after the Certification Deadline.

On March 30, 2009 the Auto Task Force determined that the plan was not viable and required substantial revisions. In conjunction with the March 30, 2009 announcement, the administration announced that it would offer Old GM adequate working capital financing for a period of 60 days while it worked with Old GM to develop and implement a more accelerated and aggressive restructuring that would provide a sound long-term foundation. On March 31, 2009 Old GM and the UST agreed to postpone the Certification Deadline to June 1, 2009.

Old GM made further modifications to its Viability Plan in an attempt to satisfy the Auto Task Force's requirement that it undertake a substantially more accelerated and aggressive restructuring plan (Revised Viability Plan). The following is a summary of significant cost reduction and restructuring actions contemplated by the Revised Viability Plan, the most significant of which included reducing Old GM's indebtedness and VEBA obligations:

### *Indebtedness and VEBA obligations*

In April 2009 Old GM commenced exchange offers for certain unsecured notes to reduce its unsecured debt in order to comply with the debt reduction condition of the UST Loan Agreement.

Old GM also commenced discussions with the UST regarding the terms of a potential restructuring of its debt obligations under the UST Loan Agreement, the UST Ally Financial Loan Agreement (as subsequently defined), and any other debt issued or owed to the UST in connection with those loan agreements pursuant to which the UST would exchange at least 50% of the total outstanding debt Old GM owed to it at June 1, 2009 for Old GM common stock.

In addition, Old GM commenced discussions with the UAW and the VEBA-settlement class representative regarding the terms of potential VEBA modifications.

### *Other cost reduction and restructuring actions*

In addition to the efforts to reduce debt and modify the VEBA obligations, the Revised Viability Plan also contemplated the following cost reduction efforts, some of which are ongoing:

- Extended shutdowns of certain North American manufacturing facilities in order to reduce dealer inventory;
- Continued refocus of resources on four U.S. brands: Chevrolet, Cadillac, Buick and GMC;
- Acceleration of the resolution for Saab, HUMMER and Saturn and no planned future investment for Pontiac, which is to be phased out by the end of 2010;
- Acceleration of the reduction in U.S. nameplates to 34 by 2010—there are currently 31 nameplates;
- A reduction in the number of U.S. dealers was targeted from 6,246 in 2008 to 3,605 in 2010—we have completed the federal dealer arbitration process and are on track to reduce the number of U.S. dealers to 4,500 by the end of 2010;

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- A reduction in the total number of plants in the U.S. to 34 by the end of 2010 and 31 by 2012; and
- A reduction in the U.S. hourly employment levels from 61,000 in 2008 to 40,000 in 2010 as a result of the nameplate reductions, operational efficiencies and plant capacity reductions.

Old GM had previously announced that it would reduce salaried employment levels on a global basis by 10,000 during 2009 and had instituted several programs to effect reductions in salaried employment levels. Old GM had also negotiated a revised labor agreement with the Canadian Auto Workers Union (CAW) to reduce its hourly labor costs to approximately the level paid to the transplant automakers; however, such agreement was contingent upon receiving longer term financial support for its Canadian operations from the Canadian federal and Ontario provincial governments.

### **Chapter 11 Proceedings**

Old GM was not able to complete the cost reduction and restructuring actions in its Revised Viability Plan, including the debt reductions and VEBA modifications, which resulted in extreme liquidity constraints. As a result, on June 1, 2009 Old GM and certain of its direct and indirect subsidiaries entered into the Chapter 11 Proceedings.

In connection with the Chapter 11 Proceedings, Old GM entered into a secured superpriority debtor-in-possession credit agreement with the UST and EDC (DIP Facility) and received additional funding commitments from EDC to support Old GM's Canadian operations.

The following table summarizes the total funding and funding commitments Old GM received from the U.S. and Canadian governments and the additional notes Old GM issued related thereto in the period December 31, 2008 through July 9, 2009 (dollars in millions):

<u>Description of Funding Commitment</u>	<u>Funding and Funding Commitments</u>	<u>Additional Notes Issued(a)</u>	<u>Total Obligation</u>
UST Loan Agreement (b)	\$ 19,761	\$ 1,172	\$ 20,933
EDC funding (c)	6,294	161	6,455
DIP Facility	33,300	2,221	35,521
Total	<u>\$ 59,355</u>	<u>\$ 3,554</u>	<u>\$ 62,909</u>

- (a) Old GM did not receive any proceeds from the issuance of these promissory notes, which were issued as additional compensation to the UST and EDC.
- (b) Includes debt of \$361 million, which UST loaned to Old GM under the warranty program.
- (c) Includes approximately \$2.4 billion from the EDC Loan Facility received in the period January 1, 2009 through July 9, 2009 and funding commitments of CAD \$4.5 billion (equivalent to \$3.9 billion when entered into) that were immediately converted into our equity. This funding was received on July 15, 2009.

### **363 Sale Transaction**

On July 10, 2009, we completed the acquisition of substantially all of the assets and assumed certain liabilities of Old GM and certain of its direct and indirect subsidiaries (collectively, the Sellers). The 363 Sale was consummated in accordance with the Amended and Restated Master Sale and Purchase Agreement, dated June 26, 2009, as amended (Purchase Agreement), between us and the Sellers, and pursuant to the Bankruptcy Court's sale order dated July 5, 2009.

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In connection with the 363 Sale, the purchase price we paid to Old GM equaled the sum of:

- A credit bid in an amount equal to the total of: (1) debt of \$19.8 billion under Old GM's UST Loan Agreement, plus notes of \$1.2 billion issued as additional compensation for the UST Loan Agreement, plus interest on such debt Old GM owed as of the closing date of the 363 Sale; and (2) debt of \$33.3 billion under Old GM's DIP Facility, plus notes of \$2.2 billion issued as additional compensation for the DIP Facility, plus interest Old GM owed as of the closing date, less debt of \$8.2 billion owed under the DIP Facility;
- UST's return of the warrants Old GM previously issued to it;
- The issuance to MLC of 50 million shares (or 10%) of our common stock and warrants to acquire newly issued shares of our common stock initially exercisable for a total of 91 million shares of our common stock (or 15% on a fully diluted basis); and
- Our assumption of certain specified liabilities of Old GM (including debt of \$7.1 billion owed under the DIP Facility).

Under the Purchase Agreement, as supplemented by a letter agreement we entered into in connection with our October 2009 holding company merger, we are obligated to issue additional shares of our common stock to MLC (Adjustment Shares) in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares issued if estimated general unsecured claims total \$42.0 billion or more. We currently believe that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In the circumstance where estimated general unsecured claims equal \$37.0 billion, we would be required to issue 2.9 million Adjustment Shares to MLC as an adjustment to the purchase price under the terms of the Purchase Agreement. At June 30, 2010 we accrued \$162 million in Accrued expenses related to this contingent obligation.

### *Agreements with the UST, EDC and New VEBA*

On July 10, 2009, we entered into the UST Credit Agreement and assumed debt of \$7.1 billion Old GM incurred under the DIP Facility (UST Loans). In addition, through our wholly-owned subsidiary GMCL, we entered into the Canadian Loan Agreement with EDC and assumed a CAD \$1.5 billion (equivalent to \$1.3 billion when entered into) term loan maturing on July 10, 2015 (Canadian Loan). Proceeds of the DIP Facility of \$16.4 billion were deposited in escrow, to be distributed to us at our request if certain conditions were met and returned to us after the UST Loans and the Canadian Loan were repaid in full. Immediately after entering into the UST Credit Agreement, we made a partial pre-payment due to the termination of the U.S. government sponsored warranty program, reducing the UST Loans principal balance to \$6.7 billion. We also entered into the VEBA Note Agreement and issued the VEBA Notes in the principal amount of \$2.5 billion to the New VEBA.

In December 2009 and March 2010 we made quarterly payments of \$1.0 billion and \$1.0 billion on the UST Loans and quarterly payments of \$192 million and \$194 million on the Canadian Loan. In April 2010, we used funds from our escrow account to repay in full the outstanding amount of the UST Loans of \$4.7 billion. In addition, GMCL repaid in full the outstanding amount of the Canadian Loan of \$1.1 billion. Both loans were repaid prior to maturity.

Refer to Note 18 to our audited consolidated financial statements and Note 13 to our unaudited condensed consolidated interim financial statements for additional information on the UST Loans, VEBA Notes and the Canadian Loan.

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### *Issuance of Common Stock, Preferred Stock and Warrants*

On July 10, 2009 we issued the following securities to the UST, Canada Holdings, the New VEBA and MLC:

#### UST

• 304,131,356 shares of our common stock;

• 83,898,305 shares of our Series A Fixed Rate Cumulative Perpetual Preferred Stock (Series A Preferred Stock);

#### Canada Holdings

• 58,368,644 shares of our common stock;

• 16,101,695 shares of Series A Preferred Stock;

#### New VEBA

• 87,500,000 shares of our common stock;

• 260,000,000 shares of Series A Preferred Stock;

• Warrant to acquire 15,151,515 shares of our common stock;

#### MLC

• 50,000,000 shares of our common stock; and

• Two warrants, each to acquire 45,454,545 shares of our common stock.

#### Preferred Stock

The shares of Series A Preferred Stock have a liquidation preference of \$25.00 per share and accrue cumulative dividends at a rate equal to 9.0% per annum (payable quarterly on March 15, June 15, September 15, and December 15) if, as and when declared by our Board of Directors. So long as any share of the Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on the Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. On or after December 31, 2014, we may redeem, in whole or in part, the shares of Series A Preferred Stock at the time outstanding, at a redemption price per share equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions.

The Series A Preferred Stock is classified as temporary equity because one of the holders, the UST, owns a significant percentage of our common stock and therefore has, and may continue to have, the ability to exert control, through its power to vote for the election of our directors, over various matters, which could include compelling us to redeem the Series A Preferred Stock in 2014 or later. We believe that it is not probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect our directors at December 31, 2014 considering the government's stated intent with respect to its equity holdings in our company to dispose of its ownership interest as soon as practicable. Refer to Note 2 to our audited consolidated financial statements.

The Series A Preferred Stock will remain classified as temporary equity until the holders of the Series A Preferred Stock no longer own a majority of our common stock and therefore no longer have the ability to exert control, through the power to vote for the election of our directors, over various matters, including compelling us

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to redeem the Series A Preferred Stock when it becomes callable by us on and after December 31, 2014. The reclassification of the Series A Preferred Stock to permanent equity would occur upon the earlier of (1) the holders of Series A Preferred Stock no longer owning a majority (greater than 50%) of our common stock; or (2) the UST no longer holding any Series A Preferred Stock, which would result in the remaining holders of the Series A Preferred Stock, as a class, owning less than 50% of our common stock. Upon the occurrence of either of these two events, the existing carrying amount of the Series A Preferred Stock would be reclassified to permanent equity.

Our Series A Preferred Stock is recorded at a discount of \$2.0 billion. We are not accreting the Preferred Stock to its redemption amount of \$9.0 billion because we believe it is not probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect a majority of our directors in 2014. If it becomes probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect a majority of our directors in 2014, then we would begin accreting to the redemption value from the date this condition becomes probable to December 31, 2014.

Regardless of whether we accrete the Series A Preferred Stock, upon a redemption or purchase of any or all Series A Preferred Stock, the difference, if any, between the recorded amount of the Series A Preferred Stock being redeemed or purchased and the consideration paid would be recorded as a charge to Net income attributable to common shareholders. If all of the Series A Preferred Stock were to be redeemed or purchased at its par value, the amount of the charge would be \$2.0 billion.

### Warrants

The first tranche of warrants issued to MLC is exercisable at any time prior to July 10, 2016, with an exercise price of \$30.00 per share. The second tranche of warrants issued to MLC is exercisable at any time prior to July 10, 2019, with an exercise price of \$55.00 per share. The warrant issued to the New VEBA is exercisable at any time prior to December 31, 2015, with an exercise price of \$126.92 per share. The number of shares of our common stock underlying each of the warrants issued to MLC and the New VEBA and the per share exercise price are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

### *Additional Modifications to Pension and Other Postretirement Plans Contingent upon Completion of the 363 Sale*

We also modified the U.S. hourly pension plan, the U.S. executive retirement plan, the U.S. salaried life plan, the non-UAW hourly retiree medical plan and the U.S. hourly life plan. These modifications became effective upon the completion of the 363 Sale. The key modifications were:

- Elimination of the post-age-65 benefits and placing a cap on pre-age-65 benefits in the non-UAW hourly retiree medical plan;
- Capping the life benefit for non-UAW retirees and future retirees at \$10,000 in the U.S. hourly life plan;
- Capping the life benefit for existing salaried retirees at \$10,000, reduced the retiree benefit for future salaried retirees and eliminated the executive benefit for the U.S. salaried life plan;
- Elimination of a portion of nonqualified benefits in the U.S. executive retirement plan; and
- Elimination of the flat monthly special lifetime benefit of \$66.70 that was to commence on January 1, 2010 for the U.S. hourly pension plan.

### *Accounting for the Effects of the Chapter 11 Proceedings and the 363 Sale*

#### *Chapter 11 Proceedings*

Accounting Standards Codification (ASC) 852, "Reorganizations," (ASC 852) is applicable to entities operating under Chapter 11 of the Bankruptcy Code. ASC 852 generally does not affect the application of U.S. GAAP that we and Old GM followed to prepare the audited consolidated financial statements and unaudited condensed consolidated interim financial statements, but it does require specific disclosures for transactions and events that were directly related to the Chapter 11 Proceedings and transactions and events that resulted from ongoing operations.

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Old GM prepared its consolidated financial statements in accordance with the guidance in ASC 852 in the period June 1, 2009 through July 9, 2009. Revenues, expenses, realized gains and losses, and provisions for losses directly related to the Chapter 11 Proceedings were recorded in Reorganization expenses, net in the six months ended June 30, 2009 and in Reorganization gains, net in the period January 1, 2009 through July 9, 2009. Reorganization expenses, net and Reorganization gains, net do not constitute an element of operating loss due to their nature and due to the requirement of ASC 852 that they be reported separately. Old GM's balance sheet prior to the 363 Sale distinguished prepetition liabilities subject to compromise from prepetition liabilities not subject to compromise and from postpetition liabilities.

### **Specific Management Initiatives**

The execution of certain management initiatives is critical to achieving our goal of sustained future profitability. The following provides a summary of these management initiatives and significant results and events.

#### ***Streamline U.S. Operations***

##### *Increased Production Volume*

We continue to consolidate our U.S. manufacturing operations while maintaining the flexibility to meet increasing 2010 production levels. At December 31, 2009 we had reduced the number of U.S. manufacturing plants to 41 from 47 in 2008, excluding Delphi's global steering business (Nexteer) and four domestic facilities acquired from Delphi in October 2009.

The moderate improvement in the U.S. economy, resulting increase in U.S. industry vehicle sales and increase in demand for our products has resulted in increased production volumes for GMNA. In the six months ended June 30, 2010 GMNA produced 1.4 million vehicles. This represents an increase of 82.4% compared to 767,000 vehicles in the six months ended June 30, 2009.

In the year ended 2009 combined GM and Old GM GMNA produced 1.9 million vehicles. This represents a decrease of 44.5% compared to 3.4 million vehicles in the year ended 2008. However, Old GM GMNA production levels increased from 371,000 vehicles in the three months ended March 31, 2009 to 395,000 vehicles (or 6.5%) in the three months ended June 30, 2009. Combined GM and Old GM GMNA production increased to 531,000 vehicles (or 34.4%) in the three months ended September 30, 2009 as compared to June 30, 2009 quarterly production levels. GMNA production increased to 616,000 vehicles (or 16.0%) in the three months ended December 31, 2009 as compared to September 30, 2009 quarterly production levels. The increase in production levels from the three months ended September 30, 2009 related to increased consumer demand for certain products such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX.

##### *Improve Vehicle Sales*

In the six months ended June 30, 2010 U.S. industry vehicle sales were 5.7 million vehicles, of which our market share was 18.9% based on vehicle sales volume. This represents an increase in U.S. industry vehicle sales from 4.9 million vehicles (or 16.6%), of which Old GM's market share was 19.5%, based on vehicle sales volume, in the six months ended June 30, 2009. This increase is consistent with the gradual U.S. vehicle sales recovery from the negative economic effects of the U.S. recession first experienced in the second half of 2008.

GMNA dealers in the U.S. sold 1.1 million vehicles in the six months ended June 30, 2010. This represents an increase from Old GM's U.S. vehicle sales of 1.0 million vehicles (or 13.2%) in the six months ended June 30, 2009. This increase reflects our brand rationalization strategy to focus our product engineering and design and marketing on four brands: Buick, Cadillac, Chevrolet and GMC. This strategy has resulted in increased consumer demand for certain products such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX. These four brands accounted for 1.1 million vehicles (or 99.0%) of our U.S. vehicle sales in the six months ended June 30, 2010. In addition, the moderate improvement in the U.S. economy has contributed to a slow but steady improvement in U.S. industry vehicle sales and increased consumer confidence.

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The continued increase in U.S. industry vehicle sales and the vehicle sales of our four brands is critical for us to achieve our worldwide profitability.

### *U.S. Dealer Reduction*

We market vehicles worldwide through a network of independent retail dealers and distributors. As part of achieving and sustaining long-term viability and the viability of our dealer network, we determined that a reduction in the number of U.S. dealerships was necessary. In determining which dealerships would remain in our network, we performed analyses of volumes and consumer satisfaction indexes, among other criteria. Wind-down agreements with over 1,800 U.S. retail dealers were executed. The retail dealers executing wind-down agreements agreed to terminate their dealer agreements with us prior to October 31, 2010. Our plan was to reduce dealerships in the United States to approximately 3,600 to 4,000 in the long-term. However, in December 2009 President Obama signed legislation giving dealers access to neutral arbitration should they decide to contest the wind-down of their dealership. Under the terms of the legislation, we informed dealers as to why their dealership received a wind-down agreement. In turn, dealers were given a timeframe to file for reinstatement through the American Arbitration Association. Under the law, decisions in these arbitration proceedings are binding and final. We sent letters to over 2,000 of our dealers explaining the reasons for their wind-down agreements and over 1,100 dealers have filed for arbitration. In response to the arbitration filings we offered certain dealers reinstatement contingent upon compliance with our core business criteria for operation of a dealership. At June 30, 2010 the arbitration process had been fundamentally resolved. At June 30, 2010 there were approximately 5,200 vehicle dealers in the U.S. compared to approximately 5,600 at December 31, 2009. We intend to reduce the total number of our U.S. dealers to approximately 4,500 by the end of 2010.

To create a strong and viable distribution network for our products, continuing dealers have signed participation agreements. These participation agreements include performance expectations in the areas of retail sales, new vehicle inventory and facility exclusivity.

### ***Repayment of Debt***

Proceeds from the DIP Facility were necessary in order to provide sufficient capital for Old GM to operate pending the closing of the 363 Sale. In connection with the 363 Sale, we assumed the UST Loans and Canadian Loan, which Old GM incurred under the DIP Facility. One of our key priorities was to repay the outstanding balances from these loans prior to maturity.

### *Repayment of UST Loans and Canadian Loan*

On July 10, 2009 we entered into the UST Credit Agreement and assumed the UST Loans in the amount of \$7.1 billion incurred by Old GM under its DIP Facility. Immediately after entering into the UST Credit Agreement, we made a partial pre-payment, reducing the UST Loans principal balance to \$6.7 billion. On July 10, 2009 through our wholly-owned subsidiary GMCL, we also entered into the amended and restated Canadian Loan Agreement with EDC, and assumed the CAD \$1.5 billion (equivalent to \$1.3 billion when entered into) Canadian Loan.

In November 2009 we signed amendments to the UST Credit Agreement and Canadian Loan Agreement to provide for quarterly repayments of the UST Loans and Canadian Loan. Pursuant to these amendments, in December 2009 and March 2010 we made quarterly payments of \$1.0 billion and \$1.0 billion on the UST Loans and quarterly payments of \$192 million and \$194 million on the Canadian Loan. In April 2010, we used funds from our escrow account to repay in full the outstanding amount of the UST Loans of \$4.7 billion. In addition, GMCL repaid in full the outstanding amount of the Canadian Loan of \$1.1 billion. Both loans were repaid prior to maturity.

### *UST Escrow Funds*

Proceeds of the DIP Facility of \$16.4 billion were deposited in escrow. We used our escrow account to acquire all Class A Membership Interests in DIP HOLDCO LLP, subsequently named Delphi Automotive LLP, (New Delphi) in the amount of \$1.7 billion and acquire Nexteer and four domestic facilities and make other



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related payments in the amount of \$1.0 billion. In addition, \$2.4 billion was released from escrow in connection with two quarterly payments of \$1.2 billion on the UST Loans and Canadian Loan. Following the repayment of the UST Loans and the Canadian Loan, the remaining funds in an amount of \$6.6 billion that were held in escrow became unrestricted. The availability of those funds is no longer subject to the conditions set forth in the UST Credit Agreement.

### *Repayment of German Revolving Bridge Facility*

In May 2009 Old GM entered into a revolving bridge facility with the German federal government and certain German states (German Facility) with a total commitment of up to Euro 1.5 billion (equivalent to \$2.1 billion when entered into) and maturing November 30, 2009. The German Facility was necessary in order to provide sufficient capital to operate Opel/Vauxhall. On November 24, 2009, the debt was paid in full and extinguished.

### **Brand Rationalization**

As mentioned previously, we will focus our resources in the U.S. on four brands: Chevrolet, Cadillac, Buick and GMC. As a result, we completed the sale of Saab in February 2010 and the sale of Saab Automobile GB (Saab GB) in May 2010 and have ceased production of our Pontiac, Saturn, and HUMMER brands and continue the wind-down process of the related dealers.

### *Saturn*

In September 2009 we decided to wind down the Saturn brand and dealership network in accordance with the deferred termination agreements that Saturn dealers have signed with us. Pursuant to the terms of the deferred termination agreements, the wind-down process is scheduled to be completed no later than October 2010.

### *Saab*

In February 2010 we completed the sale of Saab and in May 2010 we completed the sale of Saab GB to Spyker Cars NV. As part of the agreement, Saab, Saab GB and Spyker Cars NV will operate under the Spyker Cars NV umbrella, and Spyker Cars NV will assume responsibility for Saab operations. The previously announced wind-down activities of Saab operations have ended.

### **Opel/Vauxhall Restructuring Activities**

In February 2010 we presented our plan for the long-term viability of our Opel/Vauxhall operations to the German federal government and subsequently held discussions with European governments concerning funding support. Our plan included:

- Funding requirement estimates of Euro 3.7 billion (equivalent to \$5.1 billion) including an original estimate of Euro 3.3 billion plus an additional Euro 0.4 billion, requested by European governments, to offset the potential effect of adverse market developments;
- Financing contributions from us of Euro 1.9 billion (equivalent to \$2.6 billion) or more than 50% of the overall funding requirements;
- Requests of total funding support/loan guarantees from European governments of Euro 1.8 billion (equivalent to \$2.5 billion);
- Plans to invest in capital and engineering of Euro 11.0 billion (equivalent to \$15.0 billion) over the next five years; and
- Reduced capacity to adjust to then-current and forecasted market conditions including headcount reductions of 1,300 employees in sales and administration, 7,000 employees in manufacturing and the idling of our Antwerp, Belgium facility.

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In June 2010 the German federal government notified us of its decision not to provide loan guarantees to Opel/Vauxhall. As a result, we have decided to fund the requirements of Opel/Vauxhall internally, including any amounts necessary to fund the approximately \$1.3 billion in cash required to complete the European restructuring program. Opel/Vauxhall has subsequently withdrawn all applications for government loan guarantees from European governments.

We plan to continue to invest in capital, engineering and innovative fuel efficient powertrain technologies including an extended-range electric vehicle and battery electric vehicles. Our plan also includes aggressive capacity reductions including headcount reductions and the closing of our Antwerp, Belgium facility.

In the six months ended June 30, 2010 GME recorded charges of \$89 million related to a voluntary separation program in the U.K. of \$25 million and an early retirement plan in Spain of \$64 million, which will affect 1,200 employees.

In the six months ended June 30, 2010 GME recorded charges of \$353 million related to a separation plan associated with the closure of the Antwerp, Belgium facility. Negotiations for the final termination benefits were concluded in April 2010, and the total separation costs are estimated to be Euro 0.4 billion (equivalent to \$0.5 billion). There were 2,600 employees affected, of which 1,300 separated in June 2010. In addition, GME and employee representatives entered into a Memorandum of Understanding whereby both parties will cooperate in a working group, which also includes the Flemish government, in order to find an outside investor to acquire the facility. The search will conclude at the end of September 2010. If an investor is found, the investor will determine the number of employees that it will hire. If an investor is not found, termination benefits will be offered to the remaining employees and the facility will close by December 31, 2010.

By the start of 2012, we plan to have 80% of our Opel/Vauxhall carlines volume refreshed such that the model stylings are less than three years old. In addition, we plan to invest Euro 1.0 billion to introduce innovative fuel efficient powertrain technologies including an additional extended-range electric vehicle and introducing battery-electric vehicles in smaller-size segments.

### ***Resolution of Delphi Matters***

In October 2009 we consummated the transaction contemplated in the Delphi Master Disposition Agreement (DMDA) with Delphi and other parties. Under the DMDA, we agreed to acquire Nexteer, which supplies us and other OEMs with steering systems and columns, and four domestic facilities that manufacture a variety of automotive components, primarily sold to us. We, along with several third party investors who held the Delphi Tranche DIP Facility (collectively, the Investors), agreed to acquire substantially all of Delphi's remaining assets through New Delphi. Certain excluded assets and liabilities have been retained by a Delphi entity (DPH) to be sold or liquidated. In connection with the DMDA, we agreed to pay or assume Delphi obligations of \$1.0 billion related to its senior DIP credit facility, including certain outstanding derivative instruments, its junior DIP credit facility, and other Delphi obligations, including certain administrative claims. At the closing of the transactions contemplated by the DMDA, we waived administrative claims associated with our advance agreements with Delphi, the payment terms acceleration agreement with Delphi and the claims associated with previously transferred pension costs for hourly employees.

We agreed to acquire, prior to the consummation of the transactions contemplated by the DMDA, all Class A Membership Interests in New Delphi for a cash contribution of \$1.7 billion with the Investors acquiring Class B Membership Interests. We and the Investors also agreed to establish: (1) a secured delayed draw term loan facility for New Delphi, with us and the Investors each committing to provide loans of up to \$500 million; and (2) a note of \$41 million to be funded at closing by the Investors. In addition, the DMDA settled outstanding claims and assessments against and from MLC, us and Delphi, including the termination of the Master Restructuring Agreement with limited exceptions, and establishes an ongoing commercial relationship with New Delphi. We agreed to continue all existing Delphi supply agreements and purchase orders for GMNA to the end of the related product program, and New Delphi agreed to provide us with access rights designed to allow us to operate specific sites on defined triggering events to provide us with protection of supply.

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In separate agreements, we, Delphi and the Pension Benefit Guarantee Corporation (PBGC) negotiated the settlement of the PBGC's claims from the termination of the Delphi pension plans and the release of certain liens with the PBGC against Delphi's foreign assets. In return, the PBGC was granted a 100% interest in Class C Membership Interests in New Delphi which provides for the PBGC to participate in predefined equity distributions and received a payment of \$70 million from us. We maintain certain obligations relating to Delphi hourly employees to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements.

### ***Pursue Section 136 Loans***

Section 136 of the Energy Independence and Security Act of 2007 establishes an incentive program consisting of both grants and direct loans to support the development of advanced technology vehicles and associated components in the U.S.

The U.S. Congress provided the DOE with \$25.0 billion in funding to make direct loans to eligible applicants for the costs of re-equipping, expanding, and establishing manufacturing facilities in the United States to produce advanced technology vehicles and components for these vehicles. Old GM submitted three applications for Section 136 Loans aggregating \$10.3 billion to support its advanced technology vehicle programs prior to July 2009. Based on the findings of the Auto Task Force under the UST Loan Agreement in March 2009, the DOE determined that Old GM did not meet the viability requirements for Section 136 Loans.

On July 10, 2009, we purchased certain assets of Old GM pursuant to Section 363 of the Bankruptcy Code, including the rights to the loan applications submitted to the ATVMIP. Further, we submitted a fourth application in August 2009. Subsequently, the DOE advised us to resubmit a consolidated application including all the four applications submitted earlier and also the Electric Power Steering project acquired from Delphi in October 2009. We submitted the consolidated application in October 2009, which requested an aggregate amount of \$14.4 billion of Section 136 Loans. Ongoing product portfolio updates and project modifications requested from the DOE have the potential to reduce the maximum loan amount. To date, the DOE has announced that it would provide approximately \$8.4 billion in Section 136 Loans to Ford Motor Company, Nissan Motor Company, Tesla Motors, Inc., Fisker Automotive, Inc., and Tenneco Inc. There can be no assurance that we will qualify for any remaining loans or receive any such loans even if we qualify.

### ***Development of Multiple Financing Sources and Acquisition of AmeriCredit Corp.***

A significant percentage of our customers and dealers require financing to purchase our vehicles. Historically, Ally Financial has provided most of the financing for our dealers and a significant amount of financing for our customers in the U.S., Canada and various other markets around the world. Additionally, we maintain other financing relationships, such as with U.S. Bank for U.S. leasing, GM Financial for sub-prime lending and a variety of local and regional financing sources around the world.

On October 1, 2010 we acquired AmeriCredit, an independent automobile finance company for cash of approximately \$3.5 billion. We expect AmeriCredit, which was subsequently renamed GM Financial, will allow us to complement our existing relationship with Ally Financial in order to provide a more complete range of financing options to our customers, including additional capabilities in leasing and sub-prime financing options. We also plan to use GM Financial for targeted customer marketing initiatives to expand our vehicle sales.

### ***Focus on Chinese Market***

Our Chinese operations, which we established beginning in 1997, are primarily composed of three joint ventures: SGM, SGMW and FAW-GM. We view the Chinese market, the fastest growing global market by volume of vehicles sold, as important to our global growth strategy and are employing a multi-brand strategy, led by our Buick division, which we believe is a strong brand in China. In the coming years, we plan to increasingly leverage our global architectures to increase the number of nameplates under the Chevrolet brand in China.

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SGM, of which we own 49% and the Shanghai Automotive Industry Corporation (SAIC) owns 51%, produces passenger cars utilizing GM global architectures under the Buick, Chevrolet and Cadillac brands. SGMW, of which we own 34%, SAIC owns 50% and Liuzhou Wuling Motors Co., Ltd. (Wuling) owns 16%, produces mini-commercial vehicles and passenger cars utilizing local architectures under the Wuling and Chevrolet brands. FAW-GM, of which we own 50% and China FAW Group Corporation (FAW) owns 50%, produces light commercial vehicles under the Jiefang brand and medium vans under the FAW brand. Our joint venture agreements allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM production volume in China. SAIC, one of our joint venture partners, currently produces vehicles under its own name for sale in the Chinese market. At present, vehicles that SAIC produces primarily serve markets that are different from markets served by our joint ventures.

During the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, SGM, SGMW and FAW-GM sold 1.2 million, 1.8 million, 1.1 million and 1.0 million vehicles in China. In the six months ended June 30, 2010, the period July 10, 2009 through December 31, 2009, the period January 1, 2009 through July 9, 2009 and the years ended December 31, 2008 and 2007, SGM and SGMW, the largest of these three joint ventures, combined to provide equity income, net of tax, to us and Old GM of \$734 million, \$466 million, \$298 million, \$312 million and \$430 million.

### ***GM South America***

In June 2010, we announced that, beginning in the fourth quarter of 2010, we are creating a new regional organization in South America. The new organization, GM South America, will be headquartered in Sao Paulo, Brazil, and its president will report to our chairman and chief executive officer. GM South America will include existing sales and manufacturing operations in Brazil, Argentina, Colombia, Ecuador and Venezuela, as well as sales activities in those countries and Bolivia, Chile, Paraguay, Peru and Uruguay. As part of our global product operations organization, GM South America will have product design and engineering capabilities, which will allow it to continue creating local cars and trucks that complement our global product architectures. GM South America will initially have approximately 29,000 employees.

### ***Sale of Nexteer***

On July 7, 2010 we entered into a definitive agreement to sell Nexteer to an unaffiliated party. The transaction is subject to customary closing conditions, regulatory approvals and review by government agencies in the U.S. and China. At June 30, 2010 Nexteer had total assets of \$906 million, total liabilities of \$458 million, and recorded revenue of \$1.0 billion in the six months ended June 30, 2010, of which \$543 million were sales to us and our affiliates. Nexteer did not qualify for held for sale classification at June 30, 2010. Once consummated, we do not expect the sale of Nexteer to have a material effect on our audited consolidated financial statements or our unaudited condensed consolidated interim financial statements.

### **Investment in Ally Financial**

As part of the approval process for Ally Financial (formerly GMAC) to obtain Bank Holding Company status in December 2008, Old GM agreed to reduce its ownership in Ally Financial to less than 10% of the voting and total equity of Ally Financial by December 24, 2011. At December 31, 2009 our equity ownership in Ally Financial was 16.6%.

In December 2008 Old GM and FIM Holdings, an assignee of Cerberus ResCap Financing LLC, entered into a subscription agreement with Ally Financial under which each agreed to purchase additional Common Membership Interests in Ally Financial, and the UST committed to provide Old GM with additional funding in order to purchase the additional interests. In January 2009 Old GM entered into the UST Ally Financial Loan Agreement pursuant to which it borrowed \$884 million (UST Ally Financial Loan) and utilized those funds to purchase 190,921 Class B Common Membership Interests of Ally Financial. The UST Ally Financial Loan was

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scheduled to mature in January 2012 and bore interest, payable quarterly, at the same rate of interest as the UST Loans. The UST Ally Financial Loan was secured by Old GM's Common and Preferred Membership Interests in Ally Financial. As part of this loan agreement, the UST had the option to convert outstanding amounts into a maximum of 190,921 shares of Ally Financial's Class B Common Membership Interests on a pro rata basis.

In May 2009 the UST exercised this option, the outstanding principal and interest under the UST Ally Financial Loan was extinguished, and Old GM recorded a net gain of \$483 million. The net gain was comprised of a gain on the disposition of Ally Financial Common Membership Interests of \$2.5 billion and a loss on extinguishment of the UST Ally Financial Loan of \$2.0 billion. After the exchange, Old GM's ownership was reduced to 24.5% of Ally Financial's Common Membership Interests. Until June 30, 2009, Old GM accounted for its investment in Ally Financial using the equity method of accounting. For additional information on our and Old GM's investment in GMAC, refer to Note 10 and Note 16 to our audited consolidated financial statements.

Ally Financial converted its status to a C corporation effective June 30, 2009. At that date, Old GM began to account for its investment in Ally Financial using the cost method rather than the equity method as Old GM could not exercise significant influence over Ally Financial. Prior to Ally Financial's conversion to a C corporation, Old GM's investment in Ally Financial was accounted for in a manner similar to an investment in a limited partnership, and the equity method was applied because Old GM's influence was more than minor. In connection with Ally Financial's conversion into a C corporation, each unit of each class of Ally Financial Membership Interests was converted into shares of capital stock of Ally Financial with substantially the same rights and preferences as such Membership Interests. On July 10, 2009 we acquired Old GM's investments in Ally Financial's common and preferred stocks in connection with the 363 Sale.

In December 2009 the UST made a capital contribution to Ally Financial of \$3.8 billion consisting of the purchase of trust preferred securities of \$2.5 billion and mandatory convertible preferred securities of \$1.3 billion. The UST also exchanged all of its existing Ally Financial non-convertible preferred stock for newly issued mandatory convertible preferred securities valued at \$5.3 billion. In addition the UST converted \$3.0 billion of its mandatory convertible preferred securities into Ally Financial common stock. These actions resulted in the dilution of our Ally Financial common stock investment from 24.5% to 16.6%, of which 6.7% is held directly and 9.9% is held in an independent trust. Pursuant to previous commitments to reduce influence over and ownership in Ally Financial, the trustee, who is independent of us, has the sole authority to vote and is required to dispose of all Ally Financial common stock held in the trust by December 24, 2011.

### **Special Attrition Programs, Labor Agreements and Benefit Plan Changes**

#### ***2009 Special Attrition Programs and U.S. Hourly Workforce Reductions***

In February and June 2009 Old GM announced the 2009 Special Attrition Programs for eligible UAW represented employees, offering cash and other incentives for individuals who elected to retire or voluntarily terminate employment. In the period January 1, 2009 through July 9, 2009 Old GM recorded postemployment benefit charges related to these programs for 13,000 employees. In the periods January 1, 2009 through July 9, 2009 and July 10, 2009 through December 31, 2009, 7,980 and 5,000 employees accepted the terms of the 2009 Special Attrition Programs. At December 31, 2009 our U.S. hourly headcount was 51,000 employees. At December 31, 2008 Old GM's U.S. hourly headcount was 62,000 employees. This represents a decrease of 16,000 U.S. hourly employees, excluding 5,000 U.S. hourly employees acquired with Nexteer and four domestic facilities.

#### ***Global Salaried Workforce Reductions***

In February and June 2009 Old GM announced its intention to reduce global salaried headcount. The U.S. salaried employee reductions related to this initiative were to be accomplished primarily through the 2009 Salaried Window Program or through a severance program funded from operating cash flows. These programs

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were involuntary programs subject to management approval where employees were permitted to express interest in retirement or separation, for which the charges for the 2009 Salaried Window Program were recorded as special termination benefits funded from the U.S. salaried defined benefit pension plan and other applicable retirement benefit plans.

A net reduction of 9,000 salaried employees was achieved globally, excluding 2,000 salaried employees acquired with our acquisition of Nexteer and four domestic facilities, as more fully discussed in the above section of this prospectus entitled “—Specific Management Initiatives—Resolution of Delphi Matters.” Global salaried headcount decreased from 73,000 salaried employees at December 31, 2008 to 66,000 at December 31, 2009, including a reduction of 5,500 U.S. salaried employees.

### ***U.S. Salaried Benefits Changes***

In February 2009 Old GM reduced salaried retiree life benefits for U.S. salaried employees. In June 2009 Old GM approved and communicated plan amendments associated with the U.S. salaried retiree health care program including reduced coverage and increases to cost sharing. In June 2009 Old GM also communicated changes in benefits for retired salaried employees including an acceleration and further reduction in retiree life insurance, elimination of the supplemental executive life insurance benefit, and reduction in supplemental executive retirement plan.

### ***2009 Revised UAW Settlement Agreement***

In May 2009 the UAW and Old GM agreed to the 2009 Revised UAW Settlement Agreement relating to the UAW hourly retiree medical plan and the 2008 UAW Settlement Agreement that permanently shifted responsibility for providing retiree health care from Old GM to the New Plan funded by the New VEBA. The 2009 Revised UAW Settlement Agreement was subject to the successful completion of the 363 Sale, and we and the UAW executed the 2009 Revised UAW Settlement Agreement on July 10, 2009 in connection with the 363 Sale. Details of the most significant changes to the agreement are:

- The Implementation Date changed from January 1, 2010 to the later of December 31, 2009 or the closing date of the 363 Sale, which occurred on July 10, 2009;
- The timing of payments to the New VEBA changed as subsequently discussed;
- The form of consideration changed as subsequently discussed;
- The contribution of employer securities changed such that they are contributed directly to the New VEBA in connection with the 363 Sale on July 10, 2009;
- Certain coverages will be eliminated and certain cost sharing provisions will increase; and
- The flat monthly special pension lifetime benefit that was scheduled to commence on January 1, 2010 was eliminated.

There was no change to the timing of our existing internal VEBA asset transfer to the New VEBA in that the internal VEBA asset transfer occurred within 10 business days after December 31, 2009 in accordance with both the 2008 UAW Settlement Agreement and the 2009 Revised UAW Settlement Agreement. The VEBA assets were not consolidated by us after the settlement was recorded at December 31, 2009 because we did not hold a controlling financial interest in the entity that held such assets at that date.

The new payment terms to the New VEBA under the 2009 Revised UAW Settlement Agreement are:

- VEBA Notes of \$2.5 billion and accrued interest, at an implied interest rate of 9.0% per annum, are due to be repaid in three equal installments of \$1.4 billion on July 15 of 2013, 2015 and 2017;

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- 260 million shares of our Series A Preferred Stock that accrue cumulative dividends at 9.0% per annum;
- 88 million shares (17.5%) of our common stock;
- A warrant to acquire 15 million shares (2.5%) of our common stock at \$126.92 per share at any time prior to December 31, 2015;
- Two years funding of claims costs for certain individuals that elected to participate in the 2009 Special Attrition Programs; and
- The existing internal VEBA assets.

Under the terms of the 2009 Revised UAW Settlement Agreement, we are released from UAW retiree health care claims incurred after December 31, 2009. All obligations of ours, the New Plan and any other entity or benefit plan of ours for retiree medical benefits for the class and the covered group arising from any agreement between us and the UAW terminated at December 31, 2009. Our obligations to the New Plan and the New VEBA are limited to the 2009 Revised UAW Settlement Agreement.

### ***IUE-CWA and USW Settlement Agreement***

In September 2009 we entered into a settlement agreement with MLC, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers — Communication Workers of America (IUE-CWA) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW). Under the settlement agreement, the IUE-CWA and the USW agreed to withdraw and release all claims against us and MLC relating to retiree health care benefits and basic life insurance benefits. In exchange, the IUE-CWA, the USW and any additional union that agrees to the terms of the settlement agreement will be granted an allowed pre-petition unsecured claim in MLC's Chapter 11 proceedings of \$1.0 billion with respect to retiree health and life insurance benefits for the post-age-65 medicare eligible retirees, post-age-65 surviving spouses and under-age-65 medicare eligible retirees or surviving spouses disqualified for retiree health care benefits from us under the settlement agreement. For participants remaining eligible for health care, certain coverages were eliminated and cost sharing will increase.

The settlement agreement was expressly conditioned upon, and did not become effective until approved by the Bankruptcy Court in MLC's Chapter 11 proceedings, which occurred in November 2009. Several additional unions representing MLC hourly retirees joined the IUE-CWA and USW settlement agreement with respect to health care and life insurance.

### ***2009 CAW Agreement***

In March 2009 Old GM announced that the members of the CAW had ratified the 2009 CAW Agreement intended to reduce manufacturing costs in Canada by closing the competitive gap with transplant automakers in the United States on active employee labor costs and reducing legacy costs through introducing co-payments for healthcare benefits, increasing employee healthcare cost sharing, freezing pension benefits and eliminating cost of living adjustments to pensions for retired hourly workers. The 2009 CAW Agreement was conditioned on Old GM receiving longer term financial support from the Canadian and Ontario governments.

GMCL subsequently entered into additional negotiations with the CAW which resulted in a further addendum to the 2008 collective agreement which was ratified by the CAW members in May 2009. In June 2009 the Ontario and Canadian governments agreed to the terms of a loan agreement, approved the GMCL viability plan and provided funding to GMCL.

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In June 2009 GMCL and the CAW agreed to the terms of an independent Health Care Trust (HCT) to provide retiree health care benefits to certain active and retired employees. The HCT will be implemented when certain preconditions are achieved including certain changes to the Canadian Income Tax Act and the favorable completion of a class action process to bind existing retirees to the HCT. The latter is subject to the agreement of the representative retirees and the courts. The preconditions have not been achieved and the HCT is not yet implemented at June 30, 2010. Under the terms of the HCT agreement, GMCL is obligated to make a payment of CAD \$1.0 billion on the HCT implementation date which it will fund out of its CAD \$1.0 billion escrow funds, adjusted for the net difference between the amount of retiree monthly contributions received during the period December 31, 2009 through the HCT implementation date less the cost of benefits paid for claims incurred by covered employees during this period. GMCL will provide a CAD \$800 million note payable to the HCT on the HCT implementation date which will accrue interest at an annual rate of 7.0% with five equal annual installments of \$256 million due December 31 of 2014 through 2018. Concurrent with the implementation of the HCT, GMCL will be legally released from all obligations associated with the cost of providing retiree health care benefits to CAW active and retired employees bound by the class action process.

### ***Canadian Defined Benefit Pension Plan Contributions***

Under the terms of the pension agreement with the Government of Ontario and the Superintendent of Financial Services and as required by regulation, GMCL was required to make initial contributions of CAD \$3.3 billion to the Canadian hourly defined benefit pension plan and CAD \$0.7 billion to the Canadian salaried defined benefit pension plan, effective September 2, 2009. The contributions were made as scheduled. GMCL is required to make five annual contributions of CAD \$200 million, payable in monthly installments, beginning in September 2009. The payments will be allocated between the Canadian hourly defined benefit pension plan and the Canadian salaried defined benefit pension plan as specified in the loan agreement.

### ***Delphi Corporation***

In July 2009 we entered into the DMDA with Delphi and other parties. Under the DMDA, we agreed to acquire Nexteer and four domestic facilities. As a result of the DMDA, active Delphi plan participants at the sites covered by the DMDA are now covered under our comparable counterpart plans as new employees with vesting rights. As part of the DMDA, we also assumed liabilities associated with certain international benefit plans.

### ***Job Security Programs***

In May 2009 Old GM and the UAW entered into a broad agreement which was required to meet cost benchmarks and the expectations of the U.S. government for significant further reductions in the Company's longer term liabilities. One of the significant addendums to the May 2009 agreement was that the Job Opportunity Bank (JOBS) Program was suspended, modifications were made to the Supplemental Unemployment Benefit (SUB) Program, and the Transition Support Program (TSP) was added. This resulted in the providing of reduced wages and benefits for a shorter duration than the benefits previously provided. Further, the duration of benefits is now tiered based on an employee's years of service. This narrowed the labor cost competitive gap with GM's U.S. competitors, including transplant automakers. A similar tiered benefit is provided to CAW employees.

### ***Patient Protection and Affordable Care Act***

The Patient Protection and Affordable Care Act was signed into law by President Obama in March 2010 and contains provisions that require all future reimbursement receipts under the Medicare Part D retiree drug subsidy program to be included in taxable income. This taxable income inclusion will not significantly affect us because, effective January 1, 2010, we no longer provide prescription drug coverage to post-age-65 Medicare-eligible participants, and we have a full valuation allowance against our net deferred tax assets in the U.S. We have assessed the other provisions of this new law, based on information known at this time, and we believe that the new law will not have a significant effect on our consolidated financial statements.



## **Venezuelan Exchange Regulations**

Our Venezuelan subsidiaries changed their functional currency from Bolivar Fuerte (the BsF), the local currency, to the U.S. Dollar, our reporting currency, on January 1, 2010 because of the hyperinflationary status of the Venezuelan economy. Further, pursuant to the official devaluation of the Venezuelan currency and establishment of the dual fixed exchange rates in January 2010, we remeasured the BsF denominated monetary assets and liabilities held by our Venezuelan subsidiaries at the nonessential rate of 4.30 BsF to \$1.00. The remeasurement resulted in a charge of \$25 million recorded in Cost of sales in the six months ended June 30, 2010. During the six months ended June 30, 2010 all BsF denominated transactions have been remeasured at the nonessential rate of 4.30 BsF to \$1.00.

In June 2010, the Venezuelan government introduced additional foreign currency exchange control regulations, which imposed restrictions on the use of the parallel foreign currency exchange market, thereby making it more difficult to convert BsF to U.S. Dollars. We periodically accessed the parallel exchange market, which historically enabled entities to obtain foreign currency for transactions that could not be processed by the Commission for the Administration of Currency Exchange (CADIVI). The restrictions on the foreign currency exchange market could affect our Venezuelan subsidiaries' ability to pay non-BsF denominated obligations that do not qualify to be processed by CADIVI at the official exchange rates as well as our ability to benefit from those operations.

## **Effect of Fresh-Start Reporting**

The application of fresh-start reporting significantly affected certain assets, liabilities, and expenses. As a result, certain financial information at and for any period after July 10, 2009 is not comparable to Old GM's financial information. Therefore, we did not combine certain financial information in the period July 10, 2009 through December 31, 2009 with Old GM's financial information in the period January 1, 2009 through July 9, 2009 for comparison to prior periods. For the purpose of the following discussion, we have combined our Total net sales and revenue in the period July 10, 2009 through December 31, 2009 with Old GM's Total net sales and revenue in the period January 1, 2009 through July 9, 2009. Total net sales and revenue was not significantly affected by fresh-start reporting and therefore we combined vehicle sales data comparing the Successor and Predecessor periods. Refer to Note 2 to our audited consolidated financial statements for additional information on fresh-start reporting.

Because our and Old GM's financial information is not comparable, we are providing additional financial metrics for the periods presented in addition to disclosures concerning significant transactions and trends at June 30, 2010 and December 31, 2009 and in the periods presented.

Total net sales and revenue is primarily comprised of revenue generated from the sales of vehicles, in addition to revenue from OnStar, our customer subscription service, vehicle sales accounted for as operating leases and sales of parts and accessories.

Cost of sales is primarily comprised of material, labor, manufacturing overhead, freight, foreign currency transaction and translation gains and losses, product engineering, design and development expenses, depreciation and amortization, policy and warranty costs, postemployment benefit costs, and separation and impairment charges. Prior to our application of fresh-start reporting on July 10, 2009, Cost of sales also included gains and losses on derivative instruments. Effective July 10, 2009 gains and losses related to all nondesignated derivatives are recorded in Interest income and other non-operating income, net.

Selling, general and administrative expense is primarily comprised of costs related to the advertising, selling and promotion of products, support services, including central office expenses, labor and benefit expenses for employees not considered part of the manufacturing process, consulting costs, rental expense for offices, bad debt expense and non-income based state and local taxes.

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**Consolidated Results of Operations**  
(Dollars in Millions)

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	Unaudited		Unaudited			
<b>Net sales and revenue</b>						
Sales	\$ 64,553	\$ 57,329	\$ 46,787	45,157	\$ 147,732	\$ 177,594
Other revenue	97	145	328	321	1,247	2,390
Total net sales and revenue	64,650	57,474	47,115	45,478	148,979	179,984
<b>Costs and expenses</b>						
Cost of sales	56,350	56,381	55,814	53,995	149,257	165,573
Selling, general and administrative expense	5,307	6,006	6,161	5,433	14,253	14,412
Other expenses, net	85	15	1,235	1,154	6,699	4,308
Total costs and expenses	61,742	62,402	63,210	60,582	170,209	184,293
Operating income (loss)	2,908	(4,928)	(16,095)	(15,104)	(21,230)	(4,309)
Equity in income (loss) of and disposition of interest in Ally Financial	—	—	1,380	1,380	(6,183)	(1,245)
Interest expense	(587)	(694)	(5,428)	(4,605)	(2,525)	(3,076)
Interest income and other non-operating income, net	544	440	852	833	424	2,284
Gain (loss) on extinguishment of debt	(1)	(101)	(1,088)	(1,088)	43	—
Reorganization gains (expenses), net	—	—	128,155	(1,157)	—	—
Income (loss) from continuing operations before income taxes and equity income	2,864	(5,283)	107,776	(19,741)	(29,471)	(6,346)
Income tax expense (benefit)	870	(1,000)	(1,166)	(559)	1,766	36,863
Equity income, net of tax	814	497	61	46	186	524
Income (loss) from continuing operations	2,808	(3,786)	109,003	(19,136)	(31,051)	(42,685)
<b>Discontinued operations</b>						
Income from discontinued operations, net of tax	—	—	—	—	—	256
Gain on sale of discontinued operations, net of tax	—	—	—	—	—	4,293
Income from discontinued operations	—	—	—	—	—	4,549
<b>Net income (loss)</b>	2,808	(3,786)	109,003	(19,136)	(31,051)	(38,136)
Less: Net income (loss) attributable to noncontrolling interests	204	511	(115)	(256)	(108)	406
<b>Net income (loss) attributable to stockholders</b>	2,604	(4,297)	109,118	(18,880)	(30,943)	(38,542)
Less: Cumulative dividends on preferred stock	405	131	—	—	—	—
<b>Net income (loss) attributable to common stockholders</b>	\$ 2,199	\$ (4,428)	\$ 109,118	\$ (18,880)	\$ (30,943)	\$ (38,542)

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### **Production and Vehicle Sales Volume**

Management believes that production volume and vehicle sales data provide meaningful information regarding our operating results. Production volumes manufactured by our assembly facilities are generally aligned with current period net sales and revenue, as we generally recognize revenue upon the release of the vehicle to the carrier responsible for transporting it to a dealer, which is shortly after the completion of production. Vehicle sales data, which includes retail and fleet sales, does not correlate directly to the revenue we recognize during the period. However, vehicle sales data is indicative of the underlying demand for our vehicles, and is the basis for our market share.

The following tables summarize total production volume and sales of new motor vehicles and competitive position (in thousands):

	<u>GM</u>	<u>Combined GM and Old GM</u>	<u>Old GM</u>	
	<u>Six Months Ended June 30, 2010</u>	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Production Volume (a)				
GMNA	1,399	1,913	3,449	4,267
GMIO (b)(c)	2,307	3,484	3,200	3,246
GME	636	1,106	1,495	1,773
Worldwide	<u>4,342</u>	<u>6,503</u>	<u>8,144</u>	<u>9,286</u>

- (a) Production volume represents the number of vehicles manufactured by our and Old GM's assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Includes SGM joint venture production in China of 489,000 vehicles and SGMW, FAW-GM joint venture production in China and SAIC GM Investment Ltd. (HKJV) joint venture production in India of 745,000 vehicles in the six months ended June 30, 2010, combined GM and Old GM SGM joint venture production in China of 712,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture production in China of 1.2 million vehicles in the year ended December 31, 2009 and Old GM SGM joint venture production in China of 439,000 vehicles and 491,000 vehicles and Old GM SGMW joint venture production in China of 646,000 vehicles and 555,000 vehicles in the years ended December 31, 2008 and 2007.
- (c) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allows for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture production in China.

	<u>Successor</u>		<u>Predecessor</u>	
	<u>Six Months Ended June 30, 2010</u>		<u>Six Months Ended June 30, 2009</u>	
	<u>GM</u>	<u>GM as a % of Industry</u>	<u>Old GM</u>	<u>Old GM as a % of Industry</u>
Vehicle Sales (a)(b)(c)(d)				
GMNA(e)	1,280	18.3%	1,157	19.0%
GMIO(f)(g)(h)	2,026	10.3%	1,517	10.2%
GME(f)	846	8.6%	881	9.1%
Worldwide(f)	<u>4,152</u>	11.4%	<u>3,555</u>	11.6%

- (a) Includes HUMMER, Saturn and Pontiac vehicle sales data.
- (b) Includes Saab vehicle sales data through February 2010.

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- (c) Vehicle sales data may include rounding differences.
- (d) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.
- (e) Vehicle sales primarily represent sales to the ultimate customer.
- (f) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (g) Includes SGM joint venture vehicle sales in China of 451,000 vehicles and SGMW, FAW-GM joint venture vehicle sales in China and HKJV joint venture vehicle sales in India of 737,000 vehicles in the six months ended June 30, 2010 and Old GM SGM joint venture vehicle sales in China of 278,000 vehicles and SGMW joint venture vehicle sales in China of 493,000 vehicles in the six months ended June 30, 2009. We do not record revenue from our joint ventures' vehicle sales.
- (h) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture vehicle sales in China.

	Year Ended December 31, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Old GM	Old GM as a % of Industry	Old GM	Old GM as a % of Industry
Vehicle Sales (a)(b)(c)						
GMNA (d)	2,485	19.0%	3,565	21.5%	4,516	23.0%
GMIO (e)(f)(g)	3,326	10.3%	2,754	9.6%	2,672	9.5%
GME (e)	1,667	8.9%	2,043	9.3%	2,182	9.4%
Worldwide (e)	<u>7,478</u>	<u>11.6%</u>	<u>8,362</u>	<u>12.4%</u>	<u>9,370</u>	<u>13.2%</u>

- (a) Includes HUMMER, Saab, Saturn and Pontiac vehicle sales data.
- (b) Vehicle sales data may include rounding differences.
- (c) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.
- (d) Vehicle sales primarily represent sales to the ultimate customer.
- (e) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (f) Includes combined GM and Old GM SGM joint venture vehicle sales in China of 710,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture vehicle sales in China of 1.0 million vehicles in the year ended December 31, 2009 and Old GM SGM joint venture vehicle sales in China of 446,000 vehicles and 476,000 vehicles and Old GM SGMW joint venture vehicle sales in China of 606,000 vehicles and 516,000 vehicles in the years ended December 31, 2008 and 2007. We do not record revenue from our joint ventures' vehicle sales.
- (g) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture vehicle sales in China.

### **Reconciliation of Segment Results**

Management believes earnings before interest and taxes (EBIT) provides meaningful supplemental information regarding our operating results because it excludes amounts that management does not consider part of operating results when assessing and measuring the operational and financial performance of the organization. Management believes these measures allow it to readily view operating trends, perform analytical comparisons, benchmark performance among geographic regions and assess whether our plan to return to profitability is on target. Accordingly, we believe EBIT is useful in allowing for greater transparency of our core operations and it is therefore used by management in its financial and operational decision-making.

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While management believes that EBIT provides useful information, it is not an operating measure under U. S. GAAP, and there are limitations associated with its use. Our calculation of EBIT may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result, the use of EBIT has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Net income (loss) or Net income (loss) attributable to common stockholders. Due to these limitations, EBIT is used as a supplement to U. S. GAAP measures.

The following table summarizes the reconciliation of Income (loss) attributable to stockholders before interest and taxes to Net income (loss) attributable to stockholders for each of our operating segments (dollars in millions):

	Successor				Predecessor							
	Six Months Ended June 30, 2010		July 10, 2009 Through December 31, 2009		January 1, 2009 Through July 9, 2009		Six Months Ended June 30, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
<b>Operating segments</b>												
GMNA (a)	\$2,810	70.1%	\$(4,820)	108.6%	\$ (11,092)	74.6%	\$(10,452)	75.4%	\$(12,203)	85.0%	\$ 1,876	55.5%
GMIO (a)	1,838	45.8%	1,196	(26.9)%	(964)	6.5%	(699)	5.0%	471	(3.3)%	1,947	57.7%
GME (a)	(637)	(15.9)%	(814)	18.3%	(2,815)	18.9%	(2,711)	19.6%	(2,625)	18.3%	(447)	(13.2)%
Total operating segments	4,011	100%	(4,438)	100%	(14,871)	100%	(13,862)	100%	(14,357)	100%	3,376	100%
Corporate and eliminations (b)(c)	(154)		(349)		128,068		(1,145)		(12,950)		(3,207)	
<b>Earnings (loss) before interest and taxes</b>	<b>3,857</b>		<b>(4,787)</b>		<b>113,197</b>		<b>(15,007)</b>		<b>(27,307)</b>		<b>169</b>	
Interest income	204		184		183		173		655		1,228	
Interest expense	587		694		5,428		4,605		2,525		3,076	
Income tax expense (benefit)	870		(1,000)		(1,166)		(559)		1,766		36,863	
<b>Net income (loss) attributable to stockholders</b>	<b>\$2,604</b>		<b>\$(4,297)</b>		<b>\$ 109,118</b>		<b>\$(18,880)</b>		<b>\$(30,943)</b>		<b>\$(38,542)</b>	

(a) Interest and income taxes are recorded centrally in Corporate; therefore, there are no reconciling items for our operating segments between Income (loss) attributable to stockholders before interest and taxes and Net income (loss) attributable to stockholders.

(b) Includes Reorganization gains, net of \$128.2 billion in the period January 1, 2009 through July 9, 2009.

(c) Includes Reorganization expenses, net of \$1.2 billion in the six months ended June 30, 2009.

### Six Months ended June 30, 2010 and 2009 (Dollars in Millions)

#### Total Net Sales and Revenue

	Successor		Predecessor		Six Months Ended 2010 vs. 2009 Change	
	Six Months Ended June 30, 2010		Six Months Ended June 30, 2009		Amount	%
GMNA	\$	39,552	\$	23,764	\$15,788	66.4%
GMIO		16,664		11,155	5,509	49.4%
GME		11,505		11,946	(441)	(3.7)%
Total operating segments		67,721		46,865	20,856	44.5%
Corporate and eliminations		(3,071)		(1,387)	(1,684)	(121.4)%
Total net sales and revenue	\$	64,650	\$	45,478	\$19,172	42.2%

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In the six months ended June 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$19.2 billion (or 42.2%), primarily due to: (1) higher wholesale volumes of \$13.3 billion, which primarily resulted from increased volumes in GMNA of \$12.1 billion; (2) favorable pricing of \$2.8 billion, partially offset by less favorable adjustments to the accrual for U.S. residual support programs for leased vehicles in GMNA of \$0.6 billion; (3) favorable mix of \$1.7 billion; (4) net foreign currency translation and transaction gains of \$1.4 billion; and (5) derivative losses of \$1.0 billion that GMIO recorded in the six months ended June 30, 2009.

### *Cost of Sales*

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
Cost of sales	\$ 56,350	87.2%	\$ 53,995	118.7%
Gross margin	\$ 8,300	12.8%	\$ (8,517)	(18.7)%

### GM

In the six months ended June 30, 2010 Cost of sales included: (1) net restructuring charges of \$0.4 billion; (2) charges of \$0.2 billion for a recall campaign on windshield fluid heaters; partially offset by (3) net foreign currency translation and transaction gains of \$0.2 billion.

### Old GM

In the six months ended June 30, 2009 Cost of sales included: (1) incremental depreciation charges of \$2.3 billion; (2) a curtailment loss of \$1.4 billion upon the interim remeasurement of the U.S. Hourly and U.S. Salaried Defined Benefit Pension Plans and a charge of \$1.1 billion related to the SUB and TSP, partially offset by a favorable adjustment of \$0.7 billion primarily related to the suspension of the JOBS Program; (3) separation program charges and Canadian restructuring activities of \$1.1 billion; (4) foreign currency translation losses of \$1.0 billion; (5) impairment charges of \$0.7 billion; and (6) charges of \$0.3 billion related to obligations associated with various Delphi agreements.

### *Selling, General and Administrative Expense*

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
Selling, general and administrative expense	\$ 5,307	8.2%	\$ 5,433	11.9%

### GM

In the six months ended June 30, 2010 Selling, general and administrative expense included advertising expenses of \$1.9 billion primarily in GMNA of \$1.3 billion and GME of \$0.3 billion for promotional campaigns to support the launch of new vehicles.

### Old GM

In the six months ended June 30, 2009 Selling, general and administrative expense included a curtailment loss of \$0.3 billion upon the interim remeasurement of the U.S. Salary Defined Benefit Pension Plan as a result of global salaried workforce reductions and reserves related to the wind-down of dealerships of \$0.1 billion.

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*Other Expenses, net*

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
Other expenses, net	\$ 85	0.1%	\$ 1,154	2.5%

GM

In the six months ended June 30, 2010 Other expenses, net included ongoing expenses related to our portfolio of automotive retail leases.

Old GM

In the six months ended June 30, 2009 Other expenses, net included: (1) charges of \$0.8 billion related to the deconsolidation of Saab. Saab filed for reorganization protection under the laws of Sweden in February 2009; (2) charges of \$0.1 billion for Old GM's obligations related to Delphi; and (3) expenses of \$0.1 billion primarily related to ongoing expenses related to Old GM's portfolio of automotive retail leases, including depreciation and realized losses.

*Interest Expense*

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
Interest expense	\$ (587)	(0.9)%	\$ (4,605)	(10.1)%

GM

In the six months ended June 30, 2010 Interest expense included interest expense on GMIO debt of \$0.2 billion, VEBA Note interest expense and premium amortization of \$0.1 billion and interest expense on the UST Loan of \$0.1 billion.

Old GM

In the six months ended June 30, 2009 Interest expense included: (1) amortization of discounts related to the UST Loan Facility of \$2.9 billion; (2) interest expense on unsecured debt of \$0.9 billion; and (3) interest expense on the UST Loan Facility of \$0.4 billion.

*Interest Income and Other Non-Operating Income, net*

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
Interest income and other non-operating income, net	\$ 544	0.8%	\$ 833	1.8%

GM

In the six months ended June 30, 2010 Interest income and other non-operating income, net included interest income of \$0.2 billion on cash deposits and marketable securities and gain on the sale of Saab of \$0.1 billion.

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### Old GM

In the six months ended June 30, 2009 Interest income and other non-operating income, net included foreign currency and other derivative gains of \$0.3 billion, interest income of \$0.2 billion and a gain of \$0.1 billion on a warrant that Old GM issued to the UST in connection with the UST Loan Agreement.

#### *Loss on Extinguishment of Debt*

	<u>Successor</u> <u>Six Months Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months Ended</u> <u>June 30, 2009</u>
Loss on extinguishment of debt	\$ (1)	\$ (1,088)

### Old GM

In the six months ended June 30, 2009 Loss on the extinguishment of debt included a loss of \$2.0 billion related to the UST exercising its option to convert outstanding amounts of the UST Ally Financial Loan into shares of Ally Financial's Class B Common Membership Interests. This loss was partially offset by a gain on extinguishment of debt of \$0.9 billion related to an amendment to Old GM's U.S. term loan.

#### *Reorganization Expenses, net*

	<u>Successor</u> <u>Six Months Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months Ended</u> <u>June 30, 2009</u>
Reorganization expenses, net	\$ —	\$ (1,157)

### Old GM

In the six months ended June 30, 2009 Reorganization expenses, net included: (1) Old GM's loss on the extinguishment of debt resulting from repayment of its secured revolving credit facility, U.S. term loan, and secured credit facility due to the fair value of the U.S. term loan exceeding its carrying amount by \$1.0 billion; (2) a loss on contract rejections, settlements of claims and other lease terminations of \$0.4 billion; partially offset by (3) gains related to release of Accumulated other comprehensive income (loss) associated with derivatives of \$0.2 billion.

#### *Income Tax Expense (Benefit)*

	<u>Successor</u> <u>Six Months Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months Ended</u> <u>June 30, 2009</u>
Income tax expense (benefit)	\$ 870	\$ (559)

### GM

In the six months ended June 30, 2010 Income tax expense primarily related to income tax provisions for profitable entities and a taxable foreign exchange gain in Venezuela.

The effective tax rate fluctuated in the six months ended June 30, 2010 primarily as a result of changes in the mix of earnings in valuation allowance and non-valuation allowance jurisdictions.

### Old GM

In the six months ended June 30, 2009 Income tax benefit primarily related to a resolution of a U.S. and Canada transfer pricing matter and other discrete items offset by income tax provisions for profitable entities.



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### Equity Income, net of tax

	Successor		Predecessor	
	Six Months Ended June 30, 2010	Percentage of Total net sales and revenue	Six Months Ended June 30, 2009	Percentage of Total net sales and revenue
SGM and SGMW	\$ 734	1.1%	\$ 289	0.6%
Other equity interests	80	0.1%	(243)	(0.5)%
Total equity income, net of tax	\$ 814	1.3%	\$ 46	0.1%

### GM

In the six months ended June 30, 2010 Equity income, net of tax included equity income of \$0.7 billion related to our China joint ventures primarily SGM and SGMW and \$0.1 billion of equity income related to New Delphi.

### Old GM

In the six months ended June 30, 2009 Equity income, net of tax included equity income of \$0.3 billion related to our China joint ventures, SGM and SGMW, offset by losses related to our investments in New United Motor Manufacturing, Inc. (NUMMI) and CAMI Automotive, Inc. (CAMI) of \$0.3 billion.

### July 10, 2009 Through December 31, 2009 and January 1, 2009 Through July 9, 2009 (Dollars in Millions)

#### Total Net Sales and Revenue

	Combined GM and Old GM	Successor	Predecessor		Year Ended 2009 vs. 2008 Change	
	Year Ended December 31, 2009	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Amount	%
GMNA	\$ 56,617	\$ 32,426	\$ 24,191	\$ 86,187	\$ (29,570)	(34.3)%
GMIO	27,214	15,516	11,698	37,344	(10,130)	(27.1)%
GME	24,031	11,479	12,552	34,647	(10,616)	(30.6)%
Total operating segments	107,862	59,421	48,441	158,178	(50,316)	(31.8)%
Corporate and eliminations	(3,273)	(1,947)	(1,326)	(9,199)	5,926	64.4%
Total net sales and revenue	\$ 104,589	\$ 57,474	\$ 47,115	\$ 148,979	\$ (44,390)	(29.8)%

In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 several factors affected global vehicle sales. The tight credit markets, increased unemployment rates and recessions in the U.S. and many international markets all contributed to significantly lower sales than those in the prior year. Old GM's well publicized liquidity issues, public speculation as to the effects of Chapter 11 proceedings and the actual Chapter 11 Proceedings also negatively affected vehicle sales in several markets.

In response to these negative conditions, several countries took action to improve vehicle sales. Many countries in the Asia Pacific region responded to the global recession by lowering interest rates and initiating

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programs to provide credit to consumers, which had a positive effect on vehicle sales. Certain countries including Germany, China, Brazil, India and South Korea benefited from effective government economic stimulus packages and began showing signs of recovery, and the CARS program initiated by the U.S. government temporarily stimulated vehicle sales in the U.S. We expect that the challenging sales environment resulting from the economic slowdown will continue in 2010, but we anticipate that China and other key emerging markets will continue showing strong sales and market growth.

In the year ended 2009 Total net sales and revenue decreased by \$44.4 billion (or 29.8%) primarily due to: (1) a decrease of revenue of \$36.7 billion in GMNA related to volume reductions; (2) a decrease in domestic wholesale volumes and lower exports of \$11.5 billion in GMIO; (3) a decrease in domestic wholesale volumes of \$4.8 billion in GME; (4) foreign currency translation and transaction losses of \$3.7 billion in GME, primarily due to the strengthening of the U.S. Dollar versus the Euro; (5) a decrease in sales revenue of \$1.2 billion in GME related to Saab; (6) lower powertrain and parts and accessories revenue of \$0.8 billion in GME; and (7) a decrease in other financing revenue of \$0.7 billion related to the continued liquidation of the portfolio of automotive retail leases.

These decreases in Total net sales and revenue were partially offset by: (1) improved pricing, lower sales incentives and improved lease residuals, mostly related to daily rental car vehicles returned from lease and sold at auction, of \$5.4 billion in GMNA; (2) favorable vehicle mix of \$2.8 billion in GMNA; (3) favorable vehicle pricing of \$1.3 billion in GME; (4) gains on derivative instruments of \$0.9 billion in GMIO; (5) favorable pricing of \$0.5 billion in GMIO, primarily due to a 60% price increase in Venezuela due to high inflation; and (6) favorable vehicle mix of \$0.4 billion in GMIO driven by launches of new vehicle models at GM Daewoo Auto & Technology Co. (GM Daewoo).

### *Cost of Sales*

	Successor		Predecessor	
	July 10, 2009 Through December 31, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
Cost of sales	\$ 56,381	98.3%	\$ 55,814	118.5%
Gross margin	\$ 1,093	1.9%	\$ (8,699)	(18.5)%

Cost of sales for the year ended December 31, 2009, representing our cost of sales combined with Old GM's, is down from historical levels primarily due to reduced volume.

### GM

In the period July 10, 2009 through December 31, 2009 Cost of sales included: (1) a settlement loss of \$2.6 billion related to the termination of the UAW hourly retiree medical plan and Mitigation Plan; (2) foreign currency translation losses of \$1.3 billion; and (3) separation charges of \$0.2 billion. These expenses were partially offset by foreign currency transaction gains of \$0.5 billion.

### Old GM

In the period January 1, 2009 through July 9, 2009 Cost of sales included: (1) incremental depreciation charges of \$2.0 billion in GMNA that Old GM recorded prior to the 363 Sale for facilities included in GMNA's restructuring activities and for certain facilities that MLC retained at July 10, 2009; (2) foreign currency translation losses of \$0.7 billion, primarily in GMNA due to the strengthening of the Canadian Dollar versus the U.S. Dollar; and (3) foreign currency transaction losses of \$0.3 billion.

In the period January 1, 2009 through July 9, 2009 Cost of sales included: (1) charges of \$1.1 billion related to the SUB and TSP; (2) separation charges of \$0.7 billion related to hourly employees who participated in the

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2009 Special Attrition Program and Second 2009 Special Attrition Program; (3) expenses of \$0.7 billion related to U.S. pension and other postemployment benefit (OPEB) plans for hourly and salary employees; (4) separation charges of \$0.3 billion for U.S. salaried workforce reduction programs to allow 6,000 terminated employees to receive ongoing wages and benefits for no longer than 12 months; and (5) expenses of \$0.3 billion related to Canadian pension and OPEB plans for hourly and salary employees and restructuring activities. These costs were partially offset by favorable adjustments of \$0.7 billion primarily related to the suspension of the JOBS Program.

In the period January 1, 2009 through July 9, 2009 negative gross margin reflected the under absorption of manufacturing overhead resulting from declining sales volumes and incremental depreciation of \$2.0 billion and \$0.7 billion in GMNA and GME.

### *Selling, General and Administrative Expense*

	Successor		Predecessor	
	July 10, 2009 Through December 31, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
Selling, general and administrative expense	\$ 6,006	10.4%	\$ 6,161	13.1%

Selling, general and administrative expense for the year ended December 31, 2009, representing our selling, general and administrative expense combined with Old GM's is down from historical levels due to reduced advertising and other spending.

### GM

In the period July 10, 2009 through December 31, 2009 Selling, general and administrative expense included charges of \$0.3 billion in GMNA, primarily for dealer wind-down costs for our Saturn dealers after plans to sell the Saturn brand and dealer network were terminated. These expenses were partially offset by reductions on overall spending for media and advertising fees related to our global cost saving initiatives and a decline in Saturn sales and marketing efforts in anticipation of the sale of Saturn, and ultimately, the wind-down of operations.

### Old GM

In the period January 1, 2009 through July 9, 2009 Selling, general and administrative expense included charges of \$0.5 billion recorded for dealer wind-down costs in GMNA. This was partially offset by the positive effects of various cost savings initiatives, the cancellation of certain sales and promotion contracts as result of the Chapter 11 Proceedings in the U.S. and overall reductions in advertising and marketing budgets.

### *Interest Expense*

	Successor	Predecessor
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009
Interest expense	\$ (694)	\$ (5,428)

### GM

As a result of the 363 Sale, our debt balance is significantly lower than Old GM's. Accordingly, Interest expense is down from historical levels.

### Old GM

In the period January 1, 2009 through July 9, 2009 Old GM recorded amortization of discounts related to the UST Loan, EDC Loan and DIP Facilities of \$3.7 billion. In addition, Old GM incurred interest expense of

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\$1.7 billion primarily related to interest expense of \$0.8 billion on unsecured debt balances, \$0.4 billion on the UST Loan Facility and \$0.2 billion on GMIO debt. Old GM ceased accruing and paying interest on most of its unsecured U.S. and foreign denominated debt on June 1, 2009, the date of its Chapter 11 Proceedings.

### *Gain (Loss) on Extinguishment of Debt*

	<u>Successor</u> July 10, 2009 Through December 31, 2009	<u>Predecessor</u> January 1, 2009 Through July 9, 2009
Gain (loss) on extinguishment of debt	\$ (101)	\$ (1,088)

### Old GM

In the period January 1, 2009 through July 9, 2009 Old GM recorded a loss related to the extinguishment of the UST Ally Financial Loan of \$2.0 billion when the UST exercised its option to convert outstanding amounts to shares of Ally Financial's Class B Common Membership Interests. This loss was partially offset by a gain on extinguishment of debt of \$0.9 billion related to an amendment to Old GM's \$1.5 billion U.S. term loan in March 2009.

### *Income Tax Expense (Benefit)*

	<u>Successor</u> July 10, 2009 Through December 31, 2009	<u>Predecessor</u> January 1, 2009 Through July 9, 2009
Income tax expense (benefit)	\$ (1,000)	\$ (1,166)

### GM

In the period July 10, 2009 through December 31, 2009 Income tax expense (benefit) primarily resulted from a \$1.4 billion income tax allocation between operations and Other comprehensive income, partially offset by income tax provisions of \$0.3 billion for profitable entities. In the period July 10, 2009 through December 31, 2009 our U.S. operations incurred losses from operations with no income tax benefit due to full valuation allowances against our U.S. deferred tax assets, and we had Other comprehensive income, primarily due to remeasurement gains on our U.S. pension plans. We recorded income tax expense related to the remeasurement gains in Other comprehensive income and allocated income tax benefit to operations.

### Old GM

In the period January 1, 2009 through July 9, 2009 Income tax expense (benefit) primarily resulted from the reversal of valuation allowances of \$0.7 billion related to Reorganization gains, net and the resolution of a transfer pricing matter of \$0.7 billion between the U.S. and Canadian governments, offset by income tax provisions of profitable entities.

### *Equity Income, net of tax*

	<u>Successor</u>		<u>Predecessor</u>	
	July 10, 2009 Through December 31, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
SGM and SGMW	\$ 466	0.8%	\$ 298	0.6%
Other equity interests	31	0.1%	(237)	(0.5)%
Total equity income, net of tax	<u>\$ 497</u>	0.9%	<u>\$ 61</u>	0.1%

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### GM

In the period July 10, 2009 through December 31, 2009 equity income, net of tax reflected increased sales volume at SGM and SGMW.

### Old GM

In the period January 1, 2009 through July 9, 2009 Equity income, net of tax reflected: (1) increased sales volume at SGM; (2) charges of \$0.2 billion related to Old GM's investment in NUMMI; and (3) equity losses of \$0.1 billion related to NUMMI and CAMI, primarily due to lower volumes.

### **2008 Compared to 2007** **(Dollars in Millions)**

#### *Total Net Sales and Revenue*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
GMNA	\$ 86,187	\$ 112,448	\$ (26,261)	(23.4)%
GMIO	37,344	37,060	284	0.8%
GME	34,647	37,337	(2,690)	(7.2)%
Total operating segments	158,178	186,845	(28,667)	(15.3)%
Corporate and eliminations	(9,199)	(6,861)	(2,338)	(34.1)%
Total net sales and revenue	\$ 148,979	\$ 179,984	\$ (31,005)	(17.2)%

Total net sales and revenue decreased in the year ended 2008 by \$31.0 billion (or 17.2%) primarily due to declining Sales of \$29.9 billion. This decrease resulted from tightening credit markets, a recession in the U.S. and Western Europe, volatile oil prices and declining consumer confidence around the world. These factors first affected the U.S. economy in late 2007 and continued to deteriorate and spread during 2008 to Western Europe and the emerging markets in Asia and South America. Sales decreased by \$26.3 billion in GMNA primarily due to: (1) declining volumes and unfavorable vehicle mix of \$23.1 billion; and (2) an increase in the accrual for residual support programs for leased vehicles of \$1.8 billion related to the decline in residual values of fullsize pick-up trucks and sport utility vehicles in the middle of 2008. Sales also decreased in GME by \$2.7 billion and increased in GMIO by \$0.3 billion.

#### *Cost of Sales*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Cost of sales	\$ 149,257	\$ 165,573	\$ (16,316)	(9.9)%
Gross margin	\$ (278)	\$ 14,411	\$ (14,689)	(101.9)%

In the year ended 2008 Cost of sales decreased by \$16.3 billion (or 9.9%) due to: (1) decreased costs related to lower production volumes of \$14.0 billion in GMNA; (2) a net curtailment gain of \$4.9 billion in GMNA related to the 2008 UAW Settlement Agreement; (3) a decrease in wholesale sales volumes of \$3.5 billion in GME; (4) non-recurring pension prior service costs of \$2.2 billion recorded in GMNA in the year ended 2007; (5) manufacturing savings of \$1.4 billion in GMNA from lower manufacturing costs and hourly headcount levels

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resulting from attrition programs and productivity improvements; and (6) favorable foreign currency translation gains of \$1.4 billion in GMNA, primarily due to the strengthening of the U.S. Dollar versus the Canadian Dollar.

These decreases were partially offset by: (1) charges of \$5.8 billion in GMNA related to restructuring and other costs associated with Old GM's special attrition programs, certain Canadian facility idlings and finalization of Old GM's negotiations with the CAW; (2) foreign currency translation losses of \$2.4 billion in GME, primarily driven by the strengthening of the Euro and Swedish Krona, offset partially by the weakening of the British Pound versus the U.S. Dollar; (3) expenses of \$1.7 billion in GMNA related to the salaried post-age-65 healthcare settlement; (4) increased content cost of \$1.2 billion in GMIO driven by an increase in imported material costs at Venezuela and Russia and high inflation across the region; and (5) increased Delphi related charges of \$0.6 billion in GMNA related to certain cost subsidies reimbursed during the year.

### *Selling, General and Administrative Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended	Year Ended	Amount	%
	December 31, 2008	December 31, 2007		
Selling, general and administrative expense	\$ 14,253	\$ 14,412	\$ (159)	(1.1)%

In the year ended 2008 Selling, general and administrative expense decreased by \$0.2 billion (or 1.1%) primarily due to: (1) reductions in incentive and compensation and profit sharing costs of \$0.4 billion in GMNA; and (2) a decrease in advertising, selling and sales promotion expenses of \$0.3 billion in GMNA. These decreases were partially offset by: (1) a charge of \$0.2 billion related to the 2008 Salaried Window Program in GMNA; (2) increased administrative, marketing and selling expenses of \$0.2 billion in GMIO, primarily due to Old GM's expansion in Russia and other European markets; and (3) bad debt charges of \$0.2 billion.

### *Other Expenses, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended	Year Ended	Amount	%
	December 31, 2008	December 31, 2007		
Other expenses, net	\$ 6,699	\$ 4,308	\$ 2,391	55.5%

In the year ended 2008 Other expenses, net increased \$2.4 billion (or 55.5%) primarily due to: (1) increased charges of \$3.3 billion related to the Delphi Benefit Guarantee Agreements; (2) impairment charges related to goodwill of \$0.5 billion and \$0.2 billion in GME and GMNA; partially offset by (3) a non-recurring charge of \$0.6 billion recorded in the year ended 2007 for pension benefits granted to future and current retirees of Delphi.

### *Equity in Income (Loss) of and Disposition of Interest in Ally Financial*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended	Year Ended	Amount	%
	December 31, 2008	December 31, 2007		
Equity in income (loss) of and disposition of interest in Ally Financial	\$ 916	\$ (1,245)	\$ 2,161	173.6%
Impairment charges related to Ally Financial Common Membership Interests	(7,099)	—	(7,099)	n.m.
Total equity in income (loss) of and disposition of interest in Ally Financial	\$ (6,183)	\$ (1,245)	\$ (4,938)	n.m.

n.m. = not meaningful

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In the year ended 2008 Equity in loss of and disposition of interest in Ally Financial increased \$4.9 billion due to impairment charges of \$7.1 billion related to Old GM's investment in Ally Financial Common Membership Interests, offset by an increase in Old GM's proportionate share of Ally Financial's income from operations of \$2.2 billion.

### *Interest Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Interest expense	\$ (2,525)	\$ (3,076)	\$ 551	17.9%

Interest expense decreased in the year ended 2008 by \$0.6 billion (or 17.9%) due to the de-designation of certain derivatives as hedges of \$0.3 billion and an adjustment to capitalized interest of \$0.2 billion.

### *Interest Income and Other Non-Operating Income, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Interest income and other non-operating income, net	\$ 424	\$ 2,284	\$(1,860)	(81.4)%

In the year ended 2008 Interest income and other non-operating income, net decreased by \$1.9 billion (or 81.4%) primarily due to impairment charges of \$1.0 billion related to Old GM's Ally Financial Preferred Membership Interests in the year ended 2008 and a reduction in interest earned on cash balances of \$0.3 billion due to lower market interest rates and lower cash balances on hand.

### *Income Tax Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Income tax expense	\$ 1,766	\$ 36,863	\$(35,097)	(95.2)%

Income tax expense decreased in the year ended 2008 by \$35.1 billion (or 95.2%) due to the effect of recording valuation allowances of \$39.0 billion against Old GM's net deferred tax assets in the United States, Canada and Germany in the year ended 2007, offset by the recording of additional valuation allowances in the year ended 2008 of \$1.9 billion against Old GM's net deferred tax assets in South Korea, the United Kingdom, Spain, Australia, other jurisdictions.

### *Equity Income, net of tax*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
SGM and SGMW	\$ 312	\$ 430	\$ (118)	(27.4)%
Other equity interests	(126)	94	(220)	n.m.
Total equity income, net of tax	\$ 186	\$ 524	\$ (338)	n.m.

n.m. = not meaningful

In the year ended 2008 Equity income, net of tax decreased by \$0.3 billion due to: (1) lower earnings at SGM driven by a volume decrease, mix deterioration and higher sales promotion expenses, partially offset by higher earnings at SGMW driven by a volume increase; (2) a decrease of \$0.2 billion in GMNA due to impairment charges and lower income from Old GM's investments in NUMMI and CAMI.

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**Changes in Consolidated Financial Condition**  
**(Dollars in Millions, except share amounts)**

	Successor		Predecessor
	June 30, 2010	December 31, 2009	December 31, 2008
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 26,773	\$ 22,679	\$ 14,053
Marketable securities	4,761	134	141
Total cash, cash equivalents and marketable securities	31,534	22,813	14,194
Restricted cash and marketable securities	1,393	13,917	672
Accounts and notes receivable (net of allowance of \$272, \$250 and \$422)	8,662	7,518	7,918
Inventories	11,533	10,107	13,195
Assets held for sale	—	388	—
Equipment on operating leases, net	3,008	2,727	5,142
Other current assets and deferred income taxes	1,677	1,777	3,146
Total current assets	57,807	59,247	44,267
<b>Non-Current Assets</b>			
Equity in net assets of nonconsolidated affiliates	8,296	7,936	2,146
Assets held for sale	—	530	—
Property, net	18,106	18,687	39,665
Goodwill	30,186	30,672	—
Intangible assets, net	12,820	14,547	265
Other assets	4,684	4,676	4,696
Total non-current assets	74,092	77,048	46,772
<b>Total Assets</b>	<b>\$ 131,899</b>	<b>\$ 136,295</b>	<b>\$ 91,039</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>			
<b>Current Liabilities</b>			
Accounts payable (principally trade)	\$ 20,755	\$ 18,725	\$ 22,259
Short-term debt and current portion of long-term debt	5,524	10,221	16,920
Liabilities held for sale	—	355	—
Accrued expenses	24,068	23,134	36,429
Total current liabilities	50,347	52,435	75,608
<b>Non-Current Liabilities</b>			
Long-term debt	2,637	5,562	29,018
Liabilities held for sale	—	270	—
Postretirement benefits other than pensions	8,649	8,708	28,919
Pensions	25,990	27,086	25,178
Other liabilities and deferred income taxes	13,377	13,279	17,392
Total non-current liabilities	50,653	54,905	100,507
<b>Total Liabilities</b>	<b>101,000</b>	<b>107,340</b>	<b>176,115</b>
<b>Commitments and contingencies</b>			
Preferred stock, \$0.01 par value (1,000,000,000 shares authorized and 360,000,000 shares issued and outstanding (each with a \$25.00 liquidation preference) at June 30, 2010 and December 31, 2009)	6,998	6,998	—
<b>Equity (Deficit)</b>			
<b>Old GM</b>			
Preferred stock, no par value (6,000,000 shares authorized, no shares issued and outstanding)	—	—	—
Preference stock, \$0.10 par value (100,000,000 shares authorized, no shares issued and outstanding)	—	—	—
Common stock, \$1 2/3 par value common stock (2,000,000,000 shares authorized, 800,937,541 shares issued and 610,483,231 shares outstanding at December 31, 2008)	—	—	1,017
<b>General Motors Company</b>			
Common stock, \$0.01 par value (2,500,000,000 shares authorized and 500,000,000 shares issued and outstanding at December 31, 2009)	5	5	—
Capital surplus (principally additional paid-in capital)	24,052	24,050	16,489
Accumulated deficit	(2,195)	(4,394)	(70,727)
Accumulated other comprehensive income (loss)	1,153	1,588	(32,339)
Total stockholders' equity (deficit)	23,015	21,249	(85,560)
Noncontrolling interests	886	708	484
Total equity (deficit)	23,901	21,957	(85,076)
<b>Total Liabilities and Equity (Deficit)</b>	<b>\$ 131,899</b>	<b>\$ 136,295</b>	<b>\$ 91,039</b>



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### **Current Assets**

#### *GM (at June 30, 2010)*

At June 30, 2010 Marketable securities of \$4.8 billion increased by \$4.6 billion reflecting investments in securities with maturities exceeding 90 days.

At June 30, 2010 Restricted cash and marketable securities of \$1.4 billion decreased by \$12.5 billion (or 90.0%), primarily due to: (1) our payments of \$1.2 billion on the UST Loans and Canadian Loan in March 2010; and (2) our repayment of the full outstanding amount of \$4.7 billion on the UST Loans in April 2010. Following the repayment of the UST Loans and our repayment of the Canadian Loan of \$1.1 billion in April 2010, the remaining UST escrow funds of \$6.6 billion became unrestricted.

At June 30, 2010 Accounts and notes receivable of \$8.7 billion increased by \$1.1 billion (or 15.2%), primarily due to higher sales in GMNA.

At June 30, 2010 Inventories of \$11.5 billion increased by \$1.4 billion (or 14.1%), primarily due to: (1) increased production resulting from higher demand for our products and new product launches; (2) higher finished goods inventory of \$6.3 billion compared to low levels at December 31, 2009 of \$5.9 billion, resulting from the year-end shut-down in some locations; primarily offset by (3) a decrease of \$0.5 billion due to the effect of foreign currency translation.

At June 30, 2010 Assets held for sale were reduced to \$0 from \$0.4 billion at December 31, 2009 due to the sale of Saab in February 2010 and the sale of Saab GB in May 2010 to Spyker Cars NV.

At June 30, 2010 Equipment on operating leases, net of \$3.0 billion increased by \$0.3 billion (or 10.3%) due to: (1) an increase of \$0.6 billion in GMNA, primarily related to vehicles leased to daily rental car companies (vehicles leased to U.S. daily rental car companies increased from 97,000 vehicles at December 31, 2009 to 129,000 vehicles at June 30, 2010); partially offset by (2) a decrease of \$0.3 billion due to the continued liquidation of our portfolio of automotive retail leases.

#### *GM (at December 31, 2009)*

At December 31, 2009 Restricted cash and marketable securities of \$13.9 billion was primarily comprised of \$13.4 billion in our UST Credit Agreement and HCT escrow accounts. The remainder was primarily comprised of amounts prefunded related to supplier payments and other third parties and other cash collateral requirements.

At December 31, 2009 Accounts and notes receivable, net of \$7.5 billion was affected by lower volumes.

At December 31, 2009 Inventories were \$10.1 billion. Inventories were recorded on a FIFO basis and were affected by efforts to reduce inventory levels globally.

At December 31, 2009 current Assets held for sale of \$0.4 billion were related to Saab. Saab's Assets held for sale were primarily comprised of cash and cash equivalents, inventory and receivables.

At December 31, 2009 Equipment on operating leases, net of \$2.7 billion was comprised of vehicle sales to daily rental car companies and to retail leasing customers. At December 31, 2009 there were 119,000 vehicles leased to U.S. daily rental car companies and 24,000 vehicles leased through the automotive retail portfolio. The numbers of vehicles on lease were at lower levels primarily due to the continued wind-down of our automotive retail portfolio.

#### *Old GM (at December 31, 2008)*

At December 31, 2008 Restricted cash and marketable securities of \$0.7 billion was primarily comprised of amounts pre-funded related to supplier payments and other third parties and other cash collateral requirements.

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At December 31, 2008 Inventories were \$13.2 billion. Inventories for certain business units were recorded on a LIFO basis.

At December 31, 2008 Equipment on operating leases, net of \$5.1 billion was comprised of vehicle sales to daily rental car companies and to retail leasing customers. At December 31, 2008 there were 137,000 vehicles leased to U.S. daily rental car companies and 133,000 vehicles leased through the automotive retail portfolio.

### **Non-Current Assets**

#### *GM (at June 30, 2010)*

At June 30, 2010 Equity in net assets of nonconsolidated affiliates of \$8.3 billion increased by \$0.4 billion (or 4.5%) due to: (1) equity income of \$0.8 billion in the six months ended June 30, 2010, primarily related to our China joint ventures; and (2) an investment of \$0.2 billion in the HKJV joint venture; partially offset by (3) a decrease of \$0.3 billion for dividends received; (4) a decrease of \$0.2 billion related to the sale of our 50% interest in a joint venture; and (5) a decrease of \$0.1 billion related to the sale of a 1% ownership interest in SGM to SAIC.

At June 30, 2010 Assets held for sale were reduced to \$0 from \$0.5 billion at December 31, 2009 due to the sale of certain of our India operations (India Operations) in February 2010. We classified these Assets held for sale as long-term at December 31, 2009 because we received a promissory note in exchange for the India Operations that does not convert to cash within one year.

At June 30, 2010 Property, net of \$18.1 billion decreased by \$0.6 billion (or 3.1%), primarily due to depreciation of \$1.8 billion and foreign currency translation, partially offset by capital expenditures of \$1.9 billion.

At June 30, 2010 Intangible assets, net of \$12.8 billion decreased by \$1.7 billion (or 11.9%), primarily due to amortization of \$1.4 billion and foreign currency translation of \$0.3 billion.

#### *GM (at December 31, 2009)*

At December 31, 2009 Equity in net assets of nonconsolidated affiliates of \$7.9 billion was primarily comprised of our investment in SGM and SGMW. In connection with our application of fresh-start reporting, we recorded Equity in net assets of nonconsolidated affiliates at its fair value of \$5.8 billion. In the three months ended December 31, 2009 we also recorded an investment of \$1.9 billion in New Delphi.

At December 31, 2009 non-current Assets held for sale of \$0.5 billion were related to certain of our operations in India (India Operations). The India Operations Assets held for sale were primarily comprised of cash and cash equivalents, inventory, receivables and property, plant and equipment. We classified these Assets held for sale as long-term at December 31, 2009 because we received a promissory note in exchange for the India Operations that will not convert to cash within one year.

At December 31, 2009 Property, net was \$18.7 billion. In connection with our application of fresh-start reporting, we recorded Property at its fair value of \$18.5 billion at July 10, 2009.

At December 31, 2009 Goodwill was \$30.7 billion. In connection with our application of fresh-start reporting, we recorded Goodwill of \$30.5 billion at July 10, 2009. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value and the difference between the U.S. GAAP and fair value amounts gave rise to goodwill, which is a residual. Our employee benefit related accounts were recorded in accordance with ASC 712, "Compensation—Nonretirement Postemployment Benefits" and ASC 715, "Compensation—Retirement Benefits" and deferred income taxes were recorded in accordance with ASC 740, "Income Taxes".

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Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in goodwill.

At December 31, 2009 Intangible assets, net were \$14.5 billion. In connection with our application of fresh-start reporting, we recorded Intangible assets at their fair value of \$16.1 billion at July 10, 2009. Newly recorded identifiable intangible assets include brand names, our dealer network, customer relationships, developed technologies, favorable contracts and other intangible assets.

At December 31, 2009 Other assets of \$4.7 billion was primarily comprised of our cost method investments in Ally Financial common and preferred stock, restricted cash and marketable securities and deferred income taxes. In connection with our application of fresh-start reporting, we recorded our investments in Ally Financial common and preferred stock at their fair values of \$1.3 billion and \$0.7 billion at July 10, 2009. In the three months ended December 31, 2009 we recorded an impairment charge of \$0.3 billion related to our investment in Ally Financial common stock. At December 31, 2009 Restricted cash of \$1.5 billion was primarily comprised of collateral for insurance related activities and other cash collateral requirements.

### *Old GM (at December 31, 2008)*

At December 31, 2008 Equity in net assets of nonconsolidated affiliates of \$2.1 billion was primarily comprised of Old GM's investments in SGM, SGMW and Ally Financial. In May 2009 Old GM's ownership interest in Ally Financial's Common Membership Interests was reduced to 24.5% and at June 30, 2009 Ally Financial converted its status to a C corporation. At that date Old GM began to account for its investment in Ally Financial using the cost method rather than equity method as Old GM could not exercise significant influence over Ally Financial. Prior to Ally Financial's conversion to a C corporation, Old GM's investment in Ally Financial was accounted for in a manner similar to an investment in a limited partnership and the equity method was applied because Old GM's influence was more than minor.

At December 31, 2008 Other assets of \$4.7 billion was primarily comprised of restricted cash, primarily collateral for insurance related activities and other cash collateral requirements, taxes other than income, derivative assets and debt issuance expense.

### **Current Liabilities**

#### *GM (at June 30, 2010)*

At June 30, 2010 Accounts payable of \$20.8 billion increased by \$2.0 billion (or 10.8%), primarily due to: (1) higher payables for materials due to increased production volumes; and (2) increased payables of \$0.2 billion related to the consolidation of GM Egypt upon our adoption of amendments to ASC 810-10, "Consolidation" (ASC 810-10) in January 2010.

At June 30, 2010 Short-term debt and current portion of long-term debt of \$5.5 billion decreased by \$4.7 billion (or 46.0%), primarily due to our full repayments of the UST Loans and Canadian Loan of \$5.7 billion and \$1.3 billion and paydowns on other obligations of \$0.6 billion. This was partially offset by an increase of \$2.9 billion due to the reclassification of our VEBA Notes from long-term to short-term.

At June 30, 2010 Liabilities held for sale were reduced to \$0 from \$0.4 billion at December 31, 2009 due to the sale of Saab and Saab GB.

At June 30, 2010 Accrued expenses of \$24.1 billion increased by \$0.9 billion (or 4.0%). The change in Accrued expenses was primarily driven by GMNA due to higher customer deposits related to the increased number of vehicles leased to daily rental car companies of \$1.2 billion and timing of other miscellaneous accruals of \$0.4 billion. This was partially offset by a favorable effect of foreign currency translation of \$0.7 billion.

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### *GM (at December 31, 2009)*

At December 31, 2009 Accounts payable was \$18.7 billion. Accounts payable amounts were correlated, in part, with vehicle production and sales volume, which drive purchases of materials, freight costs and advertising expenditures.

At December 31, 2009 Short-term debt and current portion of long-term debt of \$10.2 billion was primarily comprised of amounts we entered into or assumed under various agreements with the U.S. and Canadian governments. In addition, we assumed secured and unsecured debt obligations (including capital leases) owed by our subsidiaries.

At December 31, 2009 current Liabilities held for sale of \$0.4 billion were related to Saab. Saab's Liabilities held for sale were primarily comprised of accounts payable, warranty and pension obligations and other liabilities.

At December 31, 2009 Accrued expenses were \$23.1 billion. Major components of accrued expenses were OPEB obligations, dealer and customer allowances, claims and discounts, deposits from rental car companies, policy, product warranty and recall campaigns, accrued payrolls and employee benefits, current pension obligation, taxes other than income taxes and liabilities related to plant closures. Accrued expenses were affected by sales volumes which affect customer deposits, dealer incentives and policy and warranty costs as well as certain liabilities MLC retained as a result of the 363 transaction.

### *Old GM (at December 31, 2008)*

At December 31, 2008 Accounts payable was \$22.3 billion. Accounts payable amounts were correlated, in part, with vehicle production and sales volume, which drive purchases of materials, freight costs and advertising expenditures.

At December 31, 2008 Short-term debt and current portion of long-term debt of \$16.9 billion was primarily comprised of UST Loans, a secured revolving credit facility and secured and unsecured debt obligations (including capital leases) owed by Old GM's subsidiaries.

In connection with the 363 Sale, MLC retained Old GM's unsecured U.S. Dollar denominated bonds, foreign currency denominated bonds, contingent convertible debt and certain other debt obligations of \$2.4 billion.

At December 31, 2008 Accrued expenses were \$36.4 billion. Major components of accrued expenses were OPEB obligations, dealer and customer allowances, claims and discounts, deposits from rental car companies, policy, product warranty and recall campaigns, accrued payrolls and employee benefits, current pension obligation, taxes other than income taxes and liabilities related to plant closures. Other accrued expenses included accruals for advertising and promotion, legal, insurance, and various other items.

### ***Non-Current Liabilities***

#### *GM (at June 30, 2010)*

At June 30, 2010 Long-term debt of \$2.6 billion decreased by \$2.9 billion (or 52.6%) primarily due to the reclassification of our VEBA Notes from long-term to short-term.

At June 30, 2010 Liabilities held for sale were reduced to \$0 from \$0.3 billion at December 31, 2009 due to the sale of our India Operations in February 2010. We classified these Liabilities held for sale as long-term at December 31, 2009 because we received a promissory note in exchange for the India Operations that does not convert to cash within one year.

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At June 30, 2010 our Pensions obligation of \$26.0 billion decreased by \$1.1 billion (or 4.0%) due to the favorable effect of foreign currency translation of \$1.1 billion and an increase in net contributions of \$0.4 billion partially offset by the effects of interim pension remeasurements of \$0.4 billion.

### *GM (at December 31, 2009)*

At December 31, 2009 Long-term debt of \$5.6 billion was primarily comprised of VEBA Notes and secured and unsecured debt obligations (including capital leases) owed by our subsidiaries. In connection with our application of fresh-start reporting, we recorded a decrease of \$1.5 billion to record Long-term debt at its fair value of \$2.5 billion at July 10, 2009.

At December 31, 2009 non-current Liabilities held for sale of \$0.3 billion were related to certain of our India Operations. The India Operations Liabilities held for sale were primarily comprised of accounts payable, warranty and pension obligations and other liabilities. We classified these Liabilities held for sale as long-term at December 31, 2009 because we received a promissory note in exchange for the India Operations that will not convert to cash within one year.

At December 31, 2009 our non-current OPEB obligation of \$8.7 billion included the effect of the 2009 Revised UAW Settlement Agreement and other OPEB plan changes. In May 2009 the UAW, the UST and Old GM agreed to the 2009 Revised UAW Settlement Agreement, subject to the successful completion of the 363 Sale, which related to the 2008 UAW Settlement Agreement that permanently shifted responsibility for providing retiree health care from Old GM to the New Plan funded by the New VEBA. We and the UAW executed the 2009 Revised Settlement Agreement on July 10, 2009 in connection with the 363 Sale closing. The 2009 Revised UAW Settlement Agreement significantly reduced our OPEB obligations as a result of changing the amount, form and timing of the consideration to be paid to the New VEBA, eliminating certain coverages and increasing certain cost sharing provisions.

At December 31, 2009 our non-current Pensions obligation of \$27.1 billion included the effects of the 2009 Salaried Window Program, 2009 Special Attrition Program, Second 2009 Special Attrition Program, Delphi Benefit Guarantee Agreements, the 2009 Revised UAW Settlement Agreement and other employee related actions.

At December 31, 2009 Other liabilities and deferred income taxes were \$13.3 billion. Major components of Other liabilities included policy and product warranty, accrued payrolls and employee benefits, postemployment benefits including facility idling reserves, and dealer and customer allowances, claims and discounts.

### *Old GM (at December 31, 2008)*

At December 31, 2008 Long-term debt of \$29.0 billion was primarily comprised of: (1) unsecured U.S. Dollar denominated bonds of \$14.9 billion; (2) foreign currency denominated bonds of \$4.4 billion; and (3) contingent convertible debt of \$6.4 billion. The remaining balance consisted mainly of secured and unsecured debt obligations (including capital leases) owed by Old GM's subsidiaries.

In connection with the Chapter 11 Proceedings, Old GM's \$4.5 billion secured revolving credit facility, \$1.5 billion U.S. term loan and \$125 million secured credit facility were paid in full on June 30, 2009.

In connection with the 363 Sale, MLC retained Old GM's unsecured U.S. Dollar denominated bonds, foreign currency denominated bonds, contingent convertible debt and certain other debt obligations of \$25.5 billion.

At December 31, 2008 the non-current OPEB obligation of \$28.9 billion represented the liability to provide postretirement medical, dental, legal service and life insurance to eligible U.S. and Canadian retirees and their eligible dependents.

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At December 31, 2008 the total non-current Pensions obligation of \$25.2 billion included the effect of actual losses on plan assets, the transfer of the Delphi pension liability and other curtailments and amendments.

At December 31, 2008 Other liabilities and deferred income taxes were \$17.4 billion. Major components of Other liabilities included product warranty and recall campaigns, accrued payrolls and employee benefits, insurance reserves, Delphi contingent liabilities, postemployment benefits including facility idling reserves, and dealer and customer allowances, claims and discounts.

Further information on each of our businesses and geographic segments is subsequently discussed.

### Segment Results of Operations

#### *GM North America (Dollars in Millions)*

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Total net sales and revenue</b>	\$ 39,552	\$ 32,426	\$ 24,191	\$ 23,764	\$ 86,187	\$ 112,448
<b>Earnings (loss) before interest and income taxes</b>	\$ 2,810	\$ (4,820)	\$ (11,092)	\$ (10,452)	\$ (12,203)	\$ 1,876

#### *Production and Vehicle Sales Volume*

The following tables summarize total production volume and sales of new motor vehicles and competitive position (in thousands):

	GM	Combined GM and Old GM	Old GM	
	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Production Volume (a)</b>				
Cars	523	727	1,543	1,526
Trucks	876	1,186	1,906	2,741
Total	1,399	1,913	3,449	4,267

(a) Production volume represents the number of vehicles manufactured by our and Old GM's assembly facilities and also includes vehicles produced by certain joint ventures.

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	Successor		Predecessor	
	Six Months Ended		Six Months Ended	
	June 30, 2010		June 30, 2009	
	GM	GM as a % of Industry	Old GM	Old GM as a % of Industry
<b>Vehicle Sales (a)(b)(c)(d)(e)</b>				
Total GMNA	1,280	18.3%	1,157	19.0%
Total U.S.	1,081	18.9%	954	19.5%
U.S. – Cars	425	15.1%	403	16.5%
U.S. Trucks	656	22.6%	552	22.5%
Canada	123	15.5%	135	18.4%
Mexico	72	19.0%	65	17.7%

- (a) Vehicle sales primarily represent sales to the ultimate customer.
- (b) Includes HUMMER, Saturn and Pontiac vehicle sales data.
- (c) Includes Saab vehicle sales data through February 2010.
- (d) Vehicle sales data may include rounding differences.
- (e) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at time of delivery to the daily rental car companies.

	Year Ended		Year Ended		Year Ended	
	December 31, 2009		December 31, 2008		December 31, 2007	
	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Old GM	Old GM as a % of Industry	Old GM	Old GM as a % of Industry
<b>Vehicle Sales (a)(b)(c)(d)</b>						
Total GMNA	2,485	19.0%	3,565	21.5%	4,516	23.0%
Total U.S.	2,084	19.6%	2,981	22.1%	3,867	23.5%
U.S. – Cars	874	16.3%	1,257	18.6%	1,489	19.7%
U.S. – Trucks	1,210	23.1%	1,723	25.5%	2,377	26.7%
Canada	254	17.2%	359	21.4%	404	23.9%
Mexico	138	17.9%	212	19.8%	230	20.1%

- (a) Vehicle sales primarily represent sales to the ultimate customer.
- (b) Includes HUMMER, Saab, Saturn and Pontiac vehicle sales data.
- (c) Vehicle sales data may include rounding differences.
- (d) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at time of delivery to the daily rental car companies.

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	GM	Combined GM and Old GM	Old GM		
	Six Months Ended June 30, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>GMNA Vehicle Deliveries by Brand</b>					
Buick	76	111	52	154	202
Cadillac	69	115	51	170	225
Chevrolet	924	1,601	722	2,158	2,654
GMC	190	317	145	438	579
Other - Opel	1	1	—	2	2
Core Brands	1,260	2,145	970	2,922	3,662
HUMMER	3	11	7	30	59
Pontiac	10	238	126	383	486
Saab	1	10	6	23	35
Other - Isuzu	—	—	—	—	8
Saturn	6	81	48	207	266
Other Brands	20	340	187	643	854
<b>GMNA Total</b>	<b>1,280</b>	<b>2,485</b>	<b>1,157</b>	<b>3,565</b>	<b>4,516</b>

*Six Months ended June 30, 2010 and 2009  
(Dollars in Millions)*

*Total Net Sales and Revenue*

	Successor	Predecessor	Six Months Ended 2010 vs. 2009 Change	
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Amount	%
Total net sales and revenue	\$ 39,552	\$ 23,764	\$ 15,788	66.4%

In the six months ended June 30, 2010 our vehicle sales in the United States increased compared to the corresponding period in 2009 by 126,000 vehicles (or 13.2%), our United States market share was 18.9%, based on vehicle sales volume, our vehicle sales in Canada decreased by 11,000 vehicles (or 8.3%) and our vehicle sales in Mexico increased by 8,000 vehicles (or 12.3%).

In the six months ended June 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$15.8 billion (or 66.4%), primarily due to: (1) higher volumes of \$11.3 billion due to an improving economy and successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX and increased U.S. daily rental auction volume of \$0.8 billion; (2) favorable pricing of \$2.3 billion due to lower sales allowances; partially offset by less favorable adjustments in the U.S. (favorable of \$1.0 billion in 2009 compared to favorable of \$0.4 billion in 2010) to the accrual for U.S. residual support programs for leased vehicles of \$0.6 billion; and (3) favorable mix of \$1.7 billion due to increased crossover and truck sales.

*Earnings (Loss) Before Interest and Income Taxes*

In the six months ended June 30, 2010 EBIT was income of \$2.8 billion driven by higher revenues. In the six months ended June 30, 2009 EBIT was a loss of \$10.5 billion.

Cost and expenses includes both fixed costs as well as costs which generally vary with production levels. In the six months ended June 30, 2010 certain fixed costs, primarily labor related, have continued to decrease in relation to historical levels primarily due to various separation and other programs implemented in 2009 in order



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to reduce labor costs as subsequently discussed. In the six months ended June 30, 2009, Old GM's sales volumes were at historically low levels and Cost of sales exceeded Total net sales and revenue by \$7.4 billion.

In the six months ended June 30, 2010 results included: (1) charges of \$0.2 billion for a recall campaign on windshield fluid heaters; (2) foreign currency translation losses of \$0.2 billion driven by the strengthening of the Canadian Dollar versus the U.S. Dollar; partially offset by (3) favorable adjustments of \$0.1 billion to restructuring reserves due to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple U.S. production sites.

In the six months ended June 30, 2009 results included: (1) incremental depreciation charges of \$1.8 billion recorded by Old GM prior to the 363 Sale for facilities included in GMNA's restructuring activities and for certain facilities that MLC retained; (2) curtailment loss of \$1.7 billion upon the interim remeasurement of the U.S. Hourly and U.S. Salaried Defined Benefit Pension Plan as a result of the 2009 Special Attrition Programs and salaried workforce reductions; (3) a charge of \$1.1 billion related to the SUB and TSP, partially offset by a favorable adjustment of \$0.7 billion primarily related to the suspension of the JOBS Program; (4) U.S. Hourly and Salary separation program charges and Canadian restructuring activities of \$1.1 billion; (5) foreign currency translation losses of \$0.6 billion driven by the strengthening of the Canadian Dollar versus the U.S. Dollar; (6) charges of \$0.4 billion primarily for impairments for special tooling and product related machinery and equipment; (7) charges of \$0.3 billion related to obligations associated with various Delphi agreements; and (8) equity losses of \$0.3 billion related to impairment charges at NUMMI and our proportionate share of losses at CAMI. MLC retained the investment in NUMMI and CAMI has been consolidated since March 1, 2009.

### **July 10, 2009 Through December 31, 2009 and January 1, 2009 Through July 9, 2009 (Dollars in Millions)**

#### *Total Net Sales and Revenue*

	Combined GM and Old GM		Predecessor		Year Ended 2009 vs. 2008 Change	
	Year Ended December 31, 2009	Successor July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Amount	%
Total net sales and revenue	\$ 56,617	\$ 32,426	\$ 24,191	\$ 86,187	\$29,570	(34.3)%

In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 several factors affected vehicle sales. The tight credit markets, increased unemployment rates and a recession in North America and GMNA's largest market, the United States, negatively affected vehicle sales. Old GM's well publicized liquidity issues, public speculation as to the effects of Chapter 11 proceedings and the actual Chapter 11 Proceedings negatively affected vehicle sales in North America. These negative factors were partially offset in the period July 10, 2009 through December 31, 2009 by: (1) improved vehicle sales related to the CARS program; and (2) an increase in dealer showroom traffic and related vehicle sales in response to our new 60-Day satisfaction guarantee program, which began in early September 2009 and ended January 4, 2010.

In the year ended 2009 Total net sales and revenue decreased by \$29.6 billion (or 34.3%) primarily due to a decrease in revenue of \$36.7 billion related to volume reductions. The decline in revenue was partially offset by: (1) improved pricing, lower sales incentives and improved lease residuals of \$5.4 billion; and (2) favorable vehicle mix of \$2.8 billion.

#### *Income (Loss) Attributable to Stockholders Before Interest and Income Taxes*

Loss attributable to stockholders before interest and income taxes was \$4.8 billion and \$11.1 billion in the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009.

Cost and expenses includes both fixed costs and costs which generally vary with production levels. Certain fixed costs, primarily labor related, have continued to decrease in relation to historical levels primarily due to

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various separation and other programs. However, the implementation of various separation programs, as well as reducing the estimated useful lives of Property, net resulted in significant charges in various periods.

In the period July 10, 2009 through December 31, 2009 results included the following:

- A settlement loss of \$2.6 billion related to the termination of our UAW hourly retiree medical plan and Mitigation Plan;
- Foreign currency translation losses of \$1.3 billion driven by the general strengthening of the Canadian Dollar versus the U.S. Dollar;
- Charges of \$0.3 billion primarily related to dealer wind-down costs for our Saturn dealers after plans to sell the Saturn brand and dealership network were terminated; and
- Effects of fresh-start reporting, which included amortization of intangible assets which were established in connection with our application of fresh-start reporting, which was offset by decreased depreciation of fixed assets resulting from lower balances, and the elimination of historical deferred losses related to pension and postretirement obligations.

In the period January 1, 2009 through July 9, 2009 results included the following:

- Incremental depreciation charges of \$2.0 billion recorded by Old GM prior to the 363 sale for facilities included in GMNA's restructuring activities and for certain facilities that MLC retained;
- Charges of \$1.1 billion related to the SUB and TSP, which replaced the JOBS Program;
- Separation charges of \$1.0 billion related to hourly and salaried employees who participated in various separation programs; which were partially offset by favorable adjustments of \$0.7 billion primarily related to the suspension of the JOBS Program;
- Foreign currency translation losses of \$0.7 billion driven by the general strengthening of the Canadian Dollar versus the U.S. Dollar;
- Charges of \$0.5 billion related to dealer wind-down costs; and
- Impairment charges of \$0.2 billion related to Old GM's investment in NUMMI and equity losses of \$0.1 billion related to NUMMI and CAMI. MLC retained the investment in NUMMI, and CAMI has been consolidated since March 1, 2009.

### **2008 Compared to 2007** **(Dollars in Millions)**

#### *Total Net Sales and Revenue*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Total net sales and revenue	\$ 86,187	\$ 112,448	\$(26,261)	(23.4)%

Tightening of the credit markets, turmoil in the mortgage markets, reductions in housing values, volatile oil prices and the resulting recession in the United States decreased GMNA's vehicle sales in the year ended 2008. GMNA's vehicle sales decreased by 951,000 vehicles (or 21.1%) to 3.6 million vehicles in 2008, with 379,000 (or 39.9%) of the decrease occurring in the fourth quarter. GMNA's vehicle sales were 948,000 vehicles, 964,000 vehicles, 978,000 vehicles and 675,000 vehicles in the first, second, third and fourth quarters of 2008.

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GMNA's U.S. vehicle sales in the year ended 2008 decreased in the first three quarters with a sharp decline in the fourth quarter. GMNA's U.S. vehicle sales decreased by 103,000 vehicles (or 11.4%), decreased by 214,000 vehicles (or 21.2%) and decreased by 218,000 vehicles (or 20.9%) in the first, second, and third quarters of 2008. The sharp fourth quarter decline resulted in decreased vehicle sales of 350,000 vehicles (or 39.0%). In the year ended 2008 GMNA's vehicle sales also decreased in Canada by 45,000 vehicles (or 11.1%) and decreased in Mexico by 18,000 vehicles (or 7.8%).

In the year ended 2008 Total net sales and revenue decreased by \$26.3 billion (or 23.4%) due primarily to: (1) a decline in volumes and unfavorable vehicle mix of \$23.1 billion resulting from continued market challenges; (2) an increase of \$1.8 billion in the accrual for residual support programs for leased vehicles, primarily due to the decline in residual values of fullsize pick-up trucks and sport utility vehicles in the middle of 2008; (3) unfavorable pricing of \$0.7 billion; (4) a decrease in sales of components, parts and accessories of \$0.6 billion; partially offset by (5) foreign currency translation of \$0.3 billion due to a strengthening of the U.S. Dollar versus the Canadian Dollar. Contributing to the volume decline was revenue of \$0.8 billion that was deferred in the fourth quarter of 2008 related to deliveries to dealers that did not meet the criteria for revenue recognition, either because collectability was not reasonably assured or the risks and rewards of ownership were not transferred at the time of delivery.

### *Cost of Sales*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Cost of sales	\$ 90,806	\$ 106,619	\$ (15,813)	(14.8)%
Gross margin	\$ (4,619)	\$ 5,829	\$ (10,448)	(179.2)%

In the year ended 2008 Cost of sales decreased \$15.8 billion (or 14.8%) primarily due to: (1) decreased costs related to lower production volumes of \$14.0 billion; (2) net curtailment gain of \$4.9 billion related to the 2008 UAW Settlement Agreement; (3) manufacturing savings of \$1.4 billion from lower manufacturing costs and hourly headcount levels resulting from attrition programs and productivity improvements; (4) favorable foreign currency translation gains of \$1.4 billion due primarily to the appreciation of the U.S. Dollar versus the Canadian Dollar; (5) pension prior service costs of \$2.2 billion recorded in the year ended 2007; and (6) gains of \$0.9 billion related to the fair value of commodity and foreign currency exchange derivatives. These decreases were partially offset by: (1) charges related to restructuring and other costs associated with Old GM's special attrition programs, certain Canadian facility idlings and finalization of Old GM's negotiations with the CAW of \$5.8 billion; (2) expenses of \$1.7 billion related to the salaried post-age-65 healthcare settlement; (3) commodity derivative losses of \$0.8 billion; (4) increased Delphi related charges of \$0.6 billion related to certain cost subsidies reimbursed during the year; and (5) increased warranty expenses of \$0.5 billion.

### *Selling, General and Administrative Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Selling, general and administrative expense	\$ 7,744	\$ 8,368	\$ (624)	(7.5)%

In the year ended 2008 Selling, general and administrative expense decreased by \$0.6 billion (or 7.5%) primarily due to: (1) reductions in incentive compensation and profit sharing costs of \$0.4 billion; and (2) decreased advertising, selling and sales promotion expenses of \$0.3 billion. These decreases were partially offset by \$0.2 billion related to the 2008 Salaried Window Program.

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### Other Expenses, net

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Other expenses, net	\$ 154	\$ 552	\$ (398)	(72.1)%

In the year ended 2008 Other expenses, net was comprised of an impairment charge related to goodwill of \$154 million.

In the year ended 2007 Other expenses, net of \$0.6 billion was primarily related to a nonrecurring charge for pension benefits granted to future and current retirees of Delphi.

### Other Non-Operating Income, net

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Other non-operating income, net	\$ 487	\$ 442	\$ 45	10.2%

In the year ended 2008 Other non-operating income, net increased by \$45 million (or 10.2%) primarily due to: (1) exclusivity fee income of \$105 million; (2) a gain on sale of affiliates of \$49 million; (3) miscellaneous income of \$22 million; partially offset by: (4) a decrease in royalty income of \$133 million.

### Equity Income (Loss), net of tax

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
NUMMI	\$ (118)	\$ (5)	\$ (113)	n.m.
CAMI	(72)	32	(104)	n.m.
Other	(11)	(5)	(6)	120.0%
Total equity income (loss), net of tax	\$ (201)	\$ 22	\$ (223)	n.m.

n.m. = not meaningful

In the year ended 2008 Equity income (loss), net of tax decreased by \$0.2 billion due to impairment charges and lower income from Old GM's investments in NUMMI and CAMI.

### GM International Operations (Dollars in Millions)

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Total net sales and revenue	\$ 16,664	\$ 15,516	\$ 11,698	\$ 11,155	\$ 37,344	\$ 37,060
Earnings (loss) before interest and income taxes	\$ 1,838	\$ 1,196	\$ (964)	\$ (699)	\$ 471	\$ 1,947

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### *Production and Vehicle Sales Volume*

The following tables summarize total production volume and sales of new motor vehicles and competitive position (in thousands):

	<u>GM</u>	<u>Combined GM and Old GM</u>	<u>Old GM</u>	
	<u>Six Months Ended June 30, 2010</u>	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Production Volume (a)(b)(c)	2,307	3,484	3,200	3,246

- (a) Production volume represents the number of vehicles manufactured by our and Old GM's assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Includes SGM joint venture production in China of 489,000 vehicles and SGMW, FAW-GM joint venture production in China and HKJV joint venture production in India of 745,000 vehicles in the six months ended June 30, 2010, combined GM and Old GM SGM joint venture production in China of 712,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture production in China of 1.2 million vehicles in the year ended December 31, 2009 and Old GM SGM joint venture production in China of 439,000 vehicles and 491,000 vehicles and Old GM SGMW joint venture production in China of 646,000 vehicles and 555,000 vehicles in the years ended December 31, 2008 and 2007.
- (c) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture production in China.

	<u>Successor</u>		<u>Predecessor</u>	
	<u>Six Months Ended June 30, 2010</u>	<u>GM as a % of Industry</u>	<u>Six Months Ended June 30, 2009</u>	<u>Old GM as a % of Industry</u>
	<u>GM</u>		<u>Old GM</u>	
Vehicle Sales (a)(b)(c)(d)				
Total GMIO	2,026	10.3%	1,517	10.2%
Vehicle Sales—consolidated entities				
Brazil	302	19.1%	271	18.7%
Australia	69	12.9%	57	12.5%
Argentina	56	16.5%	42	15.1%
South Korea (e)	58	7.7%	45	7.0%
Middle-East Operations	55	9.8%	57	10.8%
Colombia	36	33.6%	33	38.9%
Egypt	32	26.3%	23	25.3%
Venezuela	24	41.4%	35	43.4%
Vehicle sales—primarily joint ventures (f)				
China (g)	1,209	13.2%	814	13.3%
India	60	4.1%	28	2.7%

- (a) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (b) Vehicle sales data may include rounding differences.
- (c) Includes Saab vehicle sales data through February 2010.
- (d) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.

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- (e) Vehicle sales and market share data from sales of GM Daewoo produced Chevrolet brand products in Europe are reported as part of GME. Sales of GM Daewoo produced Chevrolet brand products in Europe not included in vehicle sales and market share data was 166,000 vehicles in the six months ended June 30, 2010. Old GM sales of GM Daewoo produced Chevrolet brand products in Europe not included in vehicle sales and market share data was 185,000 vehicles in the six months ended June 30, 2009.
- (f) Includes SGM joint venture vehicle sales in China of 451,000 vehicles and SGMW, FAW-GM joint venture vehicle sales in China and HKJV joint venture vehicle sales in India of 737,000 vehicles in the six months ended June 30, 2010 and Old GM SGM joint venture vehicle sales in China of 278,000 vehicles and SGMW joint venture vehicle sales in China of 493,000 vehicles in the six months ended June 30, 2009. We do not record revenue from our joint ventures' vehicle sales.
- (g) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture vehicle sales in China.

	Year Ended December 31, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Old GM	Old GM as a % of Industry	Old GM	Old GM as a % of Industry
<b>Vehicle Sales (a)(b)(c)</b>						
Total GMIO	3,326	10.3%	2,754	9.6%	2,672	9.5%
<b>Vehicle Sales—consolidated entities</b>						
Brazil	596	19.0%	549	19.5%	499	20.3%
Australia	121	12.9%	133	13.1%	149	14.2%
Middle East Operations	117	11.1%	144	12.9%	136	10.7%
South Korea (d)	115	7.9%	117	9.7%	131	10.3%
Argentina	79	15.2%	95	15.5%	92	16.1%
Colombia	67	36.1%	80	36.3%	93	36.8%
Egypt	52	25.6%	60	23.1%	40	17.5%
Venezuela	49	36.1%	90	33.2%	151	30.7%
<b>Vehicle Sales—primarily joint ventures (e)</b>						
China (f)	1,826	13.4%	1,095	12.1%	1,032	12.2%
India	69	3.1%	66	3.3%	60	3.0%

- (a) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (b) Vehicle sales data may include rounding differences.
- (c) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.
- (d) Vehicle sales and market share data from sales of GM Daewoo produced Chevrolet brand products in Europe are reported as part of GME. Combined GM and Old GM sales of GM Daewoo produced Chevrolet brand products in Europe not included in vehicle sales and market share data was 356,000 vehicles in the year ended 2009. Old GM's sales of GM Daewoo produced Chevrolet brand products in Europe not included in vehicle sales and market share data was 434,000 vehicles and 400,000 vehicles in the years ended 2008 and 2007.
- (e) Includes combined GM and Old GM SGM joint venture vehicle sales in China of 710,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture vehicle sales in China of 1.0 million vehicles in the year ended December 31, 2009 and Old GM SGM joint venture vehicle sales in China of 446,000 vehicles and 476,000 vehicles and Old GM SGMW joint venture vehicle sales in China of 606,000 vehicles and 516,000 vehicles in the years ended December 31, 2008 and 2007. We do not record revenue from our joint ventures' vehicle sales.
- (f) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM joint venture vehicle sales in China.

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**Six Months ended June 30, 2010 and 2009**  
**(Dollars in Millions)**

*Total Net Sales and Revenue*

	Successor	Predecessor	Six Months Ended	
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	2010 vs. 2009 Change	
			Amount	%
Total net sales and revenue	\$ 16,664	\$ 11,155	\$ 5,509	49.4%

In the six months ended June 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$5.5 billion (or 49.4%) primarily due to: (1) higher wholesale volumes of \$3.4 billion (or 225,000 vehicles) resulting primarily from the market recovery in three key businesses, GM Daewoo (77,000 vehicles), Brazil (60,000 vehicles) and Australia (24,000 vehicles); (2) derivative losses of \$1.0 billion that Old GM recorded in the six months ended June 30, 2009, primarily driven by the depreciation of the Korean Won against the U.S. Dollar in that period. Subsequent to July 10, 2009, all gains and losses on non-designated derivatives were recorded in Interest income and other non-operating income, net; (3) net foreign currency translation and transaction gains of \$0.8 billion, primarily driven by the strengthening of major currencies against the U.S. Dollar such as the Korean Won, Australian Dollar and Brazilian Real partially offset by devaluation of the Venezuelan Bolivar; and (4) the favorable pricing effect of \$0.3 billion primarily in Venezuela of \$0.2 billion driven by the hyperinflationary economy.

The increase in vehicle sales related to our joint venture operations in China and India is not reflected in Total net sales and revenue as their revenue is not consolidated in our financial results.

*Earnings (Loss) Before Interest and Income Taxes*

In the six months ended June 30, 2010 EBIT was income of \$1.8 billion. In the six months ended June 30, 2009 EBIT was a loss of \$0.7 billion.

In the six months ended June 30, 2010 results included Equity income, net of tax, of \$0.7 billion from the operating results of our China joint ventures and net income of \$0.2 billion attributable to non-controlling interests of GM Daewoo.

In the six months ended June 30, 2009 results included: (1) an unfavorable fair value adjustment of \$1.0 billion on derivative instruments primarily resulting from the depreciation of Korean Won against the U.S. Dollar and release of Accumulated other comprehensive loss; (2) foreign currency translation loss of \$0.5 billion primarily resulting from the purchase of U.S Dollars on the parallel market in Venezuela; (3) a Net loss of \$0.3 billion attributable to non-controlling interests in GM Daewoo; partially offset by (4) Equity income, net of tax, of \$0.3 billion from the operating results of our China joint ventures, which benefited from China's increasing vehicle industry during the global financial crises.

**July 10, 2009 Through December 31, 2009 and January 1, 2009 Through July 9, 2009**  
**(Dollars in Millions)**

*Total Net Sales and Revenue*

	Combined GM and Old GM	Successor	Predecessor		Year Ended	
	Year Ended December 31, 2009	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	2009 vs. 2008 Change	
					Amount	%
Total net sales and revenue	\$ 27,214	\$ 15,516	\$ 11,698	\$ 37,344	\$(10,130)	(27.1)%

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In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009, several factors have continued to affect vehicle sales. The tight credit markets, increased unemployment rates and recessionary trends in many international markets, resulted in depressed sales. Old GM's well publicized liquidity issues, public speculation as to the effects of Chapter 11 proceedings and the actual Chapter 11 Proceedings negatively affected vehicle sales in several markets. Many countries in GMIO responded to the global recession by lowering interest rates and initiating programs to provide credit to consumers, which had a positive effect on vehicle sales. Certain countries including China, Brazil, India and South Korea benefited from effective government economic stimulus packages and are showing signs of a recovery. For the remainder of 2010 we anticipate a challenging sales environment resulting from the global economic slowdown with a partial offset from strong sales in China and Brazil.

In the year ended 2009 Total net sales and revenue decreased by \$10.1 billion (or 27.1%) due to: (1) decreased domestic wholesale sales volume and lower exports from GM Daewoo of \$4.2 billion, Middle East of \$2.4 billion, Australia of \$1.5 billion, Venezuela of \$0.9 billion, Thailand of \$0.6 billion, Argentina of \$0.6 billion, South Africa of \$0.5 billion, Russia of \$0.5 billion and Colombia of \$0.3 billion; partially offset by (2) gains on derivative instruments of \$0.9 billion at GM Daewoo; (3) favorable pricing of \$0.5 billion primarily due to a 60% price increase in Venezuela due to high inflation; and (4) favorable vehicle mix of \$0.4 billion driven by launches of new vehicle models at GM Daewoo.

The increase in vehicle sales related to China joint ventures is not reflected in Total net sales and revenue. The results of our China joint ventures are recorded in Equity income, net of tax.

### *Income (Loss) Attributable to Stockholders Before Interest and Income Taxes*

Income (loss) attributable to stockholders before interest and income taxes was income of \$1.2 billion and a loss of \$1.0 billion in the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009.

Costs and expenses include both fixed costs as well as costs which generally vary with production levels. Periodically, we have undertaken various separation programs, which have increased costs in the applicable periods with the goal of reducing labor costs in the long term.

Our results are affected by the earnings of our nonconsolidated equity affiliates, primarily our China joint ventures and noncontrolling interests share of earnings primarily in GM Daewoo.

In the period July 10, 2009 through December 31, 2009 results included the following:

- Separation costs of \$0.1 billion related to voluntary and involuntary separation and early retirement programs;
- Foreign currency transaction gains of \$0.1 billion primarily due to the Australian Dollar and Venezuelan Bolivar versus the U.S. Dollar; and
- Effects of fresh-start reporting, which included amortization of intangible assets, which were partially offset by the reduced value of inventory recorded through Cost of sales which were established in connection with our application of fresh-start reporting and decreased depreciation of fixed assets resulting from lower balances.

In the period January 1, 2009 through July 9, 2009 results included a foreign currency transaction loss of \$0.4 billion related to foreign currency transactions outside of the official exchange market in Venezuela.

In the period ended January 1, 2009 through July 9, 2009 negative gross margin was driven by significant sales volume declines, which was not offset totally by declines in cost of sales due to high fixed manufacturing overhead and foreign currency transaction loss of \$0.4 billion related to foreign currency transactions outside of the official exchange market in Venezuela.



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### *2008 Compared to 2007 (Dollars in Millions)*

#### *Total Net Sales and Revenue*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Total net sales and revenue	\$ 37,344	\$ 37,060	\$ 284	0.8%

In the year ended 2008, Total net sales and revenue increased by \$0.3 billion (or 0.8%) due to: (1) favorable foreign currency translation effect of \$1.2 billion, related to the Brazilian Real, Euro and Australian Dollar versus the U.S. Dollar; (2) favorable net vehicle pricing of \$0.6 billion primarily in Venezuela due to high inflation and Brazil as a result of industry growth and high demand in the first half of 2008; (3) favorable product mix of \$0.4 billion; and (4) net increase in sales volume of \$0.2 billion primarily related to Russia; offset by (5) our determination that certain of our derivative cash flow hedge instruments were no longer effective resulting in the termination of hedge accounting treatment of \$2.1 billion.

The decrease in vehicle sales related to China joint ventures is not reflected in Total net sales and revenue as China joint venture revenue is not consolidated in the financial results.

GMIO's vehicle sales began to moderate in the third quarter and fell sharply during the fourth quarter of 2008. GMIO's vehicle sales increased by 76,000 vehicles (or 11.5%), increased by 102,000 vehicles (or 16.2%) and increased by 19,000 vehicles (or 2.8%) in the first, second and third quarters of 2008. GMIO's vehicle sales decreased by 115,000 vehicles (or 15.9%) in the fourth quarter of 2008. GMIO's China vehicle sales increased by 22,000 vehicles (or 7.4%), increased by 45,000 vehicles (or 19.3%) and increased by 10,000 vehicles (or 4.4%) in the first, second and third quarters of 2008. GMIO's vehicle sales in China decreased by 14,000 vehicles (or 5.1%) in the fourth quarter of 2008. The decline in GMIO's vehicle sales and vehicle sales in China, in the second half of 2008, was attributable to the tightening of the credit markets, volatile oil prices, slowdown of economic growth and declining consumer confidence. Despite the downturn in GMIO's vehicle sales in the second half of 2008, GMIO capitalized on the demand in the China passenger and light commercial vehicle markets. GMIO increased its vehicle sales throughout the region in 2008, in part due to strong sales in China where volumes exceeded 1.0 million vehicles for the second consecutive year.

#### *Cost of Sales*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Cost of sales	\$ 34,686	\$ 32,944	\$ 1,742	5.3%
Gross margin	\$ 2,658	\$ 4,116	\$ (1,458)	(35.4)%

In the year ended 2008 cost of sales increased by \$1.7 billion (or 5.3%) primarily due to: (1) increased content cost of \$1.2 billion driven by an increase in imported material costs at Venezuela and Russia and high inflation across the region primarily in Venezuela, Argentina and South Africa; (2) unfavorable product mix of \$0.4 billion; and (3) foreign currency exchange transaction losses on purchases of treasury bills in the region of \$0.2 billion.

#### *Selling, General and Administrative Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Selling, general and administrative expense	\$ 2,695	\$ 2,485	\$ 210	8.5%

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In the year ended 2008 Selling, general and administrative expense increased by \$0.2 billion (or 8.5%) primarily due to Old GM's expansion in Russia and other European markets.

### *Other Non-Operating Income, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Other non-operating income, net	\$ 101	\$ 175	\$ (74)	(42.3)%

In the year ended 2008 Other non-operating income, net decreased by \$74 million (or 42.3%) primarily due to insurance premiums received of \$89 million, in 2007.

### *Equity Income, net of tax*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
SGM and SGMW	\$ 312	\$ 430	\$ (118)	(27.4)%
Other equity interests	42	45	(3)	(6.7)%
Total equity income, net of tax	\$ 354	\$ 475	\$ (121)	(25.5)%

In the year ended 2008 Equity income, net of tax decreased by \$0.1 billion (or 25.5%) due to lower earnings at SGM.

### *Net (income) Loss Attributable to Noncontrolling Interests Before Interest and Income Taxes*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Net (income) loss attributable to noncontrolling interests before interest and income taxes	\$ 53	\$ (334)	\$ 387	115.9%

In the year ended 2008 Net (income) loss attributable to noncontrolling interest before interest and income taxes decreased by \$0.4 billion (or 115.7%) due to lower income at GM Daewoo.

### *GM Europe (Dollars in Millions)*

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Total net sales and revenue	\$ 11,505	\$ 11,479	\$ 12,552	\$ 11,946	\$ 34,647	\$ 37,337
Loss before interest and income taxes	\$ (637)	\$ (814)	\$ (2,815)	\$ (2,711)	\$ (2,625)	\$ (447)

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### Production and Vehicle Sales Volume

The following tables summarize total production volume and sales of new motor vehicles and competitive position (in thousands):

	<u>GM</u> Six Months Ended June 30, 2010	<u>Combined GM and Old GM</u> Year Ended December 31, 2009	<u>Old GM</u> Year Ended December 31, 2008	<u>Old GM</u> Year Ended December 31, 2007
Production Volume (a)	636	1,106	1,495	1,773

- (a) Production volume represents the number of vehicles manufactured by our and Old GM's assembly facilities and also includes vehicles produced by certain joint ventures.

	<u>Successor</u> Six Months Ended June 30, 2010		<u>Predecessor</u> Six Months Ended June 30, 2009	
	GM	GM as a % of Industry	Old GM	Old GM as a % of Industry
Vehicle Sales (a)(b)(c)(d)(e)				
Total GME	846	8.6%	881	9.1%
United Kingdom	158	12.8%	150	14.4%
Germany	129	8.1%	211	9.7%
Italy	96	7.6%	102	8.3%
Spain	63	9.3%	42	8.4%
Russia	67	8.3%	84	10.7%
France	63	4.4%	56	4.1%

- (a) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (b) The financial results from sales of GM Daewoo produced Chevrolet brand products are reported as part of GMIO. Sales of GM Daewoo produced Chevrolet brand products included in vehicle sales and market share data was 166,000 vehicles in the six months ended June 30, 2010. Old GM sales of GM Daewoo produced Chevrolet brand products included in vehicle sales and market share data was 185,000 vehicles in the six months ended June 30, 2009.
- (c) Includes Saab vehicle sales data through February 2010.
- (d) Vehicle sales may include rounding differences.
- (e) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.

	<u>Year Ended December 31, 2009</u>		<u>Year Ended December 31, 2008</u>		<u>Year Ended December 31, 2007</u>	
	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Old GM	Old GM as a % of Industry	Old GM	Old GM as a % of Industry
Vehicle Sales (a)(b)(c)(d)(e)						
Total GME	1,667	8.9%	2,043	9.3%	2,182	9.4%
Germany	382	9.4%	300	8.8%	331	9.5%
United Kingdom	287	12.9%	384	15.4%	427	15.2%
Italy	189	8.0%	202	8.3%	237	8.5%
Russia	142	9.5%	338	11.2%	260	9.6%
France	119	4.4%	114	4.4%	125	4.8%
Spain	94	8.7%	107	7.8%	171	8.8%

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- (a) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (b) The financial results from sales of GM Daewoo produced Chevrolet brand products are reported as part of GMIO. Combined GM and Old GM sales of GM Daewoo produced Chevrolet brand products included in vehicle sales and market share data was 356,000 vehicles in the year ended 2009. Old GM sales of GM Daewoo produced Chevrolet brand products included in vehicle sales and market share data was 434,000 and 400,000 vehicles in the years ended 2008 and 2007.
- (c) Includes Saab vehicle sales data.
- (d) Vehicle sales data may include rounding differences.
- (e) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.

### **Six Months ended June 30, 2010 and 2009 (Dollars in Millions)**

#### *Total Net Sales and Revenue*

	<u>Successor</u>	<u>Predecessor</u>	<u>Six Months Ended 2010 vs. 2009</u>	
	<u>Six Months Ended June 30, 2010</u>	<u>Six Months Ended June 30, 2009</u>	<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 11,505	\$ 11,946	\$ (441)	(3.7)%

In the six months ended June 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.4 billion (or 3.7%) primarily due to: (1) lower wholesale volumes of \$0.7 billion; (2) lower powertrain revenue of \$0.1 billion primarily due to the Strasbourg facility which was retained by MLC in connection with the 363 Sale; partially offset by (3) favorable vehicle pricing of \$0.2 billion due to higher pricing on new vehicle launches.

Revenue decreased compared to the corresponding period in 2009 due to wholesale volume decreases of 18,000 vehicles (or 2.8%). Wholesale volumes decreased in Germany by 85,000 vehicles (or 43.8%), partially offset by wholesale increases in Spain of 20,000 vehicles (or 76.7%), wholesale increases in the United Kingdom of 7,000 vehicles (or 5.2%), and wholesale increases to the United States of 8,000 vehicles primarily related to the Buick Regal and smaller increases in various other European countries in the six months ended June 30, 2010.

#### *Loss Before Interest and Income Taxes*

In the six months ended June 30, 2010 EBIT was a loss of \$0.6 billion. In the six months ended June 30, 2009 EBIT was a loss of \$2.7 billion.

In the six months ended June 30, 2010 results included restructuring charges of \$0.5 billion to restructure our European operations, primarily for separation programs announced in Belgium, Spain and the United Kingdom.

In the six months ended June 30, 2009 results included: (1) charges recorded in Other expenses, net of \$0.8 billion related to the deconsolidation of Saab; (2) incremental depreciation charges of \$0.5 billion related to restructuring activities; and (3) operating losses related to Saab of \$0.2 billion.

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### *July 10, 2009 Through December 31, 2009 and January 1, 2009 Through July 9, 2009 (Dollars in Millions)*

#### *Total Net Sales and Revenue*

	<u>Combined GM and Old GM</u>		<u>Predecessor</u>		<u>Year Ended 2009 vs. 2008 Change</u>	
	<u>Year Ended December 31, 2009</u>	<u>Successor July 10, 2009 Through December 31, 2009</u>	<u>January 1, 2009 Through July 9, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 24,031	\$ 11,479	\$ 12,552	\$ 34,647	\$ (10,616)	(30.6)%

In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 several factors have continued to affect vehicle sales. The tight credit markets, increased unemployment rates and a recession in many international markets, resulted in depressed sales. Old GM's well publicized liquidity issues, public speculation as to the effects of Chapter 11 proceedings and the actual Chapter 11 Proceedings negatively affected vehicle sales in several markets as well as the announcement that Old GM was seeking a majority investor in Adam Opel, which was a condition to receiving financing from the German federal government. Certain countries including Germany benefited from effective government economic stimulus packages and are showing signs of a recovery. For the remainder of 2010, we anticipate a challenging sales environment resulting from the continuation of the global economic slowdown.

In the year ended 2009 Total net sales and revenue decreased by \$10.6 billion (or 30.6%) due to: (1) decreased domestic wholesale sales volume of \$4.8 billion; (2) net unfavorable effect of \$3.7 billion in foreign currency translation and transaction losses, driven primarily by the strengthening of the U.S. Dollar versus the Euro; (3) decreased sales revenue at Saab of \$1.2 billion; (4) lower powertrain and parts and accessories revenue of \$0.8 billion; partially offset by (5) favorable vehicle pricing of \$1.3 billion.

In line with the industry trends previously noted, revenue decreased due to wholesale volume decreases of 405,000 vehicles (or 24.8%).

#### *Loss Attributable to Stockholders Before Interest and Income Taxes*

In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 Loss attributable to stockholders before interest and income taxes was \$0.8 billion and \$2.8 billion.

Cost and expenses includes both fixed costs as well as costs which generally vary with production levels. Certain fixed costs, primarily labor related, have continued to decrease in relation to historical levels primarily due to various separation and other programs implemented in order to reduce labor costs. However, in the period January 1, 2009 through July 9, 2009 the implementation of various separation programs and incremental depreciation contributed to decreased margins. In the period July 10, 2009 through December 31, 2009 the effect of fresh-start reporting, especially the reduced value for inventory favorably affected results.

In the period July 10, 2009 through December 31, 2009 results included the following:

- Effects of fresh-start reporting primarily consisted of the fair value of inventory which was a decrease from the historical book value and was recorded in cost of sales and depreciation and amortization related to the fair value of fixed assets and special tools, partially offset by increased amortization of intangible assets which were established in connection with our application of fresh-start reporting.

In the period January 1, 2009 through July 9, 2009 results included the following:

- Other expenses of \$0.8 billion primarily represented charges related to the deconsolidation of Saab. Saab filed for reorganization protection under the laws of Sweden in February 2009.

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### **2008 Compared to 2007** **(Dollars in Millions)**

#### *Total Net Sales and Revenue*

	<u>Predecessor</u>		<u>Year Ended</u> <u>2008 vs. 2007 Change</u>	
	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>	<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 34,647	\$ 37,337	\$ (2,690)	(7.2)%

The recession in Western Europe and the indirect effect of the tightening of credit markets, volatile oil prices, slowdown of economic growth and declining consumer confidence negatively affected sales. GME's vehicle sales increased by 19,000 vehicles (or 3.4%) and by 16,000 vehicles (or 2.8%) in the first and second quarters of 2008. GME's vehicle sales decreased by 64,000 vehicles (or 12.3%) and by 110,000 vehicles (or 20.7%) in the third and fourth quarters of 2008.

In the year ended 2008 Total net sales and revenue decreased by \$2.7 billion (or 7.2%) due to: (1) lower wholesale sales volume outside of Russia of \$4.4 billion; (2) unfavorable vehicle mix of \$0.6 billion; offset by (3) a net favorable effect in foreign currency translation of \$2.0 billion, driven mainly by the strengthening of the Euro and Swedish Krona, offset partially by the weakening of the British Pound versus the U.S. Dollar.

GME's revenue, which excludes sales of Chevrolet brand products, decreased most significantly in Spain, where wholesale volumes decreased by 67,000 vehicles (or 46.9%), followed by the United Kingdom, where wholesale volumes decreased by 43,000 vehicles (or 10.5%), and Italy, where wholesale volumes decreased by 41,000 vehicles (or 21.3%). These decreases were partially offset as wholesale volumes in Russia increased by 22,000 vehicles (or 29.6%).

#### *Cost of Sales*

	<u>Predecessor</u>		<u>Year Ended</u> <u>2008 vs. 2007 Change</u>	
	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>	<u>Amount</u>	<u>%</u>
Cost of sales	\$ 34,072	\$ 35,134	\$ (1,062)	(3.0)%
Gross margin	\$ 575	\$ 2,203	\$ (1,628)	(73.9)%

In the year ended 2008 Cost of sales decreased by \$1.1 billion (or 3.0%) due to decreased wholesale sales volumes of \$3.5 billion offset by an unfavorable effect in foreign currency translation of \$2.4 billion, driven mainly by the strengthening of the Euro and Swedish Krona.

#### *Selling, General and Administrative Expense*

	<u>Predecessor</u>		<u>Year Ended</u> <u>2008 vs. 2007 Change</u>	
	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>	<u>Amount</u>	<u>%</u>
Selling, general and administrative expense	\$ 2,803	\$ 2,778	\$ 25	0.9%

In the year ended 2008 Selling, general and administrative expense increased by \$25 million (or 0.9%) primarily due to an unfavorable effect in foreign currency translation of \$87 million related to the Euro versus the U.S. Dollar offset by a decrease in administrative and other expenses of \$35 million.

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*Other Expenses, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Other expenses, net	\$ 456	\$ —	\$ 456	n.m.

n.m. = not meaningful

In the year ended 2008 Other expenses, net increased by \$0.5 billion due to an impairment charge related to goodwill.

*Other Non-Operating Income, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Other non-operating income, net	\$ 6	\$ 130	\$ (124)	(95.4)%

In the year ended 2008 Other non-operating income, net decreased by \$124 million primarily as a result of a favorable settlement of value added tax claims with the United Kingdom tax authorities of \$115 million in the year ended 2007.

*Net (Income) Loss Attributable to Noncontrolling Interests Before Interest and Income Taxes*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Net (income) loss attributable to noncontrolling interests before interest and income taxes	\$ 22	\$ (27)	\$ 49	181.5%

In the year ended 2008 Net (income) loss attributable to noncontrolling interests before interest and income taxes increased by \$49 million (or 181.5%) due to declines in profits at Isuzu Motors Polska.

*Corporate  
(Dollars in Millions)*

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Total net sales and revenue	\$ 97	\$ 145	\$ 328	\$ 321	\$ 1,247	\$ 2,390
Net income (loss) attributable to stockholders	\$(1,377)	\$ 167	\$ 123,887	\$ (5,082)	\$ (16,627)	\$ (41,884)

Nonsegment operations are classified as Corporate. Corporate includes investments in Ally Financial, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements and a portfolio of automotive retail leases.

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### *Six Months ended June 30, 2010 and 2009 (Dollars in Millions)*

#### *Total Net Sales and Revenue*

	<u>Successor</u>	<u>Predecessor</u>	<u>Six Months Ended 2010 vs. 2009 Change</u>	
	<u>Six Months Ended June 30, 2010</u>	<u>Six Months Ended June 30, 2009</u>	<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 97	\$ 321	\$ (224)	(69.8)%

In the six months ended June 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.2 billion (or 69.8%) primarily due to decreased lease financing revenues related to the liquidation of the portfolio of automotive leases. Average outstanding automotive retail leases on-hand for GM and Old GM were 13,000 and 104,000 for the six months ended June 30, 2010 and 2009.

#### *Net Loss Attributable to Stockholders*

In the six months ended June 30, 2010 Net loss attributable to stockholders was \$1.4 billion. In the six months ended June 30, 2009 Net loss attributable to stockholders was \$5.1 billion.

In the six months ended June 30, 2010 results included Income tax expense of \$0.9 billion primarily related to income tax provisions for profitable entities and a taxable foreign exchange gain in Venezuela; and Interest expense of \$0.6 billion related to interest expense on GMIO debt of \$0.2 billion, VEBA Note interest expense and premium amortization of \$0.1 billion and interest expense on the UST Loans of \$0.1 billion.

The effective tax rate fluctuated in the six months ended June 30, 2010 primarily as a result of changes in the mix of earnings in valuation allowance and non-valuation allowance jurisdictions.

In the six months ended June 30, 2009 results included: (1) interest expense of \$4.6 billion primarily related to amortization of discounts related to the UST Loan Facility of \$2.9 billion and interest expense on unsecured debt of \$0.9 billion and on the UST Loan Facility of \$0.4 billion; (2) centrally recorded Reorganization expenses, net of \$1.2 billion which primarily related to Old GM's loss on the extinguishment of debt resulting from repayment of its secured revolving credit facility, U.S. term loan, and secured credit facility due to the fair value of the U.S. term loan exceeding its carrying amount by \$1.0 billion, loss on contract rejections, settlements of claims and other lease terminations of \$0.4 billion partially offset by gains related to release of Accumulated other comprehensive income (loss) associated with derivatives of \$0.2 billion; (3) a loss on the extinguishment of the UST Ally Financial Loan of \$2.0 billion when the UST exercised its option to convert outstanding amounts into shares of Ally Financial's Class B Common Membership Interests. This loss was partially offset by a gain on extinguishment of debt of \$0.9 billion related to an amendment to Old GM's U.S. term loan; partially offset by (4) a gain recorded on the UST Ally Financial Loan of \$2.5 billion upon the UST's conversion of the UST Ally Financial Loan for Class B Common Membership Interests in Ally Financial. The gain resulted from the difference between the fair value and the carrying amount of the Ally Financial equity interests given to the UST in exchange for the UST Ally Financial Loan. The gain was partially offset by Old GM's proportionate share of Ally Financial's losses of \$1.1 billion; and (5) Income tax benefit of \$0.6 billion primarily related to a resolution of a U.S. and Canada transfer pricing matter and other discrete items offset by income tax provisions for profitable entities.



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**July 10, 2009 Through December 31, 2009 and January 1, 2009 Through July 9, 2009  
(Dollars in Millions)**

*Total Net Sales and Revenue*

	Combined GM and Old GM		Predecessor		Years Ended 2009 vs. 2008 Change	
	Year Ended December 31, 2009	Successor July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Amount	%
Total net sales and revenue	\$ 473	\$ 145	\$ 328	\$ 1,247	\$ (774)	(62.1)%

Total net sales and revenue includes lease financing revenue from a portfolio of automotive retail leases. We anticipate this portfolio of automotive retail leases to be substantially liquidated by December 2010.

In the year ended 2009 Total net sales and revenue decreased by \$0.8 billion (or 62.1%) due to a decrease in other financing revenue of \$0.7 billion (or 68.4%) related to the liquidation of automotive retail leases. Average outstanding leases on-hand for combined GM and Old GM were 73,000 and 236,000 for the year ended 2009 and 2008.

*Net income Attributable to Stockholders*

In the periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 Net income attributable to stockholders was \$0.2 billion and \$123.9 billion.

In the period July 10, 2009 through December 31, 2009 results included the following:

- Foreign currency transaction and translation gains, net of \$0.3 billion; and
- Interest expense of \$0.7 billion primarily related to interest expense of \$0.3 billion on UST Loans and \$0.2 billion on GMIO debt.

In the period January 1, 2009 through July 9, 2009 results included the following:

- Centrally recorded Reorganization gains, net of \$128.2 billion which is more fully discussed in Note 2 to our audited consolidated financial statements;
- Charges of \$0.4 billion for settlement with the PBGC associated with the Delphi Benefit Guarantee Agreements;
- Gain recorded on the UST Ally Financial Loan of \$2.5 billion upon the UST's conversion of the UST Ally Financial Loan for Class B Common Membership Interests in Ally Financial. The gain resulted from the difference between the fair value and the carrying amount of the Ally Financial equity interests given to the UST in exchange for the UST Ally Financial Loan. The gain was partially offset by Old GM's proportionate share of Ally Financial's loss from operations of \$1.1 billion;
- Amortization of discounts related to the UST Loan, EDC Loan and DIP Facilities of \$3.7 billion. In addition, Old GM incurred interest expense of \$1.7 billion primarily related to interest expense of \$0.8 billion on unsecured debt balances, \$0.4 billion on the UST Loan Facility and \$0.2 billion on GMIO debt; and
- Loss related to the extinguishment of the UST Ally Financial Loan of \$2.0 billion when the UST exercised its option to convert outstanding amounts to shares of Ally Financial's Class B Common Membership Interests. This loss was partially offset by a gain on extinguishment of debt of \$0.9 billion related to an amendment to Old GM's \$1.5 billion U.S. term loan in March 2009.

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### **2008 Compared to 2007** **(Dollars in Millions)**

#### *Total Net Sales and Revenue*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Total net sales and revenue	\$ 1,247	\$ 2,390	\$ (1,143)	(47.8)%

In the year ended 2008 Total net sales and revenue decreased by \$1.1 billion (or 47.8%) primarily due to a decrease in other financing revenue for the liquidation of automotive operating leases. Average outstanding leases on-hand for Old GM was 236,000 and 455,000 for the year ended December 31, 2008 and 2007.

#### *Cost of Sales*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Cost of Sales	\$ 177	\$ 93	\$ 84	90.3%

In the year ended 2008 Cost of sales increased by \$84 million (or 90.3%) primarily due to: (1) loss on foreign exchange and interest rate derivatives of \$252 million; (2) a decrease in foreign exchange gain on a transfer pricing transaction between Corporate and GMCL of \$159 million; offset by (3) a favorable foreign currency translation effect on our debt denominated in Euros of \$267 million.

#### *Selling, General and Administrative Expense*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Selling, general and administrative expense	\$ 1,012	\$ 780	\$ 232	29.7%

In the year ended 2008 Selling, general and administrative expense increased by \$232 million (or 29.7%) primarily due to an increase in legal expense of \$177 million.

#### *Other Expenses, net*

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Delphi charges	\$ 4,797	\$ 1,547	\$ 3,250	n.m.
Other	1,292	2,208	(916)	(41.5)%
Total other expenses, net	\$ 6,089	\$ 3,755	\$ 2,334	62.2%

n.m. = not meaningful

In the year ended 2008 Other expenses, net increased by \$2.3 billion (or 62.2%) primarily due to increased charges related to the Delphi Benefit Guarantee Agreements of \$3.3 billion offset by a decrease in depreciation of \$0.7 billion related to the liquidation of the portfolio of automotive retail leases.

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### Equity in Income (Loss) of and Disposition of Interest in Ally Financial

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Equity in income (loss) of and disposition of interest in Ally Financial	\$ 916	\$ (1,245)	\$ 2,161	173.6%
Impairment charges related to Ally Financial Common Membership Interests	(7,099)	—	(7,099)	n.m.
Total equity in income (loss) of and disposition of interest in Ally Financial	\$ (6,183)	\$ (1,245)	\$ (4,938)	n.m.

n.m. = not meaningful

In the year ended 2008 Equity in loss of and disposition of interest in Ally Financial increased \$4.9 billion due to impairment charges of \$7.1 billion related to Old GM's investment in Ally Financial Common Membership Interests, offset by an increase in Old GM's proportionate share of Ally Financial's income from operations of \$2.2 billion.

### Interest Expense

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Interest expense	\$ (2,525)	\$ (3,076)	\$ 551	17.9%

In the year ended 2008 Interest expense decreased by \$0.6 billion (or 17.9%) due to the de-designation of certain derivatives as hedges of \$0.3 billion and adjustment to capitalized interest of \$0.2 billion.

### Interest Income

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Interest income	\$ 655	\$ 1,228	\$ (573)	(46.7)%

In the year ended 2008 Interest income decreased by \$0.6 billion (or 46.7%) due to a reduction in interest earned of \$0.3 billion due to lower market interest rates and lower cash balances on hand and nonrecurring favorable interest of \$0.2 billion recorded in the year ended 2007 resulting from various tax related items.

### Other Non-Operating Income (Expense), net

	Predecessor		Year Ended 2008 vs. 2007 Change	
	Year Ended December 31, 2008	Year Ended December 31, 2007	Amount	%
Impairment related to Ally Financial Preferred Membership Interests	\$ (1,001)	\$ —	\$ (1,001)	n.m.
Other	175	308	(133)	(43.2)%
Total other non-operating income (expense), net	\$ (826)	\$ 308	\$ (1,134)	n.m.

n.m. = not meaningful

In the year ended 2008 Other non-operating income (expense), net decreased by \$1.1 billion primarily due to impairment charges of \$1.0 billion related to Old GM's Ally Financial Preferred Membership Interests.

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### *Gain on Extinguishment of Debt*

	Predecessor		Year Ended	
	Year Ended December 31, 2008	Year Ended December 31, 2007	2008 vs. 2007 Change	
			Amount	%
Gain on extinguishment of debt	\$ 43	\$ —	\$ 43	n.m.

n.m. = not meaningful

In the year ended 2008 Gain on extinguishment of debt related to a settlement gain recorded for the issuance of 44 million shares of common stock in exchange for \$498 million principal amount of Old GM's Series D debentures, which were retired and cancelled.

### *Income Tax Expense*

	Predecessor		Year Ended	
	Year Ended December 31, 2008	Year Ended December 31, 2007	2008 vs. 2007 Change	
			Amount	%
Income tax expense	\$ 1,766	\$ 36,863	\$ (35,097)	(95.2)%

In the year ended 2008 Income tax expense decreased by \$35.1 billion (or 95.2%) due to the effect of recording valuation allowances of \$39.0 billion against Old GM's net deferred tax assets in the United States, Canada and Germany in the year ended 2007, offset by the recording of additional valuation allowances in the year ended 2008 of \$1.9 billion against Old GM's net deferred tax assets in South Korea, the United Kingdom, Spain, Australia, and other jurisdictions.

## **Liquidity and Capital Resources**

### *Liquidity Overview*

We believe that our current level of cash and marketable securities will be sufficient to meet our liquidity needs. However, we expect to have substantial cash requirements going forward. Our known material future uses of cash include, among other possible demands: (1) Pension and OPEB payments; (2) continuing capital expenditures; (3) spending to implement long-term cost savings and restructuring plans such as restructuring our Opel/Vauxhall operations and potential capacity reduction programs; (4) reducing our overall debt levels which may include repayment of the VEBA Notes that we issued under the VEBA Note Agreement with the New VEBA, GM Daewoo's revolving credit facility and other debt payments; and (5) certain South American tax-related administrative and legal proceedings may require that we deposit funds in escrow, such escrow deposits may range from \$725 million to \$900 million.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the section of this prospectus entitled "Risk Factors," some of which are outside our control. Macro-economic conditions could limit our ability to successfully execute our business plans and, therefore, adversely affect our liquidity plans.

### *Recent Initiatives*

We continue to monitor and evaluate opportunities to optimize the structure of our liquidity position.

In the six months ended June 30, 2010 we made investments of \$4.6 billion in highly liquid marketable securities instruments with maturities between 90 days and 365 days. Previously, these funds would have been

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invested in short-term instruments less than 90 days and classified as a component of Cash and cash equivalents. Investments in these longer-term securities will increase the interest we earn on these investments. We continue to monitor our investment mix and may reallocate investments based on business requirements.

In November 2009 we provided longer-term financing of \$900 million to Adam Opel. The funding was primarily used to repay the remaining outstanding amounts of the German Facility, as well as to fund the on-going operating requirements of Opel/Vauxhall.

In January 2010 in order to assist in the funding of the Opel/Vauxhall operations, we provided additional support of \$930 million. This support included the acceleration of certain payments owed under engineering services agreements to Adam Opel, which would normally have been paid in April and July, 2010.

In June 2010 the German federal government notified us of its decision not to provide loan guarantees to Opel/Vauxhall. As a result we have decided to fund the requirements of Opel/Vauxhall internally. Opel/Vauxhall has subsequently withdrawn all applications for government loan guarantees from European governments. In July 2010 we committed an additional Euro 1.1 billion (equivalent to \$1.3 billion) to fund Opel/Vauxhall's restructuring and ongoing cash requirements.

In October 2010 we completed our acquisition of AmeriCredit, an independent automobile finance company, for cash of approximately \$3.5 billion. This acquisition will allow us to provide a more complete range of financing options to our customers including additional capabilities in leasing and sub-prime financing options. We funded the transaction using cash on hand.

The repayment of debt remains a key strategic initiative. We continue to evaluate potential debt repayments prior to maturity. Any such repayments may negatively affect our liquidity in the short-term. In July 2010 our Russian subsidiary repaid a loan facility of \$150 million to cure a technical default. In the six months ended June 30, 2010 we repaid the remaining amounts owed under the UST Loans of \$5.7 billion and Canadian Loan of \$1.3 billion. Additionally, GM Daewoo repaid a portion of its revolving credit facility in the amount of \$225 million.

We have entered into negotiations with financial institutions regarding a credit facility. While we do not believe we would require these proceeds to fund operating activities, the agreement would provide additional liquidity and financing flexibility. There is no assurance that we will reach a final agreement on this facility.

If we successfully execute a credit facility, we expect to prepay the VEBA Notes with available cash. Accordingly, at June 30, 2010 we reclassified the VEBA Notes from long-term debt to short-term debt in an amount of \$2.9 billion (including unamortized premium of \$209 million).

We continue to pursue our application for loans available under Section 136 of the Energy Independence and Security Act of 2007. While no assurance exists that we may qualify for the loans, any funds that we may receive would be used for costs associated with re-equipping, expanding and establishing manufacturing facilities in the United States to produce advanced technology vehicles and components for these vehicles.

### ***Available Liquidity***

Available liquidity includes cash balances and marketable securities. At June 30, 2010 available liquidity was \$31.5 billion, not including funds available under credit facilities of \$1.1 billion or in the Canadian HCT escrow account of \$1.0 billion. The amount of available liquidity is subject to intra-month and seasonal fluctuations and includes balances held by various business units and subsidiaries worldwide that are needed to fund their operations.

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We have substantially completed the process of changing our payment terms for the majority of our direct material, service parts and logistics suppliers from payments to be made on the second day after the second month end based on the date of purchase, which averages 47 day payment terms, to weekly payments. This change did not affect the average of 47 days that account payables are outstanding, but it did reduce volatility with respect to our intra-month liquidity and reduced our cash balances and liquidity at each month end. The change to weekly payment terms results in a better match between the timing of our receipt and disbursement of cash, which reduces volatility in our cash balances and lowers our minimum cash operating requirements. The effects of this change on cash balances for any particular month end will vary based on production mix and volume.

We manage our global liquidity using U.S. cash investments, cash held at our international treasury centers and available liquidity at consolidated overseas subsidiaries. The following table summarizes global liquidity (dollars in millions):

	Successor		Predecessor	
	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$26,773	\$ 22,679	\$ 14,053	\$ 24,817
Marketable securities	4,761	134	141	2,354
Readily-available VEBA assets	—	—	—	640
Available liquidity	31,534	22,813	14,194	27,811
Available under credit facilities	1,115	618	643	7,891
Total available liquidity	32,649	23,431	\$ 14,837	\$ 35,702
UST and HCT escrow accounts (a)	956	13,430		
Total liquidity including UST and HCT escrow accounts	<u>\$33,605</u>	<u>\$ 36,861</u>		

- (a) Classified as Restricted cash and marketable securities. Refer to Note 12 to our unaudited condensed consolidated interim financial statements. Refer to Note 14 to our audited consolidated financial statements for additional information on the classification of the escrow accounts. The remaining funds held in the UST escrow account were released in April 2010 following the repayment of the UST Loans and Canadian Loan.

### *GM*

Total available liquidity increased by \$9.2 billion in the six months ended June 30, 2010 primarily due to positive cash flows from operating activities of \$5.7 billion, investing activities less net marketable securities acquisitions of \$11.0 billion, which were partially offset by negative cash flows from financing activities of \$7.8 billion.

Total available liquidity increased by \$2.5 billion in the period July 10, 2009 through December 31, 2009 due to positive cash flows from operating, financing and investing activities of \$3.6 billion which were partially offset by a \$1.1 billion reduction in our borrowing capacity on certain credit facilities. The decrease in credit facilities is primarily attributable to the November 2009 extinguishment of the German Facility.

### *Old GM*

Total available liquidity increased by \$6.0 billion in the period January 1, 2009 through July 9, 2009 due to positive cash flows from financing activities partially offset by negative cash flow from operating and investing activities for a net cash flow of \$4.8 billion as well as an increase of \$1.1 billion in available borrowing capacity under credit facilities. This was partially offset by repayments of secured lending facilities.

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Available liquidity decreased to \$14.2 billion at December 31, 2008 from \$27.8 billion at December 31, 2007 primarily as a result of negative operating cash flow driven by reduced production in North America and Western Europe, postretirement benefit payments and cash restructuring costs, and payments to Delphi; partially offset by borrowings on Old GM's secured revolver and proceeds from the UST Loan Facility.

### **VEBA Assets**

The following table summarizes the VEBA assets (dollars in millions):

	Successor		Predecessor	
	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Total VEBA assets	\$ —	\$ —	\$ 9,969	\$ 16,303
Readily-available VEBA assets	\$ —	\$ —	\$ —	\$ 640

#### *GM*

We transferred all of the remaining VEBA assets along with other consideration to the New VEBA within 10 business days after December 31, 2009, in accordance with the terms of the 2009 Revised UAW Settlement Agreement. The VEBA assets were not consolidated by GM after the settlement was recorded at December 31, 2009 because we did not hold a controlling financial interest in the entity that held such assets at that date. Under the terms of the 2009 Revised UAW Settlement Agreement we have an obligation for VEBA Notes of \$2.5 billion and accrued interest, at an implied interest rate of 9.0% per annum, scheduled to be repaid in three equal installments of \$1.4 billion in July of 2013, 2015 and 2017.

Under the terms of the 2009 Revised UAW Settlement Agreement, we are released from UAW retiree health care claims incurred after December 31, 2009. All obligations of ours, the New Plan and any other entity or benefit plan of ours for retiree medical benefits for the class and the covered group arising from any agreement between us and the UAW terminated at December 31, 2009. Our obligations to the New Plan and the New VEBA are limited to the terms of the 2009 Revised UAW Settlement Agreement.

#### *Old GM*

Total VEBA assets decreased to \$10.0 billion at December 31, 2008 from \$16.3 billion at December 31, 2007 due to negative asset returns and a \$1.4 billion withdrawal of VEBA assets in the year ended 2008. In connection with the 2008 UAW Settlement Agreement a significant portion of the VEBA assets were allocated to a separate account, which also hold the proportional investment returns on that percentage of the trust. No amounts were to be withdrawn from the separate account including its investment returns from January 2008 until transfer to the New VEBA. Because of this treatment, Old GM excluded any portion of the separate account from available liquidity at and subsequent to December 31, 2007.

### **Credit Facilities**

#### *GM*

At June 30, 2010 we had committed credit facilities of \$2.0 billion, under which we had borrowed \$1.6 billion leaving \$440 million available. Of these committed credit facilities GM Daewoo held \$1.1 billion and other entities held \$0.9 billion. In addition, at June 30, 2010 we had uncommitted credit facilities of \$0.9 billion, under which we had borrowed \$228 million leaving \$675 million available. Uncommitted credit facilities include lines of credit which are available to us, but under which the lenders have no legal obligation to provide funding upon our request. We and our subsidiaries use credit facilities to fund working capital needs, product programs, facilities development and other general corporate purposes.

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Our largest credit facility is GM Daewoo's \$1.1 billion revolving credit facility, which was established in October 2002 with a syndicate of banks. All outstanding amounts at October 2010 will convert into a term loan and are required to be paid in four equal annual installments by October 2014. Borrowings under this facility bear interest based on Korean Won denominated certificates of deposit. The average interest rate on outstanding amounts under this facility at June 30, 2010 was 5.6%. The borrowings are secured by certain GM Daewoo property, plant and equipment and are used by GM Daewoo for general corporate purposes, including working capital needs. In the six months ended June 30, 2010 GM Daewoo repaid \$225 million of the \$1.1 billion revolving credit facility. At June 30, 2010 the credit facility had an outstanding balance of \$931 million leaving \$207 million available.

The balance of our credit facilities are held by geographically dispersed subsidiaries, with available capacity on the facilities primarily concentrated at a few of our subsidiaries. At June 30, 2010 GM Hong Kong had \$170 million of capacity on a \$200 million term facility secured by a portion of our equity interest in SGM, with an additional \$200 million revolving facility secured by the same collateral set to become available in late 2010. In addition, we have \$355 million of capacity on a \$370 million secured term facility available to certain of our subsidiaries in Thailand over 2010 and 2011. The facilities were entered into to fund growth opportunities within GMIO and meet potential cyclical cash needs.

At December 31, 2009 we had committed credit facilities of \$1.7 billion, under which we had borrowed \$1.5 billion leaving \$223 million available. Of these committed credit facilities GM Daewoo held \$1.2 billion and other entities held \$0.5 billion. In addition, at December 31, 2009 we had uncommitted credit facilities of \$842 million, under which we had borrowed \$447 million leaving \$395 million available.

Our largest credit facility was GM Daewoo's \$1.2 billion revolving credit facility. The average interest rate on outstanding amounts under this facility at December 31, 2009 was 5.69%. At December 31, 2009 the facility was fully utilized with \$1.2 billion outstanding.

The balance of our credit facilities were held by geographically dispersed subsidiaries, with available capacity on the facilities primarily concentrated at a few of our subsidiaries. At December 31, 2009 GM Hong Kong had \$200 million of capacity on a term facility secured by a portion of our equity interest in SGM, with an additional \$200 million revolving facility secured by the same collateral set to become available in late 2010.

### *Old GM*

At December 31, 2008 Old GM had unused credit capacity of \$0.6 billion, of which \$32 million was available in the U.S., \$0.1 billion was available in other countries where Old GM did business and \$0.5 billion was available in Old GM's joint ventures.

Old GM had a secured revolving credit facility of \$4.5 billion with a syndicate of banks, which was extinguished in June 2009. At December 31, 2008 under the secured revolving credit facility \$4.5 billion was outstanding. In addition to the outstanding amount at December 31, 2008 there were letters of credit of \$10 million issued under the secured revolving credit facility. Under the \$4.5 billion secured revolving credit facility, borrowings were limited to an amount based on the value of the underlying collateral. In addition to the secured revolving credit facility of \$4.5 billion, the collateral also secured certain lines of credit, automated clearinghouse and overdraft arrangements, and letters of credit provided by the same secured lenders, of \$0.2 billion. At December 31, 2008 Old GM had \$5 million available under this facility.

In August 2007 Old GM entered into a revolving credit agreement that provided for borrowings of up to \$1.0 billion at December 31, 2008, limited to an amount based on the value of the underlying collateral. This agreement provided additional available liquidity that Old GM could use for general corporate purposes, including working capital needs. The underlying collateral supported a borrowing base of \$0.3 billion and \$1.3 billion at December 31, 2008 and 2007. At December 31, 2008 under this agreement \$0.3 billion was outstanding, leaving \$13 million available. This revolving credit agreement expired in August 2009.



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In November 2007 Old GM renewed a revolving secured credit facility that would provide borrowings of up to \$0.3 billion. Under the facility, borrowings were limited to an amount based on the value of underlying collateral, which was comprised of a portion of Old GM's company vehicle fleet. At December 31, 2008 the underlying collateral supported a borrowing base of \$0.1 billion. The amount borrowed under this program was \$0.1 billion, leaving \$3 million available at December 31, 2008. This revolving secured credit facility was terminated in connection with the Chapter 11 Proceedings.

In September 2008 Old GM entered into a one-year revolving on-balance sheet securitization borrowing program that provided financing of up to \$0.2 billion. The program replaced an off-balance sheet trade receivable securitization facility that expired in September 2008. The borrowing program was terminated in connection with the Chapter 11 Proceedings; outstanding amounts were fully paid, lenders' liens on the receivables were released and the receivable assets were transferred to Old GM. This one-year revolving facility was in addition to another existing on-balance sheet securitization borrowing program that provided financing of up to \$0.5 billion, which matured in April 2009 and was fully paid.

### ***Restricted Cash and Marketable Securities***

In connection with the Chapter 11 Proceedings, Old GM obtained funding of \$33.3 billion from the UST and EDC under its DIP Facility. From these proceeds, \$16.4 billion was deposited in escrow, of which \$3.9 billion was distributed to us in the period July 10, 2009 through December 31, 2009. We have used our escrow account to acquire all Class A Membership Interests in New Delphi in the amount of \$1.7 billion and acquire Nexteer and four domestic facilities and other related payments in the amount of \$1.0 billion. In December 2009 and March 2010 we made quarterly payments of \$1.0 billion and \$1.0 billion on the UST Loans and quarterly payments of \$192 million and \$194 million on the Canadian Loan. In April 2010 we used funds from the UST Credit Agreement escrow account of \$4.7 billion to repay in full the outstanding amount of the UST Loans. In addition, GMCL repaid in full the outstanding amount of the Canadian Loan of \$1.1 billion. Both loans were repaid prior to maturity.

Following the repayment of the UST Loans and the Canadian Loan, the remaining UST escrow funds in an amount of \$6.6 billion became unrestricted. The availability of those funds is no longer subject to the conditions set forth in the UST Credit Agreement.

Pursuant to an agreement between GMCL, EDC and an escrow agent we had \$1.0 billion remaining in an escrow account at June 30, 2010 to fund certain of GMCL's health care obligations pending the satisfaction of certain preconditions which have not yet been met.

In July 2009 \$862 million was deposited into an escrow account pursuant to an agreement between Old GM, EDC, and an escrow agent. In July 2009 we subscribed for additional common shares in GMCL and paid the subscription price in cash. As required under certain agreements between GMCL, EDC, and an escrow agent, \$3.6 billion of the subscription price was deposited into an escrow account to fund certain of GMCL's pension plans and HCT obligations pending completion of certain preconditions. In September 2009 GMCL contributed \$3.0 billion to the Canadian hourly defined benefit pension plan and \$651 million to the Canadian salaried defined benefit pension plan, of which \$2.7 billion was funded from the escrow account. In accordance with the terms of the escrow agreement, \$903 million was released from the escrow account to us in September 2009. At December 31, 2009 \$955 million remained in the escrow account.

### ***Cash Flow***

#### ***Operating Activities***

##### **GM**

In the six months ended June 30, 2010 we had positive cash flows from operating activities of \$5.7 billion primarily due to: (1) net income of \$2.8 billion, which included non-cash charges of \$3.5 billion resulting from depreciation, impairment and amortization expense; (2) change in income tax related balances of \$0.6 billion;

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partially offset by (3) pension contributions and OPEB cash payments of \$0.9 billion; and (4) unfavorable changes in working capital of \$0.8 billion. The unfavorable changes in working capital were related to increases in accounts receivables and inventories, partially offset by an increase in accounts payable as a result of increased production.

In the period July 10, 2009 through December 31, 2009 we had positive cash flows from continuing operating activities of \$1.1 billion primarily due to: (1) favorable managed working capital of \$5.7 billion primarily driven by the effect of increased sales and production on accounts payable and the timing of certain supplier payments; (2) OPEB expense in excess of cash payments of \$1.7 billion; (3) net income of \$0.6 billion excluding depreciation, impairment charges and amortization expense (including amortization of debt issuance costs and discounts); partially offset by (4) pension contributions of \$4.3 billion primarily to our Canadian hourly and salaried defined benefit pension plans; (5) restructuring cash payments of \$1.2 billion; (6) cash interest payments of \$0.6 billion and (7) sales allowance payments in excess of accruals for sales incentives of \$0.5 billion driven by a reduction in dealer stock.

### Old GM

In the period January 1, 2009 through July 9, 2009 Old GM had negative cash flows from continuing operating activities of \$18.3 billion primarily due to: (1) net loss of \$8.3 billion excluding Reorganization gains, net, and depreciation, impairment charges and amortization expense (including amortization of debt issuance costs and discounts); (2) unfavorable managed working capital of \$5.6 billion; (3) change in accrued liabilities of \$6.8 billion; and (4) payments of \$0.4 billion for reorganization costs associated with the Chapter 11 Proceedings.

In the six months ended June 30, 2009 Old GM had negative cash flows from operating activities of \$15.1 billion primarily due to: (1) net loss of \$19.1 billion, which included non-cash charges of \$6.3 billion resulting from depreciation, impairment and amortization expense; and (2) unfavorable working capital of \$2.1 billion due to decreases in accounts payable partially offset by a decrease in accounts receivable and inventories.

In the year ended 2008 Old GM had negative cash flows from continuing operating activities of \$12.1 billion on a Loss from continuing operations of \$31.1 billion. That result compares with positive cash flows from continuing operating activities of \$7.5 billion on a Loss from continuing operations of \$42.7 billion in the year ended 2007. Operating cash flows were unfavorably affected by lower volumes and the resulting losses in North America and Western Europe, including the effect that lower production volumes had on working capital balances, and postretirement benefit payments.

### *Investing Activities*

#### GM

In the six months ended June 30, 2010 we had positive cash flows from investing activities of \$6.4 billion primarily due to: (1) a reduction in Restricted cash and marketable securities of \$12.6 billion primarily related to withdrawals from the UST Credit Agreement escrow account; (2) liquidations of operating leases of \$0.3 billion; partially offset by (3) net investments in marketable securities of \$4.6 billion due to investments in securities with maturities greater than 90 days; and (4) capital expenditures of \$1.9 billion.

In the period July 10, 2009 through December 31, 2009 we had positive cash flows from continuing investing activities of \$2.2 billion primarily due to: (1) a reduction in Restricted cash and marketable securities of \$5.2 billion primarily related to withdrawals from the UST escrow account; (2) \$0.6 billion related to the liquidation of automotive retail leases; (3) increase as a result of the consolidation of Saab of \$0.2 billion; (4) tax distributions of \$0.1 billion on Ally Financial common stock; partially offset by (5) net cash payments of \$2.0 billion related to the acquisition of Nexteer, four domestic facilities and Class A Membership Interests in New Delphi; and (6) capital expenditures of \$1.9 billion.

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### Old GM

In the period January 1, 2009 through July 9, 2009 Old GM had negative cash flows from continuing investing activities of \$21.1 billion primarily due to: (1) increase in Restricted cash and marketable securities of \$18.0 billion driven primarily by the establishment of the UST and Canadian escrow accounts; (2) capital expenditures of \$3.5 billion; and (3) investment in Ally Financial of \$0.9 billion; partially offset by (4) liquidation of operating leases of \$1.3 billion.

In the six months ended June 30, 2009 Old GM had negative cash flows from investing activities of \$3.5 billion primarily due to: (1) capital expenditures of \$3.1 billion; and (2) investment in Ally Financial of \$0.9 billion; and (3) increase in Restricted cash and marketable securities of \$0.6 billion; partially offset by (4) liquidations of automotive retail leases of \$1.1 billion.

In the year ended 2008 Old GM had negative cash flows from continuing investing activities of \$1.8 billion compared to negative cash flows from continuing investing activities of \$1.7 billion in the year ended 2007. Decreases in cash flows from continuing investing activities primarily related to: (1) the absence of cash proceeds of \$5.4 billion from the sale of the commercial and military operations of its Allison business in 2007; (2) a decrease in the liquidation of marketable securities of \$2.3 billion, which primarily consisted of sales, and maturities of highly liquid corporate, U.S. government, U.S. government agency and mortgage backed debt securities used for cash management purposes; and (3) an increase in notes receivable of \$0.4 billion in 2008. These decreases were offset by: (1) a decrease in acquisitions of marketable securities of \$6.4 billion; (2) a capital contribution of \$1.0 billion to Ally Financial to restore Ally Financial's adjusted tangible equity balance to the contractually required levels in 2007; (3) an increase in liquidation of operating leases of \$0.4 billion; and (4) proceeds from the sale of investments of \$0.2 billion in 2008.

Capital expenditures of \$3.5 billion in the period January 1, 2009 through July 9, 2009 and \$7.5 billion in each of the years ended 2008 and 2007 were a significant use of investing cash. Capital expenditures were primarily made for global product programs, powertrain and tooling requirements.

### *Financing Activities*

#### GM

In the six months ended June 30, 2010 we had negative cash flows from financing activities of \$7.8 billion primarily due to: (1) repayments on the UST Loans of \$5.7 billion, Canadian Loan of \$1.3 billion and the program announced by the UST in March 2009 to provide financial assistance to automotive suppliers (Receivables Program) of \$0.2 billion; (2) preferred dividend payments of \$0.4 billion; and (3) a net decrease in short-term debt of \$0.2 billion.

In the period July 10, 2009 through December 31, 2009 we had positive cash flows from continuing financing activities of \$0.3 billion primarily due to: (1) funding of \$4.0 billion from the EDC which was converted to our equity; partially offset by (2) payment on the UST Loans of \$1.4 billion (including payments of \$0.4 billion related to the warranty program); (3) net payments on the German Facility of \$1.1 billion; (4) net payments on other debt of \$0.4 billion; (5) a net decrease in short-term debt of \$0.4 billion; (6) payment on the Canadian Loan of \$0.2 billion; (7) net payments on the Receivables Program of \$0.1 billion; and (8) preferred dividend payments of \$0.1 billion.

#### Old GM

In the period January 1, 2009 through July 9, 2009 Old GM had positive cash flows from continuing financing activities of \$44.2 billion primarily due to: (1) proceeds from the DIP Facility of \$33.3 billion; (2) proceeds from the UST Loan Facility and UST Ally Financial Loan of \$16.6 billion; (3) proceeds from the

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EDC Loan Facility of \$2.4 billion; (4) proceeds from the German Facility of \$1.0 billion; (5) proceeds from the issuance of long-term debt of \$0.3 billion; (6) proceeds from the Receivables Program of \$0.3 billion; partially offset by (7) payments on other debt of \$6.1 billion; (8) a net decrease in short-term debt of \$2.4 billion; and (9) cash of \$1.2 billion MLC retained as part of the 363 Sale.

In the six months ended June 30, 2009 Old GM had positive cash flows from financing activities of \$21.7 billion primarily due to: (1) proceeds from the UST Loan Facility and UST Ally Financial Loan of \$16.6 billion; (2) proceeds from the DIP Facility of \$10.7 billion; (3) proceeds from the EDC Loan Facility of \$1.9 billion (4) proceeds from the German Facility of \$0.4 billion; (5) proceeds from the Receivables Program of \$0.3 billion; partially offset by (6) net payments on other debt of \$7.1 billion; and (7) a net decrease in short-term debt of \$1.0 billion.

In the year ended 2008 Old GM had positive cash flows from continuing financing activities of \$3.8 billion compared to negative cash flows from continuing financing activities of \$5.6 billion in the year ended 2007. The increase in cash flows from continuing financing activities of \$9.4 billion related to: (1) borrowings on available credit facilities of \$4.5 billion and the UST Loan Facility of \$4.0 billion; (2) a decrease in cash dividends paid of \$0.3 billion; and partially offset by (3) an increase in payments on long-term debt of \$0.3 billion.

### **Net Liquid Assets (Debt)**

Management believes the use of net liquid assets (debt) provides meaningful supplemental information regarding our liquidity. Accordingly, we believe net liquid assets (debt) is useful in allowing for greater transparency of supplemental information used by management in its financial and operational decision making to assist in identifying resources available to meet cash requirements. Our calculation of net liquid assets (debt) may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result, the use of net liquid assets (debt) has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Cash and cash equivalents and Debt. Due to these limitations, net liquid assets (debt) is used as a supplement to U.S. GAAP measures.

The following table summarizes net liquid assets (debt) balances (dollars in millions):

	Successor		Predecessor
	June 30, 2010	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$26,773	\$ 22,679	\$ 14,053
Marketable securities	4,761	134	141
UST Credit Agreement escrow and HCT escrow	956	13,430	—
Total liquid assets	32,490	36,243	14,194
Short-term debt and current portion of long-term debt	(5,524)	(10,221)	(16,920)
Long-term debt	(2,637)	(5,562)	(29,018)
Net liquid assets (debt)	<u>\$24,329</u>	<u>\$ 20,460</u>	<u>\$ (31,744)</u>

Our net liquid assets increased by \$3.9 billion in the six months ended June 30, 2010. This change was due to an increase of \$4.1 billion in Cash and cash equivalents (as previously discussed); an increase of \$4.6 billion in Marketable securities; and a decrease of \$7.6 billion in Short-term and Long-term debt; partially offset by a reduction of \$12.5 billion in the UST Credit Agreement escrow balance. The decrease in Short-term and Long-term debt primarily related to: (1) repayment in full of the UST Loans of \$5.7 billion; (2) repayment in full of the Canadian Loan of \$1.3 billion; and (3) repayment in full of the loans related to the Receivables Program of \$0.2 billion.

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At December 31, 2009 we had a net liquid assets balance of \$20.5 billion. Our total liquid assets balance of \$36.2 billion consisted of Cash and cash equivalents of \$22.7 billion, Marketable securities of \$0.1 billion and amounts held in the UST Credit Agreement and HCT escrows of \$13.4 billion. These total liquid assets were partially offset by short-term debt and current portion of long-term debt amounts of \$10.2 billion and long-term debt of \$5.6 billion.

At December 31, 2008 Old GM had a net debt balance of \$31.7 billion consisting of (1) short-term debt and current portion of long-term debt amounts of \$16.9 billion; and (2) long-term debt of \$29.0 billion; which were partially offset by (3) Cash and cash equivalents and Marketable securities of \$14.2 billion.

### **Other Liquidity Issues**

#### *Receivables Program*

In March 2009 the UST announced that it would provide up to \$5.0 billion in financial assistance to automotive suppliers by guaranteeing or purchasing certain of the receivables payable by Old GM and Chrysler LLC. The Receivables Program was to be funded by a loan facility of up to \$2.5 billion provided by the UST and by capital contributions from us up to \$125 million. In connection with the 363 Sale, we assumed the obligation of the Receivables Program. In December 2009 we announced the termination of the Receivables Program, in accordance with its terms, effective in April 2010. At December 31, 2009 our equity contributions were \$55 million and the UST had outstanding loans of \$150 million to the Receivables Program. In March 2010 we repaid these loans in full. The Receivables Program was terminated in accordance with its terms in April 2010. Upon termination, we shared residual capital of \$25 million in the program equally with the UST and paid a termination fee of \$44 million.

#### *Ally In-Transit Financing*

Ally Financial currently finances our vehicles while they are in-transit to dealers in a number of markets including the U.S. In the event Ally Financial significantly limits or ceases to finance in-transit vehicles, our liquidity will be adversely affected.

#### *Loan Commitments*

We have extended loan commitments to affiliated companies and critical business partners. These commitments can be triggered under certain conditions and expire in the years 2010, 2011 and 2014. At June 30, 2010 we had a total commitment of \$782 million outstanding with \$25 million loaned.

#### *VEBA Note*

The VEBA Note Agreement contains restrictions on our ability to incur additional indebtedness, including indebtedness secured by a first-priority lien on certain of our assets. The following summarizes the restrictions to incur additional indebtedness (with certain exceptions):

- Secured indebtedness entered into after July 10, 2009 is limited to \$6.0 billion, provided that the aggregate amount of commitments under any secured revolving credit facilities shall not exceed \$4.0 billion. Secured indebtedness exceeding these amounts is subject to an incurrence test under which total debt divided by 12 month trailing earnings before interest, taxes, depreciation and amortization (EBITDA) cannot exceed 3:1 and also triggers repayments of 50% of the amount borrowed;
- Unsecured indebtedness entered into after July 10, 2009 is limited to \$1.0 billion and triggers repayments of 50% of the amount borrowed. Unsecured indebtedness in excess of the \$1.0 billion is subject to the incurrence test previously described; and
- The aggregate principal amount of capital lease obligations and purchase money indebtedness shall not exceed \$2.0 billion.

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The VEBA Note Agreement also contains various events of default (including cross-default provisions) that entitle the New VEBA to accelerate the repayment of the loans upon the occurrence and continuation of an event of default.

### *Series A Preferred Stock*

Beginning December 31, 2014 we will be permitted to redeem, in whole or in part, the shares of Series A Preferred Stock outstanding, at a redemption price per share equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions. As a practical matter, our ability to redeem any portion of this \$9.0 billion in Series A Preferred Stock will depend upon our having sufficient liquidity. One of the holders of our Series A Preferred Stock, the UST, owns a significant percentage of our common stock and therefore has, and may continue to have, the ability to exert control, through its power to vote for the election of our directors, over various matters, which could include compelling us to redeem the Series A Preferred Stock in 2014 or later. If we were compelled to redeem the Series A Preferred Stock, we would fund that redemption through available liquidity. We believe that it is not probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect our directors in 2014.

### *Credit Facility Negotiations*

We have entered into negotiations with financial institutions regarding a credit facility. While we do not believe we would require these proceeds to fund operating activities, the arrangement would provide additional liquidity and financing flexibility. There is no assurance that we will reach a final agreement on this facility. If we successfully execute a credit facility, we expect to prepay the VEBA Notes with available cash. Accordingly, at June 30, 2010 we reclassified the VEBA Notes from long-term debt to short-term debt in an amount of \$2.9 billion (including unamortized premium of \$209 million).

### *Technical Defaults and Covenant Violations*

Several of our loan facilities include clauses that may be breached by a change in control, a bankruptcy or failure to maintain certain financial metric limits. The Chapter 11 proceedings and the change in control as a result of the 363 Sale triggered technical defaults in certain loans for which we have assumed the obligation. A potential breach in another loan was addressed before default with a waiver we obtained from the lender subject to renegotiation of the terms of the facility. We successfully concluded the renegotiation of these terms in September 2009. In October 2009 we repaid one of the loans in the amount of \$17 million as a remedy to the default. The total amount of the two remaining loan facilities in technical default for these reasons at December 31, 2009 was \$206 million. We had classified these loans as short-term debt at December 31, 2009.

The total amount of the two loan facilities in technical default for these reasons at June 30, 2010 was \$203 million. We have classified these loans as short-term debt at June 30, 2010. In July 2010 we executed an agreement with the lenders of the \$150 million loan facility, which resulted in early repayment of the loan on July 26, 2010. On July 27, 2010 we executed an amendment with the lender of the second loan facility of \$53 million which cured the defaults.

Two of our loan facilities had financial covenant violations at December 31, 2009 related to exceeding financial ratios limiting the amount of debt held by the subsidiaries. One of these violations was cured within the 30 day cure period through the combination of an equity injection and the capitalization of intercompany loans. In May 2010 we obtained a waiver and cured the remaining financial covenant violation on a loan facility of \$70 million related to our 50% owned powertrain subsidiary in Italy.

Covenants in our UST Credit Agreement, VEBA Note Agreement, Canadian Loan Agreement and other agreements required us to provide our consolidated financial statements by March 31, 2010. We received waivers of this requirement for the agreements with the UST, New VEBA and EDC. We also provided notice to and requested waivers related to three lease facilities. The filing of our 2009 10-K and our Quarterly Report on Form 10-Q for the period ended September 30, 2009 within the automatic 90 day cure period on April 7, 2010 satisfied the requirements under these lease facility agreements.

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**Non-Cash Charges (Gains)**

The following table summarizes significant non-cash charges (gains) (dollars in millions):

	Successor		Predecessor			
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Impairment charges related to investment in Ally Financial Common Membership Interests	\$ —	\$ —	\$ —	\$ 61	\$ 7,099	\$ —
Impairment charges related to investment in Ally Financial common stock	—	270	—	—	—	—
Impairment charges related to investment in Ally Financial Preferred Membership Interests	—	—	—	—	1,001	—
Net curtailment gain related to finalization of the 2008 UAW Settlement Agreement	—	—	—	—	(4,901)	—
Salaried post-65 healthcare settlement	—	—	—	—	1,704	—
Impairment charges related to equipment on operating leases	—	18	63	—	759	134
Impairment charges related to long-lived assets	—	2	566	566	1,010	259
Impairment charges related to investments in equity and cost method investments	—	4	28	28	119	—
Other than temporary impairments charges related to debt and equity securities	—	—	11	—	62	72
Impairment charges related to goodwill	—	—	—	—	610	—
Change in amortization period for pension prior service costs	—	—	—	—	—	1,561
UAW OPEB healthcare settlement	—	2,571	—	—	—	—
CAW settlement	—	—	—	—	340	—
Loss (gain) on secured debt extinguishment	—	—	(906)	(906)	—	—
Loss on extinguishment of UST Ally Financial Loan	—	—	1,994	1,994	—	—
Gain on conversion of UST Ally Financial Loan	—	—	(2,477)	(2,477)	—	—
Reorganization gains, net	—	—	(128,563)	—	—	—
Valuation allowances against deferred tax assets	—	—	(751)	—	1,450	37,770
<b>Total significant non-cash charges (gains)</b>	<b>\$ —</b>	<b>\$ 2,865</b>	<b>\$ (130,035)</b>	<b>\$ (734)</b>	<b>\$ 9,253</b>	<b>\$ 39,796</b>

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**Defined Benefit Pension Plan Contributions**

Plans covering eligible U.S. salaried employees hired prior to January 2001 and hourly employees hired prior to October 15, 2007 generally provide benefits of stated amounts for each year of service as well as supplemental benefits for employees who retire with 30 years of service before normal retirement age. Salaried and hourly employees hired after these dates participate in defined contribution or cash balance plans. Our and Old GM's policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulation, or to directly pay benefit payments where appropriate. At December 31, 2009 all legal funding requirements had been met.

The following table summarizes contributions made to the defined benefit pension plans or direct payments (dollars in millions):

	Successor		Predecessor		
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
U.S. hourly and salaried	\$ —	\$ —	\$ —	\$ —	\$ —
Other U.S.	47	31	57	90	89
Non-U.S.	347	4,287	529	977	848
Total contributions	\$ 394	\$ 4,318	\$ 586	\$ 1,067	\$ 937

We are considering making a discretionary contribution to the U.S. hourly defined benefit pension plan. This discretionary contribution is being considered to offset the effect of the increase to the projected benefit obligations (PBO) of the U.S. hourly defined benefit pension plan incurred as a result of the Delphi Benefit Guarantee Agreements being triggered as well as to possibly reduce the projected future cash funding requirements. We are currently evaluating the amount, timing and form of assets that may be contributed.

The following table summarizes the funded status of pension plans (dollars in billions):

	Successor		Predecessor
	June 30, 2010	December 31, 2009	December 31, 2008
U.S. hourly and salaried	\$ (15.8)	\$ (16.2)	\$ (12.4)
U.S. nonqualified	(0.9)	(0.9)	(1.2)
Total U.S. pension plans	(16.7)	(17.1)	(13.6)
Non-U.S.	(9.6)	(10.3)	(11.9)
Total funded (underfunded)	\$ (26.3)	\$ (27.4)	\$ (25.5)

On a U.S. GAAP basis, the U.S. pension plans were underfunded by \$17.1 billion at December 31, 2009 and underfunded by \$19.5 billion at July 10, 2009. The change in funded status was primarily attributable to the actual return on plan assets of \$9.9 billion offset by actuarial losses of \$3.1 billion, service and interest costs of \$2.8 billion and \$1.4 billion principally related to the Delphi Benefit Guarantee Agreements. On a U.S. GAAP basis, the non-U.S. pension plans were underfunded by \$10.3 billion at December 31, 2009 and underfunded by \$12.7 billion at July 10, 2009. The change in funded status was primarily attributable to employer contributions of \$4.3 billion offset by actuarial losses of \$1.6 billion in PBO and net detrimental exchange rate movements of \$0.7 billion.

On a U.S. GAAP basis, the U.S. pension plans were underfunded by \$18.3 billion at July 9, 2009 and underfunded by \$13.6 billion at December 31, 2008. The change in funded status was primarily attributable to service and interest costs of \$3.3 billion, curtailments, settlements and other increases to the PBO of \$1.6 billion



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and an actual loss on plan assets of \$0.2 billion offset by actuarial gains of \$0.3 billion. On a U.S. GAAP basis, the non-U.S. pension plans were underfunded by \$12.7 billion at July 9, 2009 and underfunded by \$11.9 billion at December 31, 2008. The change in funded status was primarily attributable to actuarial losses of \$1.0 billion in PBO offset by the effect of negative plan amendments of \$0.6 billion.

Hourly and salaried OPEB plans provide postretirement life insurance to most U.S. retirees and eligible dependents and postretirement health coverage to some U.S. retirees and eligible dependents. Certain of the non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government sponsored or administered programs.

The following table summarizes the funded status of OPEB plans (dollars in billions):

	Successor		Predecessor
	June 30, 2010	December 31, 2009	December 31, 2008
U.S. OPEB plans	\$ (5.5)	\$ (5.8)	\$ (30.0)
Non-U.S. OPEB plans	(3.8)	(3.8)	(2.9)
Total funded (underfunded)	\$ (9.3)	\$ (9.6)	\$ (32.9)

In 2008 Old GM withdrew a total of \$1.4 billion from the VEBA plan assets for reimbursement of retiree healthcare and life insurance benefits provided to eligible plan participants, which liquidated this VEBA except for those assets to be transferred to the UAW as part of the 2008 UAW Settlement Agreement.

The following table summarizes net benefit payments we expect to pay, based on the last remeasurement of all of our plans as of December 31, 2009 which reflect estimated future employee services, as appropriate, but does not reflect the effect of the 2009 CAW Agreement which includes terms of an independent HCT (dollars in millions):

	Years Ended December 31,			
	Pension Benefits(a)		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans(b)	Non-U.S. Plans
2010	\$ 9,321	\$ 1,414	\$ 489	\$ 177
2011	\$ 8,976	\$ 1,419	\$ 451	\$ 185
2012	\$ 8,533	\$ 1,440	\$ 427	\$ 193
2013	\$ 8,247	\$ 1,461	\$ 407	\$ 201
2014	\$ 8,013	\$ 1,486	\$ 390	\$ 210
2015 – 2019	\$ 37,049	\$ 7,674	\$ 1,801	\$ 1,169

- (a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our cash and cash equivalents.
- (b) Benefit payments presented in this table reflect the effect of the implementation of the 2009 Revised UAW Settlement Agreement, which releases us from UAW retiree healthcare claims incurred after December 31, 2009.

### Off-Balance Sheet Arrangements

Off-balance sheet arrangements are used where the economics and sound business principles warrant their use. The principal use of off-balance sheet arrangements occurs in connection with the securitization and sale of financial assets and leases.

Old GM participated in a trade receivables securitization program that expired in September 2008 and was not renewed. As part of this program, Old GM sold receivables to a wholly-owned bankruptcy-remote SPE. The

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SPE was a separate legal entity that assumed the risks and rewards of ownership of those receivables. Receivables were sold under the program at fair value and were excluded from Old GM's consolidated balance sheet. The banks and the bank conduits had no beneficial interest in the eligible pool of receivables at December 31, 2008. Old GM did not have a retained interest in the receivables sold, but performed collection and administrative functions. The gross amount of proceeds received from the sale of receivables under this program was \$1.6 billion in the year ended 2008.

### **Guarantees Provided to Third Parties**

We have provided guarantees related to the residual value of operating leases, certain suppliers' commitments, certain product-related claims and commercial loans made by Ally Financial and outstanding with certain third parties excluding residual support and risk sharing related to Ally Financial. The maximum potential obligation under these commitments is \$843 million at June 30, 2010. The maximum potential obligation under these commitments was \$1.0 billion at December 31, 2009.

In May 2009 Old GM and Ally Financial agreed to expand repurchase obligations for Ally Financial financed inventory at certain dealers in Europe, Asia, Brazil and Mexico. In November 2008 Old GM and Ally Financial agreed to expand repurchase obligations for Ally Financial financed inventory at certain dealers in the United States and Canada. Our current agreement with Ally Financial requires the repurchase of Ally Financial financed inventory invoiced to dealers after September 1, 2008, with limited exclusions, in the event of a qualifying voluntary or involuntary termination of the dealer's sales and service agreement. Repurchase obligations exclude vehicles which are damaged, have excessive mileage or have been altered. The repurchase obligation ended in August 2009 for vehicles invoiced through August 2008, ends in August 2010 for vehicles invoiced through August 2009 and ends in August 2011 for vehicles invoiced through August 2010.

The maximum potential amount of future payments required to be made to Ally Financial under this guarantee would be based on the repurchase value of total eligible vehicles financed by Ally Financial in dealer stock and is estimated to be \$15.9 billion at June 30, 2010. This amount was estimated to be \$14.2 billion at December 31, 2009. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer or at auction. The fair value of the guarantee was \$34 million and \$46 million at June 30, 2010 and December 31, 2009, which considers the likelihood of dealers terminating and estimated the loss exposure for the ultimate disposition of vehicles.

Refer to Note 21 to our audited consolidated financial statements and Notes 17 and 23 to our unaudited condensed consolidated interim financial statements for additional information on guarantees we have provided.

### **Contractual Obligations and Other Long-Term Liabilities**

We have the following minimum commitments under contractual obligations, including purchase obligations. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are recorded on our consolidated balance sheet. Based on this definition, the following table includes only those contracts which include fixed or minimum obligations. The majority of our purchases are not included in the table as they are made under purchase orders which are requirements based and accordingly do not specify minimum quantities.

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The following table summarizes aggregated information about our outstanding contractual obligations and other long-term liabilities at June 30, 2010 (dollars in millions):

	Payments Due by Period				Total
	July 1, 2010 Through December 31, 2010	2011-2012	2013-2014	2015 and after	
Debt(a)(b)	\$ 4,623	\$ 960	\$ 229	\$ 3,094	\$ 8,906
Capital lease obligations	76	141	86	317	620
Interest payments(c)	379	391	265	812	1,847
Operating lease obligations	240	668	403	583	1,894
Contractual commitments for capital expenditures	1,267	147	—	—	1,414
Postretirement benefits(d)	251	611	—	—	862
Other contractual commitments:					
Material	585	1,317	258	74	2,234
Information technology	990	132	48	—	1,170
Marketing	396	256	169	60	881
Facilities	89	192	83	33	397
Rental car repurchases	2,135	2,521	—	—	4,656
Policy, product warranty and recall campaigns liability	1,610	4,065	1,200	275	7,150
Other	44	25	5	—	74
Total contractual commitments(e)(f)(g)	\$ 12,685	\$ 11,426	\$ 2,746	\$ 5,248	\$32,105
Non-contractual postretirement benefits(h)	\$ 122	\$ 645	\$ 1,209	\$ 18,507	\$20,483

- (a) Debt obligations in the period July 1, 2010 through December 31, 2010 include VEBA Notes of \$2.5 billion that have been classified as short-term debt due to our expectation to prepay in the event that we are able to successfully execute a credit facility, and a \$150 million loan facility that was classified as short-term at June 30, 2010 and repaid early in July 2010. Refer to Note 13 to our unaudited condensed consolidated interim financial statements for additional information on the VEBA Notes and the \$150 million loan facility. Interest payments related to the VEBA Notes and the \$150 million loan facility are included in the period July 1, 2010 through December 31, 2010 to correspond to the expected timing of the payments.
- (b) Projected future payments on lines of credit were based on outstanding amounts drawn at June 30, 2010.
- (c) Amounts include interest payments based on contractual terms and current interest rates on our debt and capital lease obligations. Interest payments based on variable interest rates were determined using the current interest rate in effect at June 30, 2010.
- (d) Amounts include other postretirement benefit payments under the current U.S. contractual labor agreements for the remainder of 2010 and 2011 and Canada labor agreements for the remainder of 2010 through 2012. Post-2009, the UAW hourly medical plan cash payments are capped at the contribution to the New VEBA.
- (e) Future payments in local currency amounts were translated into U.S. Dollars using the balance sheet spot rate at June 30, 2010.
- (f) Amounts do not include future cash payments for long-term purchase obligations which were recorded in Accounts payable or Accrued expenses at June 30, 2010.
- (g) Amounts exclude the cash commitment of approximately \$3.5 billion in the period July 1, 2010 through December 31, 2010 to acquire AmeriCredit as well as future annual contingent obligations of Euro 265 million in the years 2011 to 2014 related to our Opel/Vauxhall restructuring plan. Amounts also exclude payments that may be made if we were to redeem our outstanding Series A Preferred Stock.
- (h) Amount includes all expected future payments for both current and expected future service at June 30, 2010 for other postretirement benefit obligations for salaried employees and hourly postretirement benefit obligations extending beyond the current North American union contract agreements.

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The table above does not reflect unrecognized tax benefits of \$4.6 billion due to the high degree of uncertainty regarding the future cash outflows associated with these amounts.

The table above also does not reflect certain contingent loan and funding commitments that we have made with suppliers, other third parties and certain joint ventures. At June 30, 2010 we had commitments of \$1.0 billion under these arrangements that were undrawn.

We do not have any contributions due to our U.S. qualified plans in 2010. The next pension funding valuation date based on the requirements of the Pension Protection Act (PPA) of 2006 will be October 1, 2010. At that time, based on the PPA, we have the option to select a funding interest rate for the valuation based on either the Full Yield Curve method or the 3-Segment method, both of which are considered to be acceptable methods. PPA also provides the flexibility of selecting a 3-Segment rate up to the preceding five months from the valuation date of October 1, 2010, i.e., the 3-Segment rate at May 31, 2010. Therefore, for a hypothetical valuation at June 30, 2010, we have assumed the 3-Segment rate at May 31, 2010 as the potential floor for funding interest rate that we could use for the actual funding valuation. Since this hypothetical election does not limit us to only using the 3-Segment rate beyond 2010, we have assumed that we retain the flexibility of selecting a funding interest rate based on either the Full Yield Curve method or the 3-Segment method. A hypothetical funding valuation at June 30, 2010, using the 3-Segment rate at May 31, 2010 and assuming the June 30, 2010 Full Yield Curve funding interest rate for all future valuations projects contributions of \$4.3 billion and \$5.7 billion in 2014 and 2015 and additional contributions may be required thereafter. Contributions of \$0.2 billion and \$0.1 billion may be required in 2012 and 2013 in order to preserve our flexibility to use credit balances to reduce cash contributions.

Alternatively, a hypothetical funding valuation at June 30, 2010 using the 3-Segment rate at May 31, 2010 and assuming that same funding interest rate for all future valuations projects contributions of \$2.4 billion in 2015 and additional contributions may be required thereafter.

In both cases, we have assumed that the pension plans earn the expected return of 8.5% in the future and no further changes in funding interest rates. However, future funding projections are sensitive to changes in these assumptions as the following scenarios depict. Under the first funding scenario presented above, if the plan assets return 7.50% instead of 8.50% (holding all other factors constant), the contributions in 2014 and 2015 would be \$4.2 billion and \$6.0 billion. The contributions in 2012 and 2013 would be \$0.5 billion and \$0.7 billion. Under the first funding scenario presented above, if the funding interest rates were to decrease by 25 basis points (holding all other factors constant), the contributions in 2014 and 2015 would not be materially changed. However, the contributions in 2012 and 2013 would increase to \$1.5 billion and \$0.8 billion. A decrease of the funding interest rate by 50 basis points (holding all other factors constant) would not materially change required contributions in 2014 and 2015, but would increase contributions to \$2.7 billion in 2012, and \$1.6 billion in 2013. If the funding interest rates were to increase by 25 basis points (holding all other factors constant) the contributions in 2012 and 2013 would no longer be needed. The contributions in 2014 and 2015 would be \$2.4 billion and \$5.6 billion. If there is an increase in the funding interest rates by 50 basis points (holding all other factors constant) the contributions in 2012 and 2013 would no longer be needed and contributions of \$1.1 billion and \$4.9 billion would be needed in 2014 and 2015. In addition to the funding interest rate and rate of return on assets, the pension contributions could be affected by various other factors including the effect of any legislative changes.

The hypothetical valuations do not comprehend the potential election of relief provisions that are available to us under the Pension Relief Act of 2010 (PRA) for the 2010 and 2011 plan year valuations. Electing the relief provisions for either the 2010, 2011 or both these valuations is projected to provide additional funding flexibility and allow additional deferral of significant contributions. However, the final regulations under the PRA have not yet been released, and as such we are not currently able to determine whether we would qualify or whether we would elect to avail ourselves of these relief provisions.

## Fair Value Measurements

In January 2008 Old GM adopted ASC 820-10, "Fair Value Measurements and Disclosures," for financial assets and financial liabilities, which addresses aspects of fair value accounting. Refer to Note 23 to our audited consolidated financial statements and Note 19 to our unaudited condensed consolidated interim financial statements for additional information on the effects of this adoption. In January 2009 Old GM adopted ASC 820-10 for nonfinancial assets and nonfinancial liabilities. Refer to Note 25 to our audited consolidated financial statements and Note 21 to our unaudited condensed consolidated interim financial statements for additional information on the effects this adoption.

### *Fair Value Measurements on a Recurring Basis*

At June 30, 2010 we used Level 3 inputs to measure net liabilities of \$362 million (or 0.4%) of our total liabilities. These net liabilities included \$29 million (or 0.1%) of the total assets, and \$391 million (or 99.2%) of the total liabilities (of which \$370 million were derivative liabilities) that we measured at fair value.

At December 31, 2009 we used Level 3, or significant unobservable inputs, to measure \$33 million (or 0.1%) of the total assets that we measured at fair value, and \$705 million (or 98.7%) of the total liabilities (all of which were derivative liabilities) that we measured at fair value.

At December 31, 2008 Old GM used Level 3, or significant unobservable inputs, to measure \$70 million (or 1.2%) of the total assets that it measured at fair value, and \$2.3 billion (or 65.8%) of the total liabilities (all of which were derivative liabilities) that it measured at fair value.

Significant assets and liabilities classified as Level 3, with the related Level 3 inputs, are as follows:

- Foreign currency derivatives — Level 3 inputs used to determine the fair value of foreign currency derivative liabilities include the appropriate credit spread to measure our nonperformance risk. Given our nonperformance risk is not observable through the credit default swap market we based this measurement on an analysis of comparable industrial companies to determine the appropriate credit spread which would be applied to us and Old GM by market participants in each period.
- Other derivative instruments — Other derivative instruments include warrants Old GM issued to the UST. Level 3 inputs used to determine fair value include option pricing models which include estimated volatility, discount rates, and dividend yields.
- Mortgage-backed and other securities — Prior to June 30, 2009 Level 3 inputs used to determine fair value include estimated prepayment and default rates on the underlying portfolio which are embedded in a proprietary discounted cash flow projection model.
- Commodity derivatives — Commodity derivatives include purchase contracts from various suppliers that are gross settled in the physical commodity. Level 3 inputs used to determine fair value include estimated projected selling prices, quantities purchased and counterparty credit ratings, which are then discounted to the expected cash flow.

### *Transfers In and/or Out of Level 3*

At June 30, 2009 Old GM's mortgage- and asset-backed securities were transferred from Level 3 to Level 2 as the significant inputs used to measure fair value and quoted prices for similar instruments were determined to be observable in an active market.

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For periods presented after June 1, 2009 nonperformance risk for us and Old GM was not observable through the credit default swap market as a result of the Chapter 11 Proceedings and the lack of traded instruments for us after the 363 Sale. As a result, foreign currency derivatives with a fair market value of \$1.6 billion were transferred from Level 2 to Level 3. Our nonperformance risk remains not directly observable through the credit default swap market at December 31, 2009 and accordingly the derivative contracts for certain foreign subsidiaries remain classified in Level 3.

In the three months ended March 31, 2009 Old GM determined the credit profile of certain foreign subsidiaries was equivalent to Old GM's nonperformance risk which was observable through the credit default swap market and bond market based on prices for recent trades. Accordingly, foreign currency derivatives with a fair value of \$2.1 billion were transferred from Level 3 into Level 2.

In December 2008 Old GM transferred foreign currency derivatives with a fair value of \$2.1 billion from Level 2 to Level 3. These derivatives relate to certain of Old GM's foreign consolidated subsidiaries where Old GM was not able to determine observable credit ratings. At December 31, 2008 the fair value of these foreign currency derivative contracts was estimated based on the credit rating of comparable local companies with similar credit profiles and observable credit ratings together with internal bank credit ratings obtained from the subsidiary's lenders. Prior to December 31, 2008, these derivatives were valued based on Old GM's credit rating which was observable through the credit default swap market.

Refer to Notes 20 and 23 to our audited consolidated financial statements for additional information on the use of fair value measurements.

### *Level 3 Assets and Liabilities*

At June 30, 2010 net liabilities of \$362 million measured using Level 3 inputs were primarily comprised of foreign currency derivatives. Foreign currency derivatives were classified as Level 3 due to an unobservable input which relates to our nonperformance risk. Given our nonperformance risk is not observable through the credit default swap market we based this measurement on an analysis of comparable industrial companies to determine the appropriate credit spread which would be applied to us by market participants. At June 30, 2010 we included a non-performance risk adjustment of \$15 million in the fair value measurement of these derivatives which reflects a discount of 4.2% to the fair value before considering our credit risk. We anticipate settling these derivatives at maturity at fair value unadjusted for our nonperformance risk. Credit risk adjustments made to a derivative liability reverse as the derivative contract approaches maturity. This effect is accelerated if a contract is settled prior to maturity.

In the six months ended June 30, 2010 assets and liabilities measured using Level 3 inputs decreased by \$310 million from a net liability of \$672 million to a net liability of \$362 million primarily due to unrealized and realized gains on the settlement of derivatives.

At December 31, 2009 we used Level 3 inputs to measure net liabilities of \$672 million (or 0.6%) of our total liabilities. In the period January 1, 2009 through July 9, 2009 net liabilities measured using Level 3 inputs decreased from \$2.3 billion to \$1.4 billion primarily due to unrealized and realized gains on derivatives and the settlement of UST warrants issued by Old GM. In the period July 10, 2009 through December 31, 2009 net liabilities measured using Level 3 inputs decreased from \$1.4 billion to \$672 million primarily due to unrealized and realized gains on and the settlement of derivatives.

At December 31, 2009 net liabilities of \$672 million measured using Level 3 inputs were primarily comprised of foreign currency derivatives. Foreign currency derivatives were classified as Level 3 due to an unobservable input which relates to our nonperformance risk. Given our nonperformance risk is not observable through the credit default swap market we based this measurement on an analysis of comparable industrial companies to determine the appropriate credit spread which would be applied to us and Old GM by market

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participants in each period. At December 31, 2009 we included a \$47 million non-performance risk adjustment in the fair value measurement of these derivatives which reflects a discount of 6.5% to the fair value before considering our credit risk. We anticipate settling these derivatives at maturity at fair value unadjusted for our nonperformance risk. Credit risk adjustments made to a derivative liability reverse as the derivative contract approaches maturity. This effect is accelerated if a contract is settled prior to maturity.

At December 31, 2008 Old GM used Level 3 inputs to measure net liabilities of \$2.3 billion (or 1.3%) of Old GM's total liabilities. In the year ended 2008 assets and liabilities measured using Level 3 inputs changed from a net asset of \$828 million to a net liability of \$2.3 billion primarily due to foreign currency derivatives of \$2.1 billion transferred from Level 2 to Level 3 in December 2008.

Realized gains and losses related to assets and liabilities measured using Level 3 inputs did not have a material effect on operations, liquidity or capital resources for GM in the periods January 1, 2010 through June 30, 2010 or July 10, 2009 through December 31, 2009, or for Old GM in the periods July 1, 2009 through July 9, 2009 or January 1, 2009 through July 9, 2009 or in the year ended December 31, 2008.

### **Dividends**

The declaration of any dividend on our common stock is a matter to be acted upon by our Board of Directors in its sole discretion. Since our formation, we have not paid any dividends on our common stock. We have no current plans to pay any dividends on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our VEBA Note Agreement and other debt instruments, and other factors.

So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. In addition, the VEBA Note Agreement contains certain restrictions on our ability to pay dividends, other than dividends payable solely in shares of our common stock. In particular, the VEBA Note Agreement provides that we may not pay any such dividends on our common stock unless no default or event of default has occurred under such agreement and is continuing at the time of such payment and, immediately prior to and after giving effect to such dividend, our consolidated leverage ratio is less than 3.00 to 1.00.

The Series A Preferred Stock accrue cumulative dividends at a rate equal to 9.0% per annum (payable quarterly on March 15, June 15, September 15 and December 15) if, as and when declared by our Board of Directors. We paid dividends of \$203 million on March 15, 2010 and \$202 million on June 15, 2010 on our Series A Preferred Stock for the periods December 15, 2009 to March 14, 2010 and March 15, 2010 to June 14, 2010 following approval by our Board of Directors. We paid dividends of \$146 million on September 15, 2009 and \$203 million on December 15, 2009 on our Series A Preferred Stock for the periods July 10, 2009 to September 14, 2009 and September 15, 2009 to December 14, 2009 following approval by our Board of Directors.

Our payment of dividends in the future, if any, will be determined by our Board of Directors and will be paid out of funds legally available for that purpose.

Prior to December 31, 2009 the 260 million shares of Series A Preferred Stock issued to the New VEBA were not considered outstanding for accounting purposes due to the terms of the 2009 Revised UAW Settlement Agreement. As a result, \$105 million of the \$146 million of dividends paid on September 15, 2009 and \$147 million of the \$203 million of dividends paid on December 15, 2009 were recorded as a reduction of Postretirement benefits other than pensions.

Refer to the section of this prospectus entitled "Business—Significant Transactions—Agreements with the UST, EDC and New VEBA" for a more detailed discussion of the VEBA Note Agreement.

## Critical Accounting Estimates

The audited consolidated financial statements and unaudited condensed consolidated interim financial statements are prepared in conformity with U.S. GAAP, which require the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods. We have discussed the development, selection and disclosures of our critical accounting estimates with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosures relating to these estimates.

The critical accounting estimates that affect the audited consolidated financial statements and unaudited condensed consolidated interim financial statements and that use judgments and assumptions are listed below. In addition, the likelihood that materially different amounts could be reported under varied conditions and assumptions is discussed.

### *Fresh-Start Reporting*

The Bankruptcy Court did not determine a reorganization value in connection with the 363 Sale. Reorganization value is defined as the value of our assets without liabilities. In order to apply fresh-start reporting, ASC 852 requires that total postpetition liabilities and allowed claims be in excess of reorganization value and prepetition stockholders receive less than 50.0% of our common stock. Based on our estimated reorganization value, we determined that on July 10, 2009 both the criteria of ASC 852 were met and, as a result, we applied fresh-start reporting.

Our reorganization value was determined using the sum of:

- Our discounted forecast of expected future cash flows from our business subsequent to the 363 Sale, discounted at rates reflecting perceived business and financial risks;
- The fair value of operating liabilities;
- The fair value of our non-operating assets, primarily our investments in nonconsolidated affiliates and cost method investments; and
- The amount of cash we maintained at July 10, 2009 that we determined to be in excess of the amount necessary to conduct our normal business activities.

The sum of the first, third and fourth bullet items equals our Enterprise value.

Our discounted forecast of expected future cash flows included:

- Forecasted cash flows for the six months ended December 31, 2009 and the years ending 2010 through 2014, for each of Old GM's former segments (refer to Note 3 to our audited consolidated financial statements for a discussion of our change in segments) and for certain subsidiaries that incorporated:

• Industry seasonally adjusted annual rate (SAAR) of vehicle sales and our related market share as follows:

- Worldwide — 59.1 million vehicles and market share of 11.9% based on vehicle sales volume in 2010 increasing to 81.0 million vehicles and market share of 12.2% in 2014;



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- North America — 14.2 million vehicles and market share of 17.8% based on vehicle sales volume in 2010 increasing to 19.8 million vehicles and decreasing market share of 17.6% in 2014;
- Europe — 16.8 million vehicles and market share of 9.5% based on vehicle sales volume in 2010 increasing to 22.5 million vehicles and market share of 10.3% in 2014;
- LAAM — 6.1 million vehicles and market share of 18.0% based on vehicle sales volume in 2010 increasing to 7.8 million vehicles and market share of 18.4% in 2014;
- AP — 22.0 million vehicles and market share of 8.4% based on vehicle sales volume in 2010 increasing to 30.8 million vehicles and market share of 8.6% in 2014;

• Projected product mix, which incorporates the 2010 introductions of the Chevrolet Volt, Chevrolet/Holden Cruze, Cadillac CTS Coupe, Opel/Vauxhall Meriva and Opel/Vauxhall Astra Station Wagon;

• Projected changes in our cost structure due to restructuring initiatives that encompass reduction of hourly and salaried employment levels by approximately 18,000;

• The terms of the 2009 Revised UAW Settlement Agreement, which released us from UAW retiree healthcare claims incurred after December 31, 2009;

• Projected capital spending to support existing and future products, which range from \$4.9 billion in 2010 to \$6.0 billion in 2014; and

• Anticipated changes in global market conditions.

- A terminal value, which was determined using a growth model that applied long-term growth rates ranging from 0.5% to 6.0% and a weighted average long-term growth rate of 2.6% to our projected cash flows beyond 2014. The long-term growth rates were based on our internal projections as well as industry growth prospects; and
- Discount rates that considered various factors including bond yields, risk premiums, and tax rates to determine a weighted-average cost of capital (WACC), which measures a company's cost of debt and equity weighted by the percentage of debt and equity in a company's target capital structure. We used discount rates ranging from 16.5% to 23.5% and a weighted-average rate of 22.8%.

To estimate the value of our investment in nonconsolidated affiliates we used multiple valuation techniques, but we primarily used discounted cash flow analysis. Our excess cash of \$33.8 billion, including Restricted cash and marketable securities of \$21.2 billion, represents cash in excess of the amount necessary to conduct our ongoing day-to-day business activities and to keep them running as a going concern. Refer to Note 14 to our audited consolidated financial statements for additional discussion of Restricted cash and marketable securities.

Our estimate of reorganization value assumes the achievement of the future financial results contemplated in our forecasted cash flows, and there can be no assurance that we will realize that value. The estimates and assumptions used are subject to significant uncertainties, many of which are beyond our control, and there is no assurance that anticipated financial results will be achieved.

Assumptions used in our discounted cash flow analysis that have the most significant effect on our estimated reorganization value include:

- Our estimated WACC;

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- Our estimated long-term growth rates; and
- Our estimate of industry sales and our market share in each of Old GM's former segments.

The following table reconciles our enterprise value to our estimated reorganization value and the estimated fair value of our Equity (in millions except per share amounts):

	<u>Successor</u> <u>July 10, 2009</u>
Enterprise value	\$ 36,747
Plus: Fair value of operating liabilities (a)	80,832
Estimated reorganization value (fair value of assets) (b)	117,579
Adjustments to tax and employee benefit-related assets (c)	(6,074)
Goodwill (c)	30,464
Carrying amount of assets	<u>\$ 141,969</u>
Enterprise value	\$ 36,747
Less: Fair value of debt	(15,694)
Less: Fair value of warrants issued to MLC (additional paid-in-capital)	(2,405)
Less: Fair value of liability for Adjustment Shares	(113)
Less: Fair value of noncontrolling interests	(408)
Less: Fair value of Series A Preferred Stock (d)	(1,741)
Fair value of common equity (common stock and additional paid-in capital)	<u>\$ 16,386</u>
Common shares outstanding (d)	412.5
Per share value	<u>\$ 39.72</u>

- (a) Operating liabilities are our total liabilities excluding the liabilities listed in the reconciliation above of our enterprise value to the fair value of our common equity.
- (b) Reorganization value does not include assets with a carrying amount of \$1.8 billion and a fair value of \$2.0 billion at July 9, 2009 that MLC retained.
- (c) The application of fresh-start reporting resulted in the recognition of goodwill. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than at fair value and the difference between the U.S. GAAP and fair value amounts gives rise to goodwill, which is a residual. Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in goodwill. Our employee benefit related obligations were recorded in accordance with ASC 712, "Compensation — Nonretirement Postemployment Benefits" and ASC 715, "Compensation — Retirement Benefits," and deferred income taxes were recorded in accordance with ASC 740, "Income Taxes."
- (d) The 260 million shares of Series A Preferred Stock, 88 million shares of our common stock, and warrant to acquire 15.2 million shares of our common stock issued to the New VEBA on July 10, 2009 were not considered outstanding until the UAW retiree medical plan was settled on December 31, 2009. The fair value of these instruments was included in the liability recognized at July 10, 2009 for this plan. The common shares issued to the New VEBA are excluded from common shares outstanding at July 10, 2009. Refer to Note 19 to our audited consolidated financial statements for a discussion of the termination of our UAW hourly retiree medical plan and Mitigation Plan and the resulting payment terms to the New VEBA.

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The following table summarizes the approximate effects that a change in the WACC and long-term growth rate assumptions would have had on our determination of the fair value of our common equity at July 10, 2009 keeping all other assumptions constant (dollars in billions except per share amounts):

<b>Change in Assumption</b>	<b>Effect on Fair Value of Common Equity at July 10, 2009</b>	<b>Effect on Per Share Value at July 10, 2009</b>
Two percentage point decrease in WACC	+\$2.9	+\$7.04
Two percentage point increase in WACC	-\$2.4	-\$5.76
One percentage point increase in long-term growth rate	+\$0.5	+\$1.21
One percentage point decrease in long-term growth rate	-\$0.5	-\$1.10

In order to estimate these effects, we adjusted the WACC and long-term growth rate assumptions for each of Old GM's former segments and for certain subsidiaries. The aggregated effect of these assumption changes on each of Old GM's former segments and for certain subsidiaries does not necessarily correspond to assumption changes made at a consolidated level.

### **Pensions**

The defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including an expected rate of return on plan assets and a discount rate. Due to significant events, including those discussed in Note 19 to the audited consolidated financial statements, certain of the pension plans were remeasured at various dates in the periods January 1, 2010 through June 30, 2010, July 10, 2009 through December 31, 2009, January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007.

Net pension expense is calculated based on the expected return on plan assets and not the actual return on plan assets. The expected return on U.S. plan assets that is included in pension expense is determined from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations, and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. Differences between the expected return on plan assets and the actual return on plan assets are recorded in Accumulated other comprehensive income (loss) as an actuarial gain or loss, and subject to possible amortization into net pension expense over future periods. A market-related value of plan assets, which averages gains and losses over a period of years, is utilized in the determination of future pension expense. For substantially all pension plans, market-related value is defined as an amount that initially recognizes 60.0% of the difference between the actual fair value of assets and the expected calculated value, and 10.0% of that difference over each of the next four years. The market-related value of assets at December 31, 2009 used to determine U.S. net periodic pension income for the year ending December 31, 2010 was \$2.8 billion lower than the actual fair value of plan assets at December 31, 2009.

Another key assumption in determining net pension expense is the assumed discount rate to be used to discount plan obligations. We estimate this rate for U.S. plans, using a cash flow matching approach, also called a spot rate yield curve approach, which uses projected cash flows matched to spot rates along a high quality corporate yield curve to determine the present value of cash flows to calculate a single equivalent discount rate. Old GM used an iterative process based on a hypothetical investment in a portfolio of high-quality bonds rated AA or higher by a recognized rating agency and a hypothetical reinvestment of the proceeds of such bonds upon maturity using forward rates derived from a yield curve until the U.S. pension obligation was defeased. This reinvestment component was incorporated into the methodology because it was not feasible, in light of the magnitude and time horizon over which U.S. pension obligations extend, to accomplish full defeasance through direct cash flows from an actual set of bonds selected at any given measurement date.

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The benefit obligation for pension plans in Canada, the United Kingdom and Germany comprise 92% of the non-U.S. pension benefit obligation at December 31, 2009. The discount rates for Canadian plans are determined using a cash flow matching approach, similar to the U.S. The discount rates for plans in the United Kingdom and Germany use a curve derived from high quality corporate bonds with maturities consistent with the plans' underlying duration of expected benefit payments.

In the U.S., from December 31, 2009 to June 30, 2010, interest rates on high quality corporate bonds have decreased. We believe that a discount rate calculated as of June 30, 2010 using the methods described previously for U.S. pension plans would be approximately 65 to 75 basis points lower than the rates used to measure the pension plans at December 31, 2009, the date of the last remeasurement for the U.S. pension plans. As a result, funded status would decrease if the plans were remeasured at June 30, 2010, holding all other factors (e.g., actuarial assumptions and asset returns) constant. Refer to the following table, which presents the 25 basis point sensitivity for U.S. pension plans. It is not possible for us to predict what the economic environment will be at our next scheduled remeasurement as of December 31, 2010 or any earlier date that may be used for an interim remeasurement of the U.S. pension plans due to a significant event such as a plan amendment, curtailment or a settlement. Accordingly, discount rates and plan assets may be considerably different than those at June 30, 2010.

	<u>25 basis point increase</u>	<u>25 basis point decrease</u>
<b>U. S. Plans (a)</b>		
Effect on Annual Pension Expense (in millions)	\$ 90	\$ (95)
Effect on December 31, 2009 PBO (in billions)	\$ (2.3)	\$ 2.4

(a) Based on December 31, 2009 remeasurements

There were multiple remeasurements of certain non-U.S. plans during the six months ended June 30, 2010. If all non-U.S. plans were remeasured as of June 30, 2010, we believe that the weighted average discount rate would not change significantly from the discount rates used to measure the obligations included in our balance sheet at June 30, 2010. Refer to the following table, which presents the 25 basis point sensitivity for non-U.S. plans.

	<u>25 basis point increase</u>	<u>25 basis point decrease</u>
<b>Non - U. S. Plans (b)</b>		
Effect on Annual Pension Expense (in millions)	\$ (6)	\$ 11
Effect on December 31, 2009 PBO (in billions)	\$ (0.6)	\$ 0.7

(b) Our largest plans are in Canada, Germany and the U.K. The largest plans in Germany and the U.K. were remeasured at June 30, 2010 and our plans in Canada at December 31, 2009.

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The following table summarizes rates used to determine net pension expense:

	Successor		Predecessor		
	January 1, 2010 Through June 30, 2010 (1)	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Weighted-average expected long-term rate of return on U.S. plan assets	8.50%	8.50%	8.50%	8.50%	8.50%
Weighted-average expected long-term rate of return on non-U.S. plan assets	7.34%	7.97%	7.74%	7.78%	7.85%
Weighted-average discount rate for U.S. plan obligations	5.52%	5.63%	6.27%	6.56%	5.97%
Weighted-average discount rate for non-U.S. plan obligations	5.31%	5.82%	6.23%	5.77%	4.97%

(1) No remeasurement except for pension plans in the United Kingdom, Belgium, and Germany.

Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligations. The effect of actual results differing from assumptions and the changing of assumptions are included in unamortized net actuarial gains and losses that are subject to amortization to expense over future periods.

The following table summarizes the unamortized actuarial (gain) loss (before tax) on U.S. and non-U.S. pension plans (dollars in billions):

	Successor		Predecessor
	June 30, 2010	December 31, 2009	December 31, 2008
Unamortized actuarial (gain) loss	\$ (2.7)	\$ (3.0)	\$ 41.1

The unamortized actuarial gain of \$2.7 million as of June 30, 2010, reflects the December 31, 2009 amount updated for accounting activity during the six months ended June 30, 2010, arising primarily from the remeasurements in the United Kingdom, Belgium and Germany and foreign currency translation.

The following table summarizes the actual and expected return on pension plan assets (dollars in billions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
U.S. actual return (a)	\$ 9.9	\$ (0.2)	\$ (11.4)	\$ 10.1
U.S. expected return	\$ 3.0	\$ 3.8	\$ 8.0	\$ 8.0
Non-U.S. actual return (a)	\$ 1.2	\$ 0.2	\$ (2.9)	\$ 0.5
Non-U.S. expected return	\$ 0.4	\$ 0.4	\$ 1.0	\$ 1.0

(a) Actual return not available for the six months ended June 30, 2010 as all of the plans were not remeasured.

Based on the last full set of pension plan remeasurements that was completed as of December 31, 2009, a change in the expected return on assets (EROA) assumption has the following effects: For the U.S. plans, an increase in the EROA of 25 basis points will decrease annual pension expense by \$193 million; a decrease to the EROA will increase pension expense by \$193 million. For the non-U.S. plans, an increase in the EROA of 25 basis points will decrease annual pension expense by \$32 million; a decrease to the EROA of 25 basis points will increase pension expense by \$32 million.

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The U.S. pension plans generally provide covered U.S. hourly employees hired prior to October 15, 2007 with pension benefits of negotiated, flat dollar amounts for each year of credited service earned by an individual employee. Early retirement supplements are also provided to those who retire prior to age 62. Hourly employees hired after October 15, 2007 participate in a cash balance pension plan. Formulas providing for such stated amounts are contained in the applicable labor contract. Pension expense in the six months ended June 30, 2010, the periods July 10, 2009 through December 31, 2009, January 1, 2009 through July 9, 2009, and in the years ended 2008 and 2007 and the pension obligations at June 30, 2010, December 31, 2009 and 2008 do not comprehend any future benefit increases or decreases that may occur beyond current labor contracts. The usual cycle for negotiating new labor contracts is every four years. There is not a past practice of maintaining a consistent level of benefit increases or decreases from one contract to the next.

The following data illustrates the sensitivity of changes in pension expense and pension obligation based on the last remeasurement of the U.S hourly pension plan at December 31, 2009, as a result of changes in future benefit units for U.S. hourly employees, effective after the expiration of the current contract:

<u>Change in future benefit units</u>	<u>Effect on 2010 Pension Expense</u>	<u>Effect on December 31, 2009 PBO</u>
One percentage point increase in benefit units	+\$82 million	+\$ 239 million
One percentage point decrease in benefit units	-\$79 million	-\$ 232 million

We utilize a variety of pricing sources to estimate the fair value of our pension assets, including: independent pricing vendors, dealer or counterparty supplied valuations, third party appraisals, appraisals prepared by investment managers, or investment sponsor or third party administrator supplied net asset value (NAV) used as a practical expedient.

A significant portion of our pension assets are classified within the fair value hierarchy as Level 3 fair value measurements. Pension assets for which fair value is determined through the use of net asset value per share (NAV) and for which we may not have the ability to redeem our entire investment with the investee at NAV as of the measurement date, are classified as Level 3 fair value measurements. In addition, we classify pension assets that include significant unobservable inputs as Level 3 in the fair value hierarchy.

Significant assets classified as Level 3, with the related Level 3 inputs to valuation that may be subject to volatility and change, and additional considerations for leveling, are as follows:

- Government, agency and corporate debt securities — Pricing services and dealers often use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of yield and credit spread assumptions. Additionally, management may consider other security attributes such as liquidity, market activity, price level, credit ratings and geo-political risk, in assessing the observability of inputs used by pricing services or dealers, which may affect placement in the fair value hierarchy.
- Agency, non-agency mortgage and other asset-backed securities — Pricing services and dealers often use proprietary pricing models which incorporate unobservable inputs. These inputs typically consist of prepayment curves, discount rates, default assumptions and recovery rates. Additionally, management may consider other security attributes such as liquidity, market activity, price level, credit ratings and geo-political risk, in assessing the observability of inputs used by pricing services or dealers, which may affect placement in the fair value hierarchy.
- Investment funds/Private equity and debt investments/Real estate assets — Level 3 inputs for alternative investment funds and special purpose entities (e.g., limited partnerships, limited liability companies) include estimated changes in the composition or performance of the underlying investment portfolio, overall market conditions and other economic factors that may possibly have a favorable or unfavorable effect on the reported NAV per share (or its equivalent) between the NAV calculation date

and the financial reporting measurement date. When NAV was not used as a practical expedient, Level 3 factors used in estimating fair value included NAV (as one factor), overall market conditions, and expected future cash flows.

Refer to Note 4 to our audited consolidated financial statements for a more detailed discussion of the inputs used to determine fair value for each significant asset class or category.

#### ***Other Postretirement Benefits***

OPEB plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including a discount rate and healthcare cost trend rates. Old GM used an iterative process based on a hypothetical investment in a portfolio of high-quality bonds rated AA or higher by a recognized rating agency and a hypothetical reinvestment of the proceeds of such bonds upon maturity using forward rates derived from a yield curve until the U.S. OPEB obligation was defeased. This reinvestment component was incorporated into the methodology because it was not feasible, in light of the magnitude and time horizon over which the U.S. OPEB obligations extend, to accomplish full defeasance through direct cash flows from an actual set of bonds selected at any given measurement date.

Beginning in September 2008, the discount rate used for the benefits to be paid from the UAW retiree medical plan during the period September 2008 through December 2009 is based on a yield curve which uses projected cash flows of representative high-quality AA rated bonds matched to spot rates along a yield curve to determine the present value of cash flows to calculate a single equivalent discount rate. All other U.S. OPEB plans started using a discount rate based on a yield curve on July 10, 2009. The UAW retiree medical plan was settled on December 31, 2009 and the plan assets were contributed to the New VEBA as part of the payment terms under the 2009 Revised UAW Settlement Agreement. We are released from UAW retiree health care claims incurred after December 31, 2009.

An estimate is developed of the healthcare cost trend rates used to value benefit obligations through review of historical retiree cost data and near-term healthcare outlook which includes appropriate cost control measures that have been implemented. Changes in the assumed discount rate or healthcare cost trend rate can have significant effect on the actuarially determined obligation and related U.S. OPEB expense. As a result of modifications made as part of the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate no longer has a significant effect in the U.S.

The significant non-U.S. OPEB plans cover Canadian employees. The discount rates for the Canadian plans are determined using a cash flow matching approach, similar to the U.S. OPEB plans.

Due to the significant events discussed in Note 19 to the audited consolidated financial statements, the U.S. and non-U.S. OPEB plans were remeasured at various dates in the periods July 10, 2009 through December 31, 2009, January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007.

Significant differences in actual experience or significant changes in assumptions may materially affect the OPEB obligations. The effects of actual results differing from assumptions and the effects of changing assumptions are included in net actuarial gains and losses in Accumulated other comprehensive income (loss) that are subject to amortization over future periods.

In the U.S., from December 31, 2009 to June 30, 2010, interest rates on high quality corporate bonds have decreased. We believe that a discount rate calculated as of June 30, 2010 using the methods described previously for U.S. OPEB plans would be approximately 65 to 75 basis points lower than the rates used to measure the plans at December 31, 2009, the date of the last remeasurement for U.S. OPEB Plans. As a result, funded status would decrease if the plans were remeasured at June 30, 2010, holding all other factors (e.g., actuarial assumptions) constant. Our significant non-U.S. OPEB plans are in Canada. We do not believe that there has been a significant

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change in interest rates on high quality corporate bonds in Canada from December 31, 2009 to June 30, 2010. Accordingly, we believe that the weighted average discount rate would not change significantly from December 31, 2009. It is not possible for us to predict what the economic environment will be at our next scheduled remeasurement as of December 31, 2010 or any earlier date that may be used for an interim remeasurement of the U.S. OPEB plans due to a significant event such as a plan amendment, curtailment or a settlement. Accordingly, discount rates may be considerably different than those at June 30, 2010.

The estimated effect of a 25 basis point change in discount rate is summarized in the sensitivity table which follows.

	Change in Assumption	
	25 basis point increase	25 basis point decrease
<b>U. S. Plans</b>		
Effect on Annual OPEB Expense (in millions)	\$ 5	\$ (3)
Effect on December 31, 2009 APBO (in billions)	\$ (0.1)	\$ 0.1
<b>Non - U. S. Plans</b>		
Effect on Annual OPEB Expense (in millions)	\$ 1	\$ (1)
Effect on December 31, 2009 APBO (in billions)	\$ (0.1)	\$ 0.1

The following table summarizes the weighted-average discount rate used to determine net OPEB expense for the significant plans:

	Successor		Predecessor		
	January 1, 2010 Through June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Weighted-average discount rate for U.S. plans	5.57%	6.81%	8.11%	7.02%	5.90%
Weighted-average discount rate for non-U.S. plans	5.22%	5.47%	6.77%	5.90%	5.00%

The following table summarizes the health care cost trend rates used in the last remeasurement of the accumulated postretirement benefit obligations (APBO) at December 31:

	Successor		Predecessor	
	December 31, 2009		December 31, 2008	
	U.S. Plans(a)	Non U.S. Plans(b)	U.S. Plans	Non U.S. Plans
<b>Assumed Healthcare Trend Rates</b>				
Initial healthcare cost trend rate	—%	5.4%	8.0%	5.5%
Ultimate healthcare cost trend rate	—%	3.3%	5.0%	3.3%
Number of years to ultimate trend rate	—	8	6	8

(a) As a result of modifications made to health care plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect on the U.S. plans.

(b) The implementation of the HCT in Canada is anticipated and will significantly reduce our exposure to changes in the healthcare cost trend rate.



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The following table summarizes the effect of a one-percentage point change in the assumed healthcare trend rates based on the last remeasurement of the benefit plans at December 31, 2009:

Change in Assumption	U.S. Plans(a)		Non-U.S. Plans	
	Effect on 2010 Aggregate Service and Interest Cost	Effect on December 31, 2009 APBO	Effect on 2010 Aggregate Service and Interest Cost	Effect on December 31, 2009 APBO
One percentage point increase	\$ —	\$ —	+\$ 14 million	+\$ 413 million
One percentage point decrease	\$ —	\$ —	-\$ 11 million	-\$ 331 million

(a) As a result of modifications made to health care plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect in the U.S.

### **Layoff Benefits**

UAW employees are provided with reduced wages and continued coverage under certain employee benefit programs through the U.S. SUB and TSP job security programs. The number of weeks that an employee receives these benefits depends on the employee's classification as well as the number of years of service that the employee has accrued. A similar tiered benefit is provided to CAW employees. Considerable management judgment and assumptions are required in calculating the related liability, including productivity initiatives, capacity actions and federal and state unemployment and stimulus payments. The assumptions for the related benefit costs include the incidence of mortality, retirement, turnover and the health care trend rate, which are applied on a consistent basis with the U.S. hourly defined benefit pension plan and other U.S. hourly benefit plans. While we believe our judgments and assumptions are reasonable, changes in the assumptions underlying these estimates, which we revise each quarter, could result in a material effect on the financial statements in a given period.

### **Deferred Taxes**

We establish and Old GM established valuation allowances for deferred tax assets based on a more likely than not threshold. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. We consider and Old GM considered the following possible sources of taxable income when assessing the realization of deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, our and Old GM's experience with tax attributes expiring unused and tax planning alternatives. In making such judgments, significant weight is given to evidence that can be objectively verified.

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence that is objective and verifiable, such as cumulative losses in recent years. Although we are a new company, and our ability to achieve future profitability was enhanced by the cost and liability reductions that occurred as a result of the Chapter 11 Proceedings and 363 Sale, Old GM's historic operating results remain relevant as they are reflective of the industry and the effect of economic conditions. The fundamental businesses and inherent

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risks in which we globally operate did not change from those in which Old GM operated. We utilize and Old GM utilized a rolling three years of actual and current year anticipated results as the primary measure of cumulative losses in recent years. However, because a substantial portion of those cumulative losses relate to various non-recurring matters, those three-year cumulative results are adjusted for the effect of these items. In addition the near- and medium-term financial outlook is considered when assessing the need for a valuation allowance.

If, in the future, we generate taxable income in jurisdictions where we have recorded full valuation allowances, on a sustained basis, our conclusion regarding the need for full valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of the valuation allowances. If our operations generate taxable income prior to reaching profitability on a sustained basis, we would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing our conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

The valuation of deferred tax assets requires judgment and accounting for deferred tax consequences of events that have been recorded in the financial statements or in the tax returns and our future profitability represents our best estimate of those future events. Changes in our current estimates, due to unanticipated events or otherwise, could have a material effect on our financial condition and results of operations. In 2008 because Old GM concluded there was substantial doubt related to its ability to continue as a going concern, it was determined that it was more likely than not that it would not realize its net deferred tax assets in most jurisdictions even though certain of these entities were not in three-year adjusted cumulative loss positions. In July 2009 with U.S. parent company liquidity concerns resolved in connection with the Chapter 11 Proceedings and the 363 Sale, to the extent there was no other significant negative evidence, we concluded that it is more likely than not that we would realize the deferred tax assets in jurisdictions not in three-year adjusted cumulative loss positions.

Refer to Note 22 to our audited consolidated financial statements for additional information on the recording of valuation allowances.

### ***Valuation of Vehicle Operating Leases and Lease Residuals***

In accounting for vehicle operating leases, a determination is made at the inception of a lease of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from nine months to four years. A customer is obligated to make payments during the term of a lease to the contract residual. A customer is not obligated to purchase a vehicle at the end of a lease and we and Old GM was exposed to a risk of loss to the extent the value of a vehicle is below the residual value estimated at contract inception.

Residual values are initially determined by consulting independently published residual value guides. Realization of residual values is dependent on the future ability to market vehicles under prevailing market conditions. Over the life of a lease, the adequacy of the estimated residual value is evaluated and adjustments are made to the extent the expected value of a vehicle at lease termination declines. Adjustments may be in the form of revisions to depreciation rates or recognition of impairment charges. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying amount of the asset. Additionally, for automotive retail leases, an adjustment may also be made to the estimate of sales incentive accruals for residual support and risk sharing programs initially recorded when the vehicles are sold.

With respect to residual values of automotive leases to daily rental car companies, due to the short-term nature of the operating leases, Old GM historically had forecasted auction proceeds at lease termination. In the three months ended December 31, 2008 forecasted auction proceeds in the United States differed significantly from actual auction proceeds due to highly volatile economic conditions, in particular a decline in consumer confidence and available consumer credit, which affected the residual values of vehicles at auction. Due to these significant uncertainties, Old GM determined that it no longer had a reliable basis to forecast auction proceeds in the United States and began utilizing current auction proceeds to estimate the residual values in the impairment analysis for the automotive leases to daily rental car companies, which is consistent with Old GM's impairment

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analyses for automotive retail leases. As a result of this change in estimate, Old GM recorded an incremental impairment charge of \$144 million in the three months ended December 31, 2008 related to the automotive leases to daily rental car companies that is included in Cost of sales.

In the six months ended June 30, 2010 we recorded impairment charges of \$15 million related to automotive retail leases to daily rental car companies. In the six months ended June 30, 2009 and in the year ended 2008 Old GM recorded impairment charges of \$16 million and \$377 million (which includes an increase of \$220 million in intersegment residual support and risk sharing reserves) related to its automotive retail leases and \$45 million and \$382 million related to automotive leases to daily rental car companies.

We continue to use the lower of forecasted or current auction proceeds to estimate residual values. Significant differences between the estimate of residual values and actual experience may materially affect impairment charges recorded, if any, and the rate at which vehicles in the Equipment on operating leases, net are depreciated. Significant differences will also affect the residual support and risk sharing reserves established as a result of certain agreements with Ally Financial, whereby Ally Financial is reimbursed up to an agreed-upon percentage of certain residual value losses they experience on their operating lease portfolio. During the six months ended June 30, 2010, favorable adjustments of \$0.4 billion were recorded in the U.S. due to increases in estimated residual values.

The following table illustrates the effect of changes in our estimate of vehicle sales proceeds at lease termination on residual support and risk sharing reserves related to vehicles owned by Ally Financial at June 30, 2010 and December 31, 2009, holding all other assumptions constant (dollars in millions):

	<u>June 30, 2010</u> Effect on Residual Support and Risk Sharing Reserves	<u>December 31, 2009</u> Effect on Residual Support and Risk Sharing Reserves
10% increase in vehicle sales proceeds	-\$141 million	-\$534 million
10% decrease in vehicle sales proceeds	+\$401 million	+\$381 million

The critical assumptions underlying the estimated carrying amount of Equipment on operating leases, net include: (1) estimated market value information obtained and used in estimating residual values; (2) proper identification and estimation of business conditions; (3) remarketing abilities; and (4) vehicle and marketing programs. Changes in these assumptions could have a significant effect on the estimate of residual values.

Due to the contractual terms of our residual support and risk sharing agreements with Ally Financial, which currently limit our maximum obligation to Ally Financial should vehicle residual values decrease, an increase in sales proceeds does not have the equivalent offsetting effect on our residual support and risk sharing reserves as a decrease in sales proceeds. At June 30, 2010 our maximum obligations to Ally Financial under our residual support and risk sharing agreements were \$0.9 billion and \$1.1 billion, our recorded receivable under our residual support agreements was \$18 million, and our recorded liability under our risk sharing agreements was \$401 million. At December 31, 2009 our maximum obligations to Ally Financial under our residual support and risk sharing agreements were \$1.2 billion and \$1.4 billion, and our recorded liabilities under our residual support and risk sharing agreements were \$369 million and \$366 million.

When a lease vehicle is returned to us, the asset is reclassified from Equipment on operating leases, net to Inventory at the lower of cost or estimated selling price, less cost to sell.

### ***Impairment of Goodwill***

Goodwill is tested for impairment in the fourth quarter of each year for all reporting units, or more frequently if events occur or circumstances change that would warrant such a review. Our reporting units are GMNA, GME, and various reporting units within the GMIO segment. The fair values of the reporting units are determined based on valuation techniques using the best available information, primarily discounted cash flow projections. We make significant assumptions and estimates about the extent and timing of future cash flows,

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growth rates and discount rates. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to a high degree of uncertainty. While we believe that the assumptions and estimates used to determine the estimated fair values of each of our reporting units are reasonable, a change in assumptions underlying these estimates could result in a material effect on the financial statements.

At June 30, 2010 and December 31, 2009 we had goodwill of \$30.2 billion and \$30.7 billion, which predominately arose upon the application of fresh-start reporting. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value, and the difference between the U.S. GAAP and fair value amounts gives rise to goodwill, which is a residual. Our employee benefit related accounts were recorded in accordance with ASC 712 and ASC 715 and deferred income taxes were recorded in accordance with ASC 740. Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in goodwill. If all identifiable assets and liabilities had been recorded at fair value upon application of fresh-start reporting, no goodwill would have resulted.

In the future, we have an increased likelihood of measuring goodwill for possible impairment during our annual or event-driven goodwill impairment testing. An event-driven impairment test is required if it is more likely than not that the fair value of a reporting unit is less than its net book value. Because our reporting units were recorded at their fair values upon application of fresh-start reporting, it is more likely a decrease in the fair value of our reporting units from their fresh-start reporting values could occur, and such a decrease would trigger the need to measure for possible goodwill impairments.

Future goodwill impairments could occur should the fair value-to-U.S. GAAP adjustments differences decrease. Goodwill resulted from our recorded liabilities for certain employee benefit obligations being higher than the fair value of these obligations because lower discount rates were utilized in determining the U.S. GAAP values compared to those utilized to determine fair values. The discount rates utilized to determine the fair value of these obligations were based on our incremental borrowing rates, which included our nonperformance risk. Our incremental borrowing rates are also affected by changes in market interest rates. Further, the recorded amounts of our assets were lower than their fair values because of the recording of valuation allowances on certain of our deferred tax assets. The difference between these fair value-to-U.S. GAAP amounts would decrease upon an improvement in our credit rating, thus resulting in a decrease in the spread between our employee benefit related obligations under U.S. GAAP and their fair values. A decrease will also occur upon reversal of our deferred tax asset valuation allowances. Should the fair value-to-U.S. GAAP adjustments differences decrease for these reasons, the implied goodwill balance will decline. Accordingly, at the next annual or event-driven goodwill impairment test, to the extent the carrying value of a reporting unit exceeds its fair value, a goodwill impairment could occur.

In the three months ended June 30, 2010 there were event-driven changes in circumstances within our GME reporting unit that warranted the testing of goodwill for impairment. In the three months ended June 30, 2010 anticipated competitive pressure on our margins in the near- and medium-term led us to believe that the goodwill associated with our GME reporting unit may be impaired. Utilizing the best available information as of June 30, 2010 we performed a step one goodwill impairment test for our GME reporting unit, and concluded that goodwill was not impaired. The fair value of our GME reporting unit was estimated to be approximately \$325 million over its carrying amount. If we had not passed step one, we believe the amount of any goodwill impairment would approximate \$140 million representing the net decrease, from July 9, 2009 through June 30, 2010, in the fair value to U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill.

We utilized a discounted cash flow methodology to estimate the fair value of our GME reporting unit. The valuation methodologies utilized were consistent with those used in our application of fresh-start reporting on July 10, 2009, as discussed in Note 2 to our audited consolidated financial statements, and in our 2009 annual and event-driven GME impairment tests and resulted in Level 3 measures within the valuation hierarchy.

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Assumptions used in our discounted cash flow analysis that had the most significant effect on the estimated fair value of our GME reporting unit include:

- Our estimated weighted-average cost of capital (WACC);
- Our estimated long-term growth rates; and
- Our estimate of industry sales and our market share.

We used a WACC of 22.0% that considered various factors including bond yields, risk premiums, and tax rates; a terminal value that was determined using a growth model that applied a long-term growth rate of 0.5% to our projected cash flows beyond 2015; and industry sales of 18.4 million vehicles and a market share for Opel/Vauxhall of 6.45% based on vehicle sales volume in 2010 increasing to industry sales of 22.0 million vehicles and a market share of 7.4% in 2015.

Our fair value estimate assumes the achievement of the future financial results contemplated in our forecasted cash flows, and there can be no assurance that we will realize that value. The estimates and assumptions used are subject to significant uncertainties, many of which are beyond our control, and there is no assurance that anticipated financial results will be achieved.

The following table summarizes the approximate effects that a change in the WACC and long-term growth rate assumptions would have had on our determination of the fair value of our GME reporting unit at June 30, 2010 keeping all other assumptions constant (dollars in millions):

<b>Change in Assumption</b>	<b>Effect on Fair Value of GME Reporting Unit at June 30, 2010</b>
One percentage point decrease in WACC	+\$272
One percentage point increase in WACC	-\$247
One-half percentage point increase in long-term growth rate	+\$38
One-half percentage point decrease in long-term growth rate	-\$36

Refer to Note 8 to our unaudited condensed consolidated interim financial statements for additional information on goodwill impairments.

During the three months ended December 31, 2009 we performed our annual goodwill impairment testing for all reporting units and additional event-driven impairment testing for our GME and certain other reporting units in GMIO. Based on this testing, we determined that goodwill was not impaired. Refer to Notes 12 and 25 to our audited consolidated financial statements for additional information on goodwill impairments.

### ***Impairment of Long-Lived Assets***

The carrying amount of long-lived assets held and used in the business is periodically evaluated, including finite-lived intangible assets, when events and circumstances warrant. If the carrying amount of a long-lived asset group is considered impaired, a loss is recorded based on the amount by which the carrying amount exceeds the fair value for the asset group. Product-specific long-lived assets are tested at the platform level. Non-product line specific long-lived assets are tested on a regional basis in GMNA and GME and tested at our various reporting units within our GMIO segment. For assets classified as held for sale, such assets are recorded at the lower of carrying amount or fair value less cost to sell. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. We develop anticipated cash flows from historical experience and internal business plans. A considerable amount of management judgment and assumptions are required in performing the long-lived asset impairment tests, principally in determining the fair value of the asset groups and the assets' average estimated useful life. While we believe our judgments and assumptions are reasonable; a change in assumptions underlying these estimates could result in a material effect on the audited consolidated financial statements and unaudited condensed consolidated interim financial statements. Long-lived assets could become impaired in the future as a result of declines in profitability due to significant changes in volume, pricing or costs. Refer to Note 25 to our audited consolidated financial statements for additional information on impairments of long-lived assets and intangibles.

### **Valuation of Cost and Equity Method Investments**

When events and circumstances warrant, equity investments accounted for under the cost or equity method of accounting are evaluated for impairment. An impairment charge would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In determining if a decline is other than temporary we consider and Old GM considered such factors as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity affiliate, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is based upon valuation techniques that use, where possible, market-based inputs. Generally, fair value is estimated using a combination of the income approach and the market approach. Under the income approach, estimated future cash flows are discounted at a rate commensurate with the risk involved using marketplace assumptions. Under the market approach, valuations are based on actual comparable market transactions and market earnings and book value multiples for the same or comparable entities. The assumptions used in the income and market approaches have a significant effect on the determination of fair value. Significant assumptions include estimated future cash flows, appropriate discount rates, and adjustments to market transactions and market multiples for differences between the market data and the investment being valued. Changes to these assumptions could have a significant effect on the valuation of cost and equity method investments.

In the three months ended December 31, 2009 we recorded impairment charges related to our investment in Ally Financial common stock of \$270 million. We determined the fair value of our investment in Ally Financial common stock using a market multiple, sum-of-the-parts methodology. This methodology considered the average price/tangible book value multiples of companies deemed comparable to each of Ally Financial's operations, which were then aggregated to determine Ally Financial's overall fair value. Based on our analysis, the estimated fair value of our investment in Ally Financial common stock was determined to be \$970 million, resulting in an impairment charge of \$270 million. The following table illustrates the effect of a 0.1 change in the average price/tangible book value multiple on our impairment charge:

<u>Change in Assumption</u>	<u>Effect on December 31, 2009 Impairment Charge</u>
0.1 increase in average price/tangible book value multiple	+\$100 million
0.1 decrease in average price/tangible book value multiple	-\$100 million

At December 31, 2009 the balance of our investment in Ally Financial common stock was \$970 million and the balance of our investment in Ally Financial preferred stock was \$665 million.

### **Derivatives**

Derivatives are used in the normal course of business to manage exposure to fluctuations in commodity prices and interest and foreign currency exchange rates. Derivatives are accounted for in the consolidated balance sheet as assets or liabilities at fair value.

Significant judgments and estimates are used in estimating the fair values of derivative instruments, particularly in the absence of quoted market prices. Internal models are used to value a majority of derivatives. The models use, as their basis, readily observable market inputs, such as time value, forward interest rates, volatility factors, and current and forward market prices for commodities and foreign currency exchange rates.

The valuation of derivative liabilities also takes into account nonperformance risk. At June 30, 2010 and December 31, 2009 our nonperformance risk was not observable through the credit default swap market. Our

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nonperformance risk was estimated based on an analysis of comparable industrial companies to determine the appropriate credit spread which would be applied to us by market participants. Refer to Note 16 to our unaudited condensed consolidated interim financial statements and Note 20 to our audited consolidated financial statements for additional information on derivative financial instruments.

### ***Sales Incentives***

The estimated effect of sales incentives to dealers and customers is recorded as a reduction of revenue, and in certain instances, as an increase to cost of sales, at the later of the time of sale or announcement of an incentive program to dealers. There may be numerous types of incentives available at any particular time, including a choice of incentives for a specific model. Incentive programs are generally brand specific, model specific or region specific, and are for specified time periods, which may be extended. Significant factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product, product mix and the rate of customer acceptance of any incentive program, and the likelihood that an incentive program will be extended, all of which are estimated based on historical experience and assumptions concerning customer behavior and future market conditions. Additionally, when an incentive program is announced, the number of vehicles in dealer inventory eligible for the incentive program is determined, and a reduction of revenue or increase to cost of sales is recorded in the period in which the program is announced. If the actual number of affected vehicles differs from this estimate, or if a different mix of incentives is actually paid, the reduction in revenue or increase to cost of sales for sales incentives could be affected. As discussed previously, there are a multitude of inputs affecting the calculation of the estimate for sales incentives, and an increase or decrease of any of these variables could have a significant effect on recorded sales incentives.

### ***Policy, Warranty and Recalls***

The estimated costs related to policy and product warranties are accrued at the time products are sold, and the estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated. These estimates are established using historical information on the nature, frequency, and average cost of claims of each vehicle line or each model year of the vehicle line. However, where little or no claims experience exists for a model year or a vehicle line, the estimate is based on long-term historical averages. Revisions are made when necessary, based on changes in these factors. These estimates are re-evaluated on an ongoing basis. We actively study trends of claims and take action to improve vehicle quality and minimize claims. Actual experience could differ from the amounts estimated requiring adjustments to these liabilities in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing estimates, changes in our assumptions could materially affect our results of operations.

### **Accounting Standards Not Yet Adopted**

Accounting standards not yet adopted are discussed in Note 3 to our unaudited condensed consolidated interim financial statements.

### **Quantitative and Qualitative Disclosures About Market Risk**

We and Old GM entered into a variety of foreign currency exchange, interest rate and commodity forward contracts and options to manage exposures arising from market risks resulting from changes in foreign currency exchange rates, interest rates and certain commodity prices. We do not enter into derivative transactions for speculative purposes.

The overall financial risk management program is under the responsibility of the Risk Management Committee, which reviews and, where appropriate, approves strategies to be pursued to mitigate these risks. A risk management control framework is utilized to monitor the strategies, risks and related hedge positions, in accordance with the policies and procedures approved by the Risk Management Committee.

In August 2010 we changed our risk management policy. Our prior policy was intended to reduce volatility of forecasted cash flows primarily through the use of forward contracts and swaps. The intent of the new policy

is primarily to protect against risk arising from extreme adverse market movements on our key exposures and involves a shift to greater use of purchased options.

A discussion of our and Old GM's accounting policies for derivative financial instruments is included in Note 4 to our audited consolidated financial statements. Further information on our exposure to market risk is included in Note 20 to our audited consolidated financial statements.

In 2008 credit market volatility increased significantly, creating broad credit concerns. In addition, Old GM's credit standing and liquidity position in the first half of 2009 and the Chapter 11 Proceedings severely limited its ability to manage risks using derivative financial instruments as most derivative counterparties were unwilling to enter into transactions with Old GM. Subsequent to the 363 Sale and through December 31, 2009, we were largely unable to enter forward contracts pending the completion of negotiations with potential derivative counterparties. In August 2010 we executed new agreements with counterparties that enable us to enter into options, forward contracts and swaps.

In accordance with the provisions of ASC 820-10, "Fair Value Measurements and Disclosures," which requires companies to consider nonperformance risk as part of the measurement of fair value of derivative liabilities, we record changes in the fair value of our derivative liabilities based on our current credit standing. At June 30, 2010 the fair value of derivatives in a net liability position was \$340 million.

The following analyses provide quantitative information regarding exposure to foreign currency exchange rate risk, interest rate risk, commodity price risk and equity price risk. Sensitivity analysis is used to measure the potential loss in the fair value of financial instruments with exposure to market risk. The models used assume instantaneous, parallel shifts in exchange rates, interest rate yield curves and commodity prices. For options and other instruments with nonlinear returns, models appropriate to these types of instruments are utilized to determine the effect of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, primarily due to the assumption that interest rates and commodity prices change in a parallel fashion and that spot exchange rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled and do not contemplate the effects of correlations between foreign currency pairs, or offsetting long-short positions in currency pairs which may significantly reduce the potential loss in value.

#### ***Foreign Currency Exchange Rate Risk***

We and Old GM had foreign currency exposures related to buying, selling, and financing in currencies other than the functional currencies of our and Old GM's operations. Derivative instruments, such as foreign currency forwards, swaps and options are used primarily to hedge exposures with respect to forecasted revenues, costs and commitments denominated in foreign currencies. At June 30, 2010 such contracts have remaining maturities of up to 14 months. At June 30, 2010 our three most significant foreign currency exposures are the U.S. Dollar/Korean Won, Euro/British Pound and Euro/Korean Won.

At June 30, 2010, December 31, 2009 and 2008 the net fair value liability of financial instruments with exposure to foreign currency risk was \$3.6 billion, \$5.9 billion and \$6.3 billion. This presentation utilizes a population of foreign currency exchange derivatives and foreign currency denominated debt and excludes the offsetting effect of foreign currency cash, cash equivalents and other assets. The potential loss in fair value for such financial instruments from a 10% parallel shift in all quoted foreign currency exchange rates would be \$589 million, \$941 million and \$2.3 billion at June 30, 2010, December 31, 2009 and 2008.

We and Old GM was also exposed to foreign currency risk due to the translation of the results of certain international operations into U.S. Dollars as part of the consolidation process. Fluctuations in foreign currency exchange rates can therefore create volatility in the results of operations and may adversely affect our and Old GM's financial position. The effect of foreign currency exchange rate translation on our consolidated financial position was a net translation loss of \$189 million in the six months ended June 30, 2010 and a gain of \$157



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million in the period July 10, 2009 through December 31, 2009. The effect of foreign currency exchange rate translation on Old GM's consolidated financial position was a net translation gain of \$232 million in the period January 1, 2009 through July 9, 2009 and a net translation loss of \$1.2 billion in the year ended December 31, 2008. These gains and losses were recorded as an adjustment to Total stockholders' deficit through Accumulated other comprehensive income (loss). The effects of foreign currency exchange rate transactions were a loss of \$33 million in the six months ended June 30, 2010 a loss of \$755 million in the period July 10, 2009 through December 31, 2009, a loss of \$1.1 billion in the period January 1, 2009 through July 9, 2009 and a gain of \$1.7 billion in the year ended December 31, 2008.

### ***Interest Rate Risk***

We and Old GM was subject to market risk from exposure to changes in interest rates due to financing activities. Interest rate risk in Old GM was managed primarily with interest rate swaps. The interest rate swaps Old GM entered into usually involved the exchange of fixed for variable rate interest payments to effectively convert fixed rate debt into variable rate debt in order to achieve a target range of variable rate debt. At June 30, 2010 we did not have any interest rate swap derivative positions to manage interest rate exposures.

At June 30, 2010 we had fixed rate short-term debt of \$4.4 billion and variable rate short-term debt of \$1.1 billion. Of this fixed rate short-term debt, \$3.2 billion was denominated in U.S. Dollars and \$1.2 billion was denominated in foreign currencies. Of the variable rate short-term debt, \$339 million was denominated in U.S. Dollars and \$796 million was denominated in foreign currencies.

At December 31, 2009 we had fixed rate short-term debt of \$592 million and variable rate short-term debt of \$9.6 billion. Of this fixed rate short-term debt, \$232 million was denominated in U.S. Dollars and \$360 million was denominated in foreign currencies. Of the variable rate short-term debt, \$6.2 billion was denominated in U.S. Dollars and \$3.4 billion was denominated in foreign currencies.

At June 30, 2010 we had fixed rate long-term debt of \$2.1 billion and variable rate long-term debt of \$588 million. Of this fixed rate long-term debt, \$576 million was denominated in U.S. Dollars and \$1.5 billion was denominated in foreign currencies. Of the variable rate long-term debt, \$358 million was denominated in U.S. Dollars and \$230 million was denominated in foreign currencies.

At December 31, 2009 we had fixed rate long-term debt of \$4.7 billion and variable rate long-term debt of \$873 million. Of this fixed rate long-term debt, \$3.4 billion was denominated in U.S. Dollars and \$1.3 billion was denominated in foreign currencies. Of the variable rate long-term debt, \$551 million was denominated in U.S. Dollars and \$322 million was denominated in foreign currencies.

At June 30, 2010, December 31, 2009 and 2008 the net fair value liability of financial instruments with exposure to interest rate risk was \$7.8 billion, \$16.0 billion and \$17.0 billion. The potential increase in fair value at June 30, 2010 resulting from a 10% decrease in quoted interest rates would be \$226 million. The potential increase in fair value at December 31, 2009 resulting from a 10% decrease in quoted interest rates would be \$402 million. The potential increase in fair value at December 31, 2008 resulting from a 10 percentage point increase in quoted interest rates would be \$3.6 billion.

### ***Commodity Price Risk***

We and Old GM was exposed to changes in prices of commodities used in the automotive business, primarily associated with various non-ferrous and precious metals for automotive components and energy used in the overall manufacturing process. Certain commodity purchase contracts meet the definition of a derivative. Old GM entered into various derivatives, such as commodity swaps and options, to offset its commodity price exposures. We resumed a derivative commodity hedging program using options in December 2009.

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At June 30, 2010, December 31, 2009 and 2008 the net fair value asset (liability) of commodity derivatives was \$24 million, \$11 million and (\$553) million. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would be \$13 million, \$6 million and \$109 million at June 30, 2010, December 31, 2009 and 2008. This amount excludes the offsetting effect of the commodity price risk inherent in the physical purchase of the underlying commodities.

### ***Equity Price Risk***

We and Old GM was exposed to changes in prices of equity securities held. We typically do not attempt to reduce our market exposure to these equity instruments. Our exposure includes certain investments we hold in warrants of other companies. At June 30, 2010 and December 31, 2009 the fair value of these warrants was \$25 million. At June 30, 2010 and December 31, 2009 our exposure also includes investments of \$30 million and \$32 million in equity securities classified as trading. At December 31, 2008 Old GM had investments of \$24 million in equity securities classified as available-for-sale. These amounts represent the maximum exposure to loss from these investments.

At June 30, 2010, the carrying amount of cost method investments was \$1.7 billion, of which the carrying amounts of our investments in Ally Financial common stock and Ally Financial preferred stock were \$966 million and \$665 million. At December 31, 2009 the carrying amount of cost method investments was \$1.7 billion, of which the carrying amounts of our investments in Ally Financial common stock and preferred stock were \$970 million and \$665 million. At December 31, 2008 the carrying amount of cost method investments was \$98 million, of which the carrying amount of the investment in Ally Financial Preferred Membership Interests was \$43 million. These amounts represent the maximum exposure to loss from these investments. On June 30, 2009 Ally Financial converted from a tax partnership to a C corporation and, as a result, our equity ownership in Ally Financial was converted from membership interests to shares of capital stock. Also, on June 30, 2009 Old GM began to account for its investment in Ally Financial common stock as a cost method investment. On July 10, 2009 as a result of our application of fresh-start reporting, we recorded an increase of \$1.3 billion and \$629 million to the carrying amounts of our investments in Ally Financial common stock and preferred stock to reflect their estimated fair value of \$1.3 billion and \$665 million. In the period July 10, 2009 through December 31, 2009 we recorded impairment charges of \$270 million related to our investment in Ally Financial common stock and \$4 million related to other cost method investments. In the year ended 2008 Old GM recorded impairment charges of \$1.0 billion related to its investment in Ally Financial Preferred Membership Interests.

### ***Counterparty Risk***

We are exposed to counterparty risk on derivative contracts, which is the loss we could incur if a counterparty to a derivative contract defaulted. We enter into agreements with counterparties that allow the set-off of certain exposures in order to manage this risk.

Our counterparty risk is managed by our Risk Management Committee, which establishes exposure limits by counterparty. We monitor and report our exposures to the Risk Management Committee and our Treasurer on a periodic basis. At June 30, 2010 a majority of all of our counterparty exposures are with counterparties that are rated A or higher.

### ***Concentration of Credit Risk***

We are exposed to concentration of credit risk primarily through holding cash and cash equivalents (which include money market funds), short- and long-term investments and derivatives. As part of our risk management process, we monitor and evaluate the credit standing of the financial institutions with which we do business. The financial institutions with which we do business are generally highly rated and geographically dispersed.

We are exposed to credit risk related to the potential inability to access liquidity in money market funds we invested in if the funds were to deny redemption requests. As part of our risk management process, we invest in large funds that are managed by reputable financial institutions. We also follow investment guidelines to limit our exposure to individual funds and financial institutions.

## BUSINESS

### Launch of the New General Motors

General Motors Company was formed by the UST in 2009, and prior to July 10, 2009, our business was operated by Old GM. On June 1, 2009, Old GM and three of its domestic direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. On July 10, 2009, we, through certain of our subsidiaries, acquired substantially all of the assets and assumed certain liabilities of Old GM in connection with the 363 Sale closing.

Through our purchase of substantially all of the assets and assumption of certain liabilities of Old GM in connection with the 363 Sale, we have launched a new company with a strong balance sheet, a competitive cost structure, and a strong cash position, which we believe will enable us to compete more effectively with our U.S. and foreign-based competitors in the U.S. and to continue our strong presence in growing global markets. In particular, we acquired assets that included Old GM's strongest operations, and we believe we will have a competitive operating cost structure, partly as a result of recent agreements with the UAW and CAW.

We have a vision to design, build and sell the world's best vehicles. Our executive leadership and our employees are committed to:

- Building our market share, revenue, earnings and cash flow;
- Improving the quality of our cars and trucks, while increasing customer satisfaction and overall perception of our products; and
- Continuing to take a leadership role in the development of advanced energy saving technologies, including advanced combustion engines, biofuels, fuel cells, hybrid vehicles, extended-range-electric vehicles, and advanced battery development.

### General

We develop, produce and market cars, trucks and parts worldwide. We also provide automotive financing services through GM Financial, which we acquired on October 1, 2010.

#### *Automotive*

Our automotive operations meet the demands of our customers through our three segments: GMNA, GME and GMIO.

In the year ended December 31, 2009, we combine our vehicle sales data, market share data and production volume data in the period July 10, 2009 through December 31, 2009 with Old GM's data in the period January 1, 2009 through July 9, 2009 for comparative purposes.

Total combined GM and Old GM worldwide vehicle sales in the year ended December 31, 2009 were 7.5 million. Old GM's total worldwide vehicle sales were 8.4 million and 9.4 million in the years ended December 31, 2008 and 2007. GM's total worldwide vehicle sales in the six months ended June 30, 2010 were 4.2 million. Substantially all of the cars, trucks and parts are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following four brands:

ÿ Buick	ÿ Cadillac	ÿ Chevrolet	ÿ GMC
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The demands of customers outside North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

ÿ Buick	ÿ Daewoo	ÿ Holden	ÿ Opel
ÿ Cadillac	ÿ GMC	ÿ Isuzu	ÿ Vauxhall
ÿ Chevrolet			

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At June 30, 2010, we had equity ownership stakes directly or indirectly through various regional subsidiaries, including GM Daewoo Auto & Technology Co. (GM Daewoo), Shanghai General Motors Co., Ltd., SAIC-GM-Wuling Automobile Co., Ltd. (SGMW), FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM) and SAIC GM Investment Limited (HKJV). These companies design, manufacture and market vehicles under the following brands:

ÿ Buick	ÿ Daewoo	ÿ GMC	ÿ Jiefang
ÿ Cadillac	ÿ FAW	ÿ Holden	ÿ Wuling
ÿ Chevrolet			

In addition to the products we sell to our dealers for consumer retail sales, we also sell cars and trucks to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through our network of dealers and in some cases directly by us. Our retail and fleet customers can obtain a wide range of aftersale vehicle services and products through our dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

### ***Automotive Financing***

On July 21, 2010 we entered into a definitive agreement to acquire 100% of the outstanding equity interests of AmeriCredit, an independent automobile finance company, for cash of approximately \$3.5 billion. On September 29, 2010 the stockholders of AmeriCredit approved the acquisition, and on October 1, 2010 we completed the acquisition and changed the name from AmeriCredit to GM Financial.

GM Financial is an automotive finance company specializing in purchasing retail automobile installment sales contracts originated by franchised and select independent dealers in connection with the sale of used and new automobiles. The majority of GM Financial's loan purchasing and servicing activities involve sub-prime automobile receivables. Sub-prime borrowers are associated with higher-than-average delinquency and default rates. GM Financial generates revenue and cash flows primarily through the purchase, retention, subsequent securitization and servicing of finance receivables. To fund the acquisition of receivables prior to securitization, GM Financial uses available cash and borrowings under its credit facilities. GM Financial earns finance charge income on the finance receivables and pays interest expense on borrowings under its credit facilities.

Through wholly-owned subsidiaries, GM Financial periodically transfers receivables to securitization trusts that issue asset-backed securities to investors. GM Financial retains an interest in these securitization transactions in the form of restricted cash accounts and overcollateralization, whereby more receivables are transferred to the securitization trusts than the amount of asset-backed securities issued by the securitization trusts, as well as the estimated future excess cash flows expected to be received by GM Financial over the life of the securitization. Excess cash flows result from the difference between the finance charges received from the obligors on the receivables and the interest paid to investors in the asset-backed securities, net of credit losses and expenses.

Excess cash flows from the securitization trusts are initially utilized to fund credit enhancement requirements in order to attain specific credit ratings for the asset-backed securities issued by the securitization trusts. Once targeted credit enhancement requirements are reached and maintained, excess cash flows are distributed to GM Financial or, in a securitization utilizing a senior subordinated structure, may be used to accelerate the repayment of certain subordinated securities. In addition to excess cash flows, GM Financial receives monthly base servicing fees and collects other fees, such as late charges, as servicer for securitization trusts. For securitization transactions that involve the purchase of a financial guaranty insurance policy, credit enhancement requirements will increase if specified portfolio performance ratios are exceeded. Excess cash flows otherwise distributable to GM Financial from securitization trusts in which the portfolio performance ratios were exceeded and from other securitization trusts which may be subject to limited cross-collateralization provisions are accumulated in the securitization trusts until such higher levels of credit enhancement are reached and maintained. Senior subordinated securitizations typically do not utilize portfolio performance ratios.

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GM Financial accounts for its securitization transactions as secured financings. Accordingly, following a securitization, the finance receivables and the related securitization notes payable remain on the consolidated balance sheets. GM Financial recognizes finance charge and fee income on the receivables and interest expense on the securities issued in the securitization transaction and records a provision for loan losses to cover probable loan losses on the receivables.

### Brand Rationalization

We have focused our resources in the U.S. on four brands: Chevrolet, Cadillac, Buick and GMC. As a result, we have sold our Saab brand and have ceased production of our Pontiac, Saturn and HUMMER brands. Refer to the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Specific Management Initiatives—Brand Rationalization.”

### Opel/Vauxhall Restructuring Activities

In February 2010 we presented our plan for the long-term viability of our Opel/Vauxhall operations to the German federal government. Our plan included funding requirement estimates of Euro 3.7 billion (equivalent to \$5.1 billion) of which we planned to fund Euro 1.9 billion (equivalent to \$2.6 billion) with the remaining funding from European governments.

In June 2010 the German federal government notified us of its decision not to provide loan guarantees to Opel/Vauxhall. As a result we have decided to fund the requirements of Opel/Vauxhall internally. Opel/Vauxhall has subsequently withdrawn all applications for government loan guarantees from European governments. Refer to the section of this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Specific Management Initiatives—Opel/Vauxhall Restructuring Activities” for a further discussion of the Opel/Vauxhall operations long-term viability plan.

### Vehicle Sales

The following tables summarize total industry sales of new motor vehicles of domestic and foreign makes and the related competitive position (vehicles in thousands):

	Six Months Ended June 30, 2010			Vehicle Sales (a)(b)(c)								
				Years Ended December 31,			2009			2008		
	Industry	GM	GM as a % of Industry	Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Industry	Old GM	Old GM as a % of Industry	Industry	Old GM	Old GM as a % of Industry
United States												
Cars												
Midsize	1,257	243	19.3%	2,288	518	22.7%	2,920	760	26.0%	3,410	884	25.9%
Small	1,029	98	9.5%	2,051	202	9.8%	2,547	328	12.9%	2,605	381	14.6%
Luxury	401	31	7.7%	778	69	8.8%	1,017	122	12.0%	1,184	157	13.3%
Sport	138	53	38.6%	253	85	33.7%	272	48	17.7%	372	68	18.2%
Total cars	2,825	425	15.0%	5,370	874	16.3%	6,756	1,257	18.6%	7,571	1,489	19.7%
Trucks												
Utilities	1,714	371	21.6%	3,071	642	20.9%	3,654	809	22.1%	4,752	1,136	23.9%
Pick-ups	743	247	33.2%	1,404	487	34.7%	1,993	738	37.0%	2,710	979	36.1%
Vans	331	35	10.6%	583	68	11.7%	841	151	17.9%	1,119	219	19.6%
Medium Duty	94	3	3.1%	177	13	7.2%	259	26	10.0%	321	44	13.7%
Total trucks	2,882	656	22.8%	5,236	1,210	23.1%	6,746	1,723	25.5%	8,902	2,377	26.7%
Total United States	5,708	1,081	18.9%	10,607	2,084	19.7%	13,503	2,981	22.1%	16,473	3,867	23.5%
Canada, Mexico, and Other	1,289	198	15.4%	2,470	399	16.2%	3,065	585	19.1%	3,161	650	20.6%
Total GMNA	6,998	1,280	18.3%	13,076	2,485	19.0%	16,567	3,565	21.5%	19,634	4,516	23.0%
GMIO	19,742	2,026	10.3%	32,529	3,326	10.2%	29,291	2,751	9.4%	28,173	2,672	9.5%
GME	9,782	846	8.6%	18,850	1,669	8.9%	21,968	2,043	9.3%	23,123	2,182	9.4%
Total Worldwide	36,522	4,152	11.4%	64,455	7,479	11.6%	67,826	8,359	12.3%	70,929	9,370	13.2%

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	Six Months Ended June 30,			Vehicle Sales (a)(b)(c)(d)								
	2010			2009			2008			2007		
	Industry	GM	GM as a % of Industry	Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Industry	Old GM	Old GM as a % of Industry	Industry	Old GM	Old GM as a % of Industry
<b>GMNA (e)</b>												
United States	5,708	1,081	18.9%	10,607	2,084	19.7%	13,503	2,981	22.1%	16,473	3,867	23.5%
Canada	798	123	15.5%	1,483	254	17.1%	1,674	359	21.4%	1,691	404	23.9%
Mexico	382	72	19.0%	774	138	17.9%	1,071	212	19.8%	1,146	230	20.1%
Other	109	3	3.1%	213	7	3.4%	320	13	4.2%	325	16	4.8%
<b>Total GMNA</b>	<b>6,998</b>	<b>1,280</b>	<b>18.3%</b>	<b>13,076</b>	<b>2,485</b>	<b>19.0%</b>	<b>16,567</b>	<b>3,565</b>	<b>21.5%</b>	<b>19,634</b>	<b>4,516</b>	<b>23.0%</b>
<b>GMIO (f)(g)(h)</b>												
China	9,143	1,209	13.2%	13,745	1,826	13.3%	9,074	1,095	12.1%	8,457	1,032	12.2%
Brazil	1,580	302	19.1%	3,141	596	19.0%	2,820	549	19.5%	2,463	499	20.3%
Australia	531	69	12.9%	937	121	12.9%	1,012	133	13.1%	1,050	149	14.2%
Middle East Operations	565	55	9.8%	1,053	117	11.1%	1,545	144	9.3%	1,276	136	10.7%
South Korea	752	58	7.7%	1,455	115	7.9%	1,215	117	9.7%	1,271	131	10.3%
Argentina	338	56	16.5%	517	79	15.2%	616	95	15.5%	573	92	16.1%
India	1,461	60	4.1%	2,257	69	3.1%	1,971	66	3.3%	1,989	60	3.0%
Colombia	107	36	33.6%	185	67	36.1%	219	80	36.3%	252	93	36.8%
Egypt	122	32	26.3%	206	52	25.5%	262	60	23.1%	227	40	17.5%
Venezuela	59	24	41.4%	137	49	36.1%	272	90	33.2%	492	151	30.7%
Other	5,084	125	2.5%	8,896	235	2.6%	10,285	322	3.1%	10,123	289	2.9%
<b>Total GMIO</b>	<b>19,742</b>	<b>2,026</b>	<b>10.3%</b>	<b>32,529</b>	<b>3,326</b>	<b>10.2%</b>	<b>29,291</b>	<b>2,751</b>	<b>9.4%</b>	<b>28,173</b>	<b>2,672</b>	<b>9.5%</b>
<b>GME (f)</b>												
Germany	1,598	129	8.1%	4,049	382	9.4%	3,425	300	8.8%	3,482	331	9.5%
United Kingdom	1,235	158	12.8%	2,223	287	12.9%	2,485	384	15.4%	2,800	427	15.2%
Italy	1,265	96	7.6%	2,358	189	8.0%	2,423	202	8.3%	2,778	237	8.5%
Russia	810	67	8.3%	1,511	142	9.4%	3,024	338	11.2%	2,707	260	9.6%
France	1,441	63	4.4%	2,685	119	4.4%	2,574	114	4.4%	2,584	125	4.8%
Spain	677	63	9.3%	1,075	94	8.7%	1,363	107	7.8%	1,939	171	8.8%
Other	2,756	270	9.8%	4,949	455	9.2%	6,674	599	9.0%	6,832	632	9.2%
<b>Total GME</b>	<b>9,782</b>	<b>846</b>	<b>8.6%</b>	<b>18,850</b>	<b>1,669</b>	<b>8.9%</b>	<b>21,968</b>	<b>2,043</b>	<b>9.3%</b>	<b>23,123</b>	<b>2,182</b>	<b>9.4%</b>
<b>Total Worldwide (f)</b>	<b>36,522</b>	<b>4,152</b>	<b>11.4%</b>	<b>64,455</b>	<b>7,479</b>	<b>11.6%</b>	<b>67,826</b>	<b>8,359</b>	<b>12.3%</b>	<b>70,929</b>	<b>9,370</b>	<b>13.2%</b>

- (a) Includes HUMMER, Saturn and Pontiac vehicle sales data.
- (b) Includes Saab vehicle sales data through February 2010.
- (c) Vehicle sales data may include rounding differences.
- (d) Certain fleet sales that are accounted for as operating leases are included in vehicle sales at the time of delivery to the daily rental car companies.
- (e) Vehicle sales primarily represent sales to the ultimate customer.
- (f) Vehicle sales primarily represent estimated sales to the ultimate customer.
- (g) Includes SGM joint venture vehicle sales in China of 451,000 vehicles and SGMW, FAW-GM joint venture vehicle sales in China and HKJV joint venture vehicle sales in India of 737,000 vehicles in the six months ended June 30, 2010, combined GM and Old GM SGM joint venture vehicle sales in China of 710,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture vehicle sales in China of 1.0 million vehicles in the year ended December 31, 2009 and Old GM SGM joint venture vehicle sales in China of 446,000 vehicles and 476,000 vehicles and Old GM SGMW joint venture vehicle sales in China of 606,000 vehicles and 516,000 vehicles in the years ended December 31, 2008 and 2007. We do not record revenue from our joint ventures' vehicle sales.
- (h) The joint venture agreements with SGMW (34%) and FAW-GM (50%) allow for significant rights as a member as well as the contractual right to report SGMW and FAW-GM vehicle sales in China as part of global market share.

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### ***Fleet Sales and Deliveries***

The sales and market share data provided previously includes both retail and fleet vehicle sales. Fleet sales are comprised of vehicle sales to daily rental car companies, as well as leasing companies and commercial fleet and government customers. Certain fleet transactions, particularly daily rental, are generally less profitable than retail sales. As part of our pricing strategy, particularly in the U.S., we have improved our mix of sales to specific customers. In the accompanying tables fleet sales are presented as vehicle sales. A significant portion of the sales to daily rental car companies are recorded as operating leases under U.S. GAAP with no recognition of revenue at the date of initial delivery.

The following table summarizes estimated fleet sales and the amount of those sales as a percentage of total vehicle sales (vehicles in thousands):

	Six Months Ended June 30, 2010	Years Ended December 31,		
		2009 Combined GM and Old GM	2008 Old GM	2007 Old GM
GMNA	395	590	953	1,152
GMIO	223	510	587	594
GME	257	540	769	833
Total fleet sales (a)(b)	875	1,640	2,309	2,579
Fleet sales as a percentage of total vehicle sales	21.1%	21.9%	27.6%	27.5%

- (a) Fleet sale transactions vary by segment and some amounts are estimated.
- (b) Certain fleet sales that are accounted for as operating leases are included in vehicle sales.

The following table summarizes U.S. fleet sales and the amount of those sales as a percentage of total U.S. vehicle sales (vehicles in thousands):

	Six Months Ended June 30, 2010	Years Ended December 31,		
		2009 Combined GM and Old GM	2008 Old GM	2007 Old GM
Daily rental sales	245	307	480	596
Other fleet sales	105	207	343	412
Total fleet sales	350	514	823	1,008
Fleet sales as a percentage of total vehicle sales				
Cars	41.5%	29.0%	34.8%	34.9%
Trucks	26.4%	21.6%	22.4%	20.5%
Total cars and trucks	32.3%	24.7%	27.6%	26.1%

### **Competitive Position**

The global automotive industry is highly competitive. The principal factors that determine consumer vehicle preferences in the markets in which we operate include price, quality, available options, style, safety, reliability, fuel economy and functionality. Market leadership in individual countries in which we compete varies widely.

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In the six months ended June 30, 2010 our estimated worldwide market share was 11.4% based on vehicle sales volume. Our vehicle sales volumes in the first half of 2010 are consistent with a gradual U.S. vehicle sales recovery from the negative economic effects of the U.S. recession first experienced in the second half of 2008.

In the year ended December 31, 2009, combined GM and Old GM estimated worldwide market share was 11.6% based on vehicle sales volume. In 2009, the U.S. continued to be negatively affected by the economic factors experienced in 2008 as U.S. automotive industry sales declined 21.4% when compared to 2008. Despite this U.S. industry sales decline and the fact that the market share decreased from Old GM 2008 levels of 22.1%, based on vehicle sales volume, combined GM and Old GM estimated U.S. market share of 19.7% was the highest among GM and Old GM's principal competitors.

Old GM's estimated worldwide market share was 12.3% and 13.2% based on vehicle sales volume in the years ended December 31, 2008 and 2007. In 2008 worldwide market share was severely affected by the recession in Old GM's largest market, the U.S., and the recession in Western Europe. Tightening of the credit markets, increases in the unemployment rate, declining consumer confidence as a result of declining household incomes and escalating public speculation related to Old GM's potential bankruptcy contributed to significantly lower vehicle sales in the U.S. These economic factors had a negative effect on the U.S. automotive industry and the principal factors that determine consumers' vehicle buying decisions. As a result, consumers delayed purchasing or leasing new vehicles which caused a decline in U.S. vehicle sales.

The following table summarizes the respective U.S. market shares based on vehicle sales volume in passenger cars and trucks:

	Six Months Ended June 30,	Years Ended December 31,		
	2010	2009	2008	2007
GM (a)	18.9%	19.7%	22.1%	23.5%
Toyota	14.9%	16.7%	16.5%	15.9%
Ford	17.2%	15.9%	14.7%	15.6%
Honda	10.4%	10.8%	10.6%	9.4%
Chrysler	9.2%	8.8%	10.8%	12.6%
Nissan	7.7%	7.3%	7.0%	6.5%
Hyundai/Kia	7.5%	6.9%	5.0%	4.7%

(a) Market share data in the year ended December 31, 2009 combines our market share data in the period July 10, 2009 through December 31, 2009 with Old GM's market share data in the period January 1, 2009 through July 9, 2009 for comparative purposes. Market share data in the years ended December 31, 2008 and 2007 relate to Old GM.

### **Product Pricing**

A number of methods are used to promote our products, including the use of dealer, retail and fleet incentives such as customer rebates and finance rate support. The level of incentives is dependent in large part upon the level of competition in the markets in which we operate and the level of demand for our products. In 2011, we will continue to price vehicles competitively, including offering strategic and tactical incentives as required. We believe this strategy, coupled with improved inventory management, will continue to strengthen the reputation of our brands and continue to improve our average transaction price.

### **Cyclical Nature of Business**

In the automotive industry, retail sales are cyclical and production varies from month to month. Vehicle model changeovers occur throughout the year as a result of new market entries. The market for vehicles is cyclical and depends on general economic conditions, credit availability and consumer spending. In 2010, the global automotive industry, particularly in the U.S., had not yet recovered from the negative economic factors experienced in 2008 and has continued to experience decreases in the total number of new cars and trucks sold and decreased production volume.



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### Relationship with Dealers

We market vehicles worldwide through a network of independent retail dealers and distributors. At June 30, 2010, there were 5,172 vehicle dealers in the U.S., 489 in Canada and 253 in Mexico. Additionally, there were a total of 15,823 distribution outlets throughout the rest of the world. These outlets include distributors, dealers and authorized sales, service and parts outlets.

The following table summarizes the number of authorized dealerships:

	June 30, 2010	2009	December 31, 2008	2007
GMNA	5,914	6,450	7,360	7,835
GMIO	7,472	6,950	5,510	5,150
GME	8,351	8,422	8,732	8,902
Total Worldwide	21,737	21,822	21,602	21,887

As part of achieving and sustaining long-term viability and the viability of our dealer network, we determined that a reduction in the number of GMNA dealerships was necessary. In determining which dealerships would remain in our network we performed analyses of volumes and consumer satisfaction indexes, among other criteria. Refer to the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Specific Management Initiatives—Streamline U.S. Operations—U.S. Dealer Reduction" for a further discussion on our plan to reduce U.S. dealerships.

We enter into a contract with each authorized dealer agreeing to sell to the dealer one or more specified product lines at wholesale prices and granting the dealer the right to sell those vehicles to retail customers from a GM approved location. Our dealers often offer more than one GM brand of vehicle at a single dealership. In fact, we actively promote this for several of our brands in a number of our markets in order to enhance dealer profitability. Authorized GM dealers offer parts, accessories, service and repairs for GM vehicles in the product lines that they sell, using genuine GM parts and accessories. Our dealers are authorized to service GM vehicles under our limited warranty program, and those repairs are to be made only with genuine GM parts. In addition, our dealers generally provide their customers access to credit or lease financing, vehicle insurance and extended service contracts provided by Ally Financial or its subsidiaries and other financial institutions.

Because dealers maintain the primary sales and service interface with the ultimate consumer of our products, the quality of GM dealerships and our relationship with our dealers and distributors are critical to our success. In addition to the terms of our contracts with our dealers, we are regulated by various country and state franchise laws that may supersede those contractual terms and impose specific regulatory requirements and standards for initiating dealer network changes, pursuing terminations for cause and other contractual matters.

### Research, Development and Intellectual Property

Costs for research, manufacturing engineering, product engineering, and design and development activities relate primarily to developing new products or services or improving existing products or services, including activities related to vehicle emissions control, improved fuel economy and the safety of drivers and passengers.

The following table summarizes research and development expense (dollars in millions):

	Successor		Predecessor		
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Research and development expense	\$ 3,284	\$ 3,034	\$ 3,017	\$ 8,012	\$ 8,081

## **Research**

### *Overview*

Our top priority for research is to continue to develop and advance our alternative propulsion strategy, as energy diversity and environmental leadership are critical elements of our overall business strategy. Our objective is to be the recognized industry leader in fuel efficiency through the development of a wide variety of technologies to reduce petroleum consumption. To meet this objective we focus on five specific areas:

- Continue to increase the fuel efficiency of our cars and trucks;
- Develop alternative fuel vehicles;
- Invest significantly in our hybrid and electric technologies;
- Invest significantly in plug-in electric vehicle technology; and
- Continue development of hydrogen fuel cell technology.

### *Fuel Efficiency*

We and Old GM have complied with federal fuel economy requirements since their inception in 1978, and we are fully committed to meeting the requirements of the Energy Independence and Security Act of 2007 (EISA) and compliance with other regulatory schemes, including the California vehicle greenhouse gas emissions program. We anticipate steadily improving fuel economy for both our car and truck fleets. We are committed to meeting or exceeding all federal fuel economy standards in the 2010 through 2016 model years. We plan to achieve compliance through a combination of strategies, including: (1) extensive technology improvements to conventional powertrains; (2) increased use of smaller displacement engines and six speed automatic transmissions; (3) vehicle improvements, including increased use of lighter, front-wheel drive architectures; (4) increased hybrid offerings and the launch of the Chevrolet Volt electric vehicle with extended range capabilities in 2010; and (5) portfolio changes, including increasing car/crossover mix and dropping select larger vehicles in favor of smaller, more fuel efficient offerings.

We are among the industry leaders in fuel efficiency and we are committed to lead in the development of technologies to increase the fuel efficiency of internal combustion engines such as cylinder deactivation, direct injection, turbo-charging with engine downsizing, six speed transmissions and variable valve timing. As a full-line manufacturer that produces a wide variety of cars, trucks and sport utility vehicles, we currently offer 13 models (2011 Model Year) obtaining 30 mpg or more in highway driving.

### *Alternative Fuel Vehicles*

We have also been in the forefront in the development of alternative fuel vehicles, leveraging experience and capability developed around these technologies in our operations in Brazil. Alternative fuels offer the greatest near-term potential to reduce petroleum consumption in the transportation sector, especially as cellulosic sources of ethanol become more affordable and readily available in the U.S. An increasing percentage of our sales will be alternative fuel capable vehicles, estimated to increase from 40% in 2011 to over 70% in 2015.

As part of an overall energy diversity strategy, we remain committed to making at least 50% of the vehicles we produce for the U.S. capable of operating on biofuels, specifically E85 ethanol, by 2012. We currently offer 19 FlexFuel models (2011 Model Year) capable of operating on gasoline, E85 ethanol or any combination of the two.

We are focused on promoting sustainable biofuels derived from non-food sources, such as agricultural, forestry and municipal waste. We are continuing to work with our two strategic alliances with cellulosic ethanol makers: Coskata, Inc., of Warrenville, Illinois, and New Hampshire based Mascoma Corp. In October 2009, Coskata, Inc. opened its semi-commercial facility for manufacturing cellulosic ethanol and Mascoma Corp. has been making cellulosic ethanol at its Rome, New York, demonstration plant since late 2008.

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We are also supporting the development of biodiesel, a clean-burning alternative diesel fuel that is produced from renewable sources. In 2011 model year full-size pickups and vans, B20 capability is standard on our Duramax 6.6L turbo diesel engine. The Duramax diesel engine is available in the Chevrolet Silverado and GMC Sierra heavy-duty pickups and Chevrolet Express and GMC Savana full-size vans.

We have also announced that Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) powered versions of the Chevrolet Express and GMC Savana full-size vans will be offered to fleet and commercial customers beginning in late 2010. Production of the CNG cargo vans will begin in the fall of 2010 and the LPG van cutaway models will begin production in early 2011. The vans have specially designed engines for the gaseous fuels and come direct to the customer with the fully integrated and warranted dedicated gaseous fuel system in place.

### *Hybrid and Plug-In Electric Vehicles*

We are investing significantly in vehicle electrification including hybrid, plug-in hybrid and electric vehicles with extended-range technology. We currently offer seven hybrid models. We are developing plug-in hybrid electric vehicle technology (PHEV) and the Chevrolet Volt and Opel Ampera electric vehicles with extended range capability. We plan to invest heavily between 2011 and 2012 to support the expansion of our electrified vehicle offerings and in-house development and manufacturing capabilities of the enabling technologies—advanced batteries, electric motors and power control systems.

We have multiple technologies offering increasing levels of vehicle electrification—hybrid, plug-in hybrid and electric vehicle with extended range.

The highly capable GM Two-mode Hybrid system is offered with the automotive industry's only hybrid fullsize trucks and sport utility vehicles: Chevrolet Tahoe, Chevrolet Silverado, GMC Yukon and Yukon Denali, GMC Sierra, Cadillac Escalade and Escalade Platinum.

A PHEV, using a modified version of GM's Two-Mode Hybrid system and advanced lithium-ion battery technology, is scheduled to launch in 2012. The PHEV will provide low-speed electric-only propulsion, and blend engine and battery power to significantly improve fuel efficiency.

We have also announced that we plan to launch the Chevrolet Volt a full-performance battery electric vehicle with extended range capability in late 2010. The Chevrolet Volt always makes use of electric power within the drive unit at all times and at all speeds. The Chevrolet Volt is powered only from electricity stored in its 16-kWh lithium-ion battery for a typical range of 25-50 miles depending on terrain, driving technique, temperature and battery age after which the onboard engine's power is seamlessly inverted to provide an additional 300 miles of electric driving range on a full tank of gas prior to refueling. Advanced lithium-ion battery technology is the key enabling technology for the Chevrolet Volt, although this technology is new and has not been proven to be commercially viable. In January 2009, Old GM announced that it would assemble the battery packs for the Chevrolet Volt in the U.S. using cells supplied by LG Chem. Battery production began at our Brownstown, Michigan battery facility in January 2010. A second electric vehicle with extended range, the Opel Ampera, is scheduled to launch in Europe in late 2011.

### *Hydrogen Fuel Cell Technology*

As part of our long-term strategy to reduce petroleum consumption and greenhouse gas emissions we are committed to continuing development of our hydrogen fuel cell technology. We and Old GM have conducted research in hydrogen fuel cell development spanning more than 40 years, and we are the only U.S. automobile manufacturer actively engaged in all elements of the fuel cell propulsion system development in-house. Our Chevrolet Equinox fuel cell electric vehicle demonstration programs, such as Project Driveway, are the largest in

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the world and have accumulated more than 1.7 million miles of real-world driving by consumers, celebrities, business partners and government agencies. More than 6,500 individuals have driven the fuel cell powered Chevrolet Equinox, either in short drives, such as media or special events, or as part of Project Driveway. To date, their feedback has led to technology improvements such as extending fuel cell stack life and improvements in the regenerative braking system, which has also benefited our Two-Mode Hybrid vehicles, and improvements in the infrastructure of fueling stations for hydrogen fuel cell electric vehicles. In addition, the knowledge gained during Project Driveway on the fuel cell itself has affected the development of the Chevrolet Volt battery as we are applying fuel cell thermal design knowledge to the Chevrolet Volt battery design. Project Driveway operates in Washington D.C. and California (including Los Angeles, Orange County and Sacramento) for the California Fuel Cell Partnership and the CARB. Project Driveway also operates in the New York Metropolitan area in Westchester County with expansion to the greater New York City area due to recent openings of hydrogen fueling stations at JFK International Airport and in the Bronx. Most Project Driveway participants drive Chevrolet Equinoxes for two months with the cost of fuel and insurance provided free in exchange for participant feedback. The Chevrolet Equinox fuel cell electric vehicles do not use any gasoline or oil and emit only water vapor. We have made significant progress on the fuel cell stack for a second-generation fuel cell vehicle, though we currently have not approved such a program.

### *OnStar*

Advancements in telematics technology are demonstrated through our OnStar service. OnStar's in-vehicle safety, security and communications service is available on more than 40 of our 2011 model year vehicles and currently serves approximately 5.7 million subscribers. OnStar's key services include: Automatic Crash Response, Stolen Vehicle Assistance, Turn-by-Turn Navigation, OnStar Vehicle Diagnostics and Hands-Free Calling. Beginning in June 2010, we offer OnStar eNav, a feature of Turn-by-Turn Navigation, available through Google Maps. OnStar subscribers are able to search for and identify destinations using Google Maps and send those destinations to their vehicles. They can then access the destinations whenever they choose and receive OnStar Turn-by-Turn directions to the destination from wherever they are. Also in 2010, Chevrolet and OnStar unveiled the automobile industry's first working smartphone application, which will allow Chevrolet Volt owners 24/7 connection and remote control of vehicle functions and OnStar features. OnStar's Mobile Application allows drivers to communicate with their Volt from Motorola Droid, Apple iPhone and Blackberry Storm smartphones. It uses a real-time data connection to perform tasks from setting the charge time to unlocking the doors.

In May 2009, OnStar announced the development of an Injury Severity Prediction based on the findings of a Center for Disease Control and Prevention expert panel. This will allow OnStar advisors to alert first responders when a vehicle crash is likely to have caused serious injury to the occupants. Data from OnStar's Automatic Crash Response system will be used to automatically calculate the Injury Severity Prediction which can assist responders in determining the level of care required and the transport destination for patients. OnStar has also expanded its Stolen Vehicle Assistance services with the announcement of Remote Ignition Block. This will allow an OnStar Advisor to send a remote signal to a subscriber's stolen vehicle to prevent the vehicle from restarting once the ignition is turned off. We believe that this capability will not only help authorities recover stolen vehicles, but can also prevent or shorten dangerous high speed pursuits.

### *Other Technologies*

Other safety systems include the third generation of our StabiliTrak electronic stability control system. The system maximizes handling and braking by using a combination of systems and sensors including ABS, traction control, suspension and steering. Our Lane Departure Warning System and Side Blind Zone Alert Systems extend and enhance driver awareness and vision.

Refer to the section of this prospectus entitled "—Environmental and Regulatory Matters" for a discussion of vehicle emissions requirements, vehicle noise requirements, fuel economy requirements and safety requirements, which also affect our research and development activities.

### ***Product Development***

Our vehicle development activities are integrated into a single global organization. This strategy builds on earlier efforts to consolidate and standardize our approach to vehicle development.

For example, in the 1990s Old GM merged 11 different engineering centers in the U.S. into a single organization. In 2005, GM Europe Engineering was created, following a similar consolidation from three separate engineering organizations. At the same time, we and Old GM have grown our engineering operations in emerging markets in the Asia Pacific and LAAM regions.

As a result of this process, product development activities are fully integrated on a global basis under one budget and one decision-making group. Similar approaches have been in place for a number of years in other key functions, such as powertrain, purchasing and manufacturing, to take full advantage of our global footprint and resources.

Under our global vehicle architecture strategy and for each of our nine global architectures, we define a specific range of performance characteristics and dimensions supporting a common set of major underbody components and subsystems with common interfaces.

A centralized organization is responsible for many of the non-visible parts of the vehicle, referred to as the architecture, such as steering, suspension, the brake system, the heating, ventilation and air conditioning system and the electrical system. This team works very closely with the global architecture development teams around the world, who are responsible for components that are unique to each brand, such as exterior and interior design, tuning of the vehicle to meet the brand character requirements and final validation to meet applicable government requirements.

We currently have nine different global architectures that are assigned to regional centers around the world. The allocation of the architectures to specific regions is based on where the expertise for the vehicle segment resides, e.g., mini and small vehicles in Asia Pacific, compact vehicles in Europe and fullsize pick-up trucks, sport utility vehicles, midsize vehicles and crossover vehicles in North America.

The nine global architectures are:

- |                    |                                    |
|--------------------|------------------------------------|
| • Mini             | • Rear-Wheel Drive and Performance |
| • Small            | • Crossover                        |
| • Compact          | • Midsize Truck                    |
| • Full and Midsize | • Electric                         |
| • Fullsize Truck   |                                    |

We plan to increase the volume of vehicles produced from common global architectures to more than 50% of our total volumes in 2014 from less than 17% today.

### ***Intellectual Property***

We generate and hold a significant number of patents in a number of countries in connection with the operation of our business. While none of these patents by itself is material to our business as a whole, these patents are very important to our operations and continued technological development. In addition, we hold a number of trademarks and service marks that are very important to our identity and recognition in the marketplace.

### ***Raw Materials, Services and Supplies***

We purchase a wide variety of raw materials, parts, supplies, energy, freight, transportation and other services from numerous suppliers for use in the manufacture of our products. The raw materials are primarily comprised of

steel, aluminum, resins, copper, lead and platinum group metals. We have not experienced any significant shortages of raw materials and normally do not carry substantial inventories of such raw materials in excess of levels reasonably required to meet our production requirements. In 2009 the weakening of commodity prices experienced in the latter part of 2008 was generally reversed with prices returning to more historical levels by year end. In early 2010, our costs increased further as commodity prices increased faster than expected due to economic growth in China and speculative activity in the commodity markets. In early May 2010, however, we saw a steep decline in commodity prices in response to European sovereign debt issues and concerns over a slowdown in China.

In some instances, we purchase systems, components, parts and supplies from a single source and may be at an increased risk for supply disruptions. Based on our standard payment terms with our systems, components and parts suppliers, we are generally required to pay most of these suppliers on average 47 days following receipt with weekly disbursements.

## **Environmental and Regulatory Matters**

### ***Automotive Emissions Control***

We are subject to laws and regulations that require us to control automotive emissions, including vehicle exhaust emission standards, vehicle evaporative emission standards and onboard diagnostic system (OBD) requirements, in the regions throughout the world in which we sell cars, trucks and heavy-duty engines.

#### *North America*

The U.S. federal government imposes stringent emission control requirements on vehicles sold in the U.S., and additional requirements are imposed by various state governments, most notably California. These requirements include pre-production testing of vehicles, testing of vehicles after assembly, the imposition of emission defect and performance warranties and the obligation to recall and repair customer owned vehicles that do not comply with emissions requirements. We must obtain certification that the vehicles will meet emission requirements from the Environmental Protection Agency (EPA) before we can sell vehicles in the U.S. and Canada and from the California Air Resources Board (CARB) before we can sell vehicles in California and other states that have adopted the California emissions requirements.

The EPA and the CARB continue to emphasize testing on vehicles sold in the U.S. for compliance with these emissions requirements. We believe that our vehicles meet currently applicable EPA and CARB requirements. If our vehicles do not comply with the emission standards or if defective emission control systems or components are discovered in such testing, or as part of government required defect reporting, we could incur substantial costs related to emissions recalls and possible fines. We expect that new CARB and federal requirements will increase the time and mileage periods over which manufacturers are responsible for a vehicle's emission performance.

The EPA and the CARB emission requirements currently in place are referred to as Tier 2 and Low Emission Vehicle (LEV) II, respectively. The Tier 2 requirements began in 2004 and were fully phased in by the 2009 model year, while the LEV II requirements began in 2004 and increase in stringency each year through the 2010 model year. Fleet-wide compliance with the Tier 2 and LEV II standards must be achieved based on a sales-weighted fleet average. President Obama has directed the EPA to review its vehicle emission standards, and if the EPA finds that more stringent emission regulations are necessary, to promulgate such regulations. The CARB is developing its next generation emission standards, LEV III, which will further increase the stringency of its emission standards. We expect the LEV III requirements to be adopted as early as the second half of 2010 and to apply beginning in the 2014 model year. Both the EPA and the CARB have also enacted regulations to control the emissions of greenhouse gases. Since we believe these regulations are effectively a form of fuel economy requirement, they are discussed under "Automotive Fuel Economy."

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California law requires that a specified percentage of cars and certain light-duty trucks sold in the state must be zero emission vehicles (ZEV), such as electric vehicles or hydrogen fuel cell vehicles. This requirement started at 10% for the 2005 model year and increased in subsequent years. The requirement is based on a complex system of credits that vary in magnitude by vehicle type and model year. Manufacturers have the option of meeting a portion of this requirement with partial ZEV credit for vehicles that meet very stringent exhaust and evaporative emission standards and have extended emission system warranties. An additional portion of the ZEV requirement can be met with vehicles that meet these partial ZEV requirements and incorporate advanced technology, such as a hybrid electric propulsion system meeting specified criteria. Beginning in 2012, an additional portion of the ZEV requirement can be met with PHEVs that meet the partial ZEV requirements and certain other criteria. We are complying with the ZEV requirements using a variety of means, including producing vehicles certified to the partial ZEV requirements. CARB has also announced plans to adopt, as early as the second half of 2010, 2015 model year and later requirements for ZEVs and PHEVs to achieve greenhouse gas as well as criteria pollutant emission reductions to help achieve the state's long-term greenhouse gas reduction goals.

The Clean Air Act permits states that have areas with air quality compliance issues to adopt the California car and light-duty truck emission standards in lieu of the federal requirements. Twelve states, including New York, Massachusetts, Maine, Vermont, Connecticut, Pennsylvania, Rhode Island, New Jersey, Oregon, Washington, Maryland and New Mexico, as well as the Province of Quebec, currently have these standards in effect. Arizona has adopted the California standards effective beginning in the 2012 model year. Additional states could also adopt the California standards in the future.

In addition to the exhaust emission programs previously discussed, advanced OBD systems, used to identify and diagnose problems with emission control systems, have been required under U.S. federal, Canadian federal and California law since the 1996 model year. Problems detected by the OBD system have the potential of increasing warranty costs and the chance for recall. OBD requirements become more challenging each year as vehicles must meet lower emission standards and new diagnostics are required. Beginning with the 2004 model year, California adopted more stringent OBD requirements, including new design requirements and corresponding enforcement procedures, and we have implemented hardware and software changes to comply with these more stringent requirements. In addition, California adopted technically challenging new OBD requirements that take effect from the 2008 through 2013 model years.

The federal Tier 2 and California LEV II requirements for evaporative emissions began phasing-in with the 2004 model year. The federal evaporative emission requirements are being harmonized with the California evaporative emission requirements beginning with a 2009 model year phase-in. California plans to further increase the stringency of its evaporative emission requirements as part of its LEV III rulemaking.

Vehicles equipped with heavy-duty engines are also subject to stringent emission requirements, and could be recalled, or fines could be imposed against us, should testing or defect reporting identify a noncompliance with these emission requirements. For the current (2011) model year, certain gasoline and diesel-powered Chevrolet Silverado and GMC Sierra Pickups, and Chevrolet Express and GMC Savana Vans, are classified as heavy-duty and subject to these requirements. We also certify heavy-duty engines for installation in other manufacturers' products. The heavy-duty exhaust standards became more stringent in the 2010 model year. As permitted by EPA and CARB regulations, we are using a system of credits, referred to as Averaging Banking and Trading (ABT), to help meet these stringent standards. OBD requirements first apply to heavy-duty vehicles beginning with the 2010 model year, which we are meeting with certain hardware and software changes.

### *Europe*

In Europe emissions are regulated by two different entities: the European Commission (EC) and the United Nations Economic Commission for Europe (UN ECE). Under the Commission law, the EC imposes harmonized emission control requirements on vehicles sold in all 27 European Union (EU) Member States, and other

countries apply regulations under the framework of the UN ECE. EU Member States can give tax incentives to automobile manufacturers for vehicles which meet emission standards earlier than the compliance date. This can result in specific market requirements for automobile manufacturers to introduce technology earlier than is required for compliance with the EC emission standards. The current EC requirements include type approval of preproduction testing of vehicles, testing of vehicles after assembly and the obligation to recall and repair customer owned vehicles that do not comply with emissions requirements. EC and UN ECE requirements are equivalent in terms of stringency and implementation. We must demonstrate that vehicles will meet emission requirements in witness tests and obtain type approval from an approval authority before we can sell vehicles in the EU Member States.

Emission requirements in Europe will become even more stringent in the future. A new level of exhaust emission standards for cars and light-duty trucks, Euro 5 standards, were applied in September 2009, while stricter Euro 6 standards will apply beginning in 2014. The OBD requirements associated with these new standards will become more challenging as well. The new European emission standards focus particularly on reducing emissions from diesel vehicles. Diesel vehicles have become important in the European marketplace, where they encompass 50% of the market share based on vehicle sales volume. The new requirements will require additional technologies and further increase the cost of diesel engines, which currently cost more than gasoline engines. To comply with Euro 6, we expect that technologies need to be implemented which are identical to those being developed to meet U.S. emission standards. The technologies available today are not cost effective and would therefore not be suitable for the European market for small- and mid-size diesel vehicles, which typically are under high cost pressure. Further, certain measures to reduce exhaust pollutant emissions have detrimental effects on vehicle fuel economy which drives additional technology cost to maintain fuel economy.

In the long-term, notwithstanding the already low vehicle emissions in Europe, regulatory discussions in Europe are expected to continue. Regulators will continue to refine the testing requirements addressing issues such as test cycle, durability, OBD, in-service conformity and off-cycle emissions.

#### *International Operations*

Within the Asia Pacific region, our vehicles are subject to a broad range of vehicle emission laws and regulations. China has implemented European standards, with Euro 4 standards first applied in Beijing in 2008. Shanghai implemented Euro 4 standards with European OBD requirements for newly registered vehicles in November 2009 and Euro 4 standards came into effect nationwide in July 2010 for new vehicle type approvals and will come into effect beginning in July 2011 for newly registered vehicles. Beijing is expected to require Euro 5 in 2012. Since January 2009, South Korea has implemented the CARB emission Fleet Average System with different application timings and levels of nonmethanolic organic gas targets for gasoline and liquefied petroleum gas powered vehicles. In September 2009, South Korea implemented Euro 5 standards for diesel-powered vehicles. South Korea has adopted CARB standards for gasoline-powered vehicles and EU regulations for diesel-powered vehicles for OBD and evaporative emissions. The ASEAN Committee had agreed that the major ASEAN countries Thailand, Malaysia, Indonesia, Philippines and Singapore would implement Euro 4 standards for gasoline and diesel powertrains in 2012 with the exception of Singapore which already requires Euro 4 for diesel powertrains. However, as of April 2010, most of the ASEAN countries decided to postpone Euro 4 beyond 2012 with the exception of Thailand. Since April 2010, India's Bharat Stage IV emission standards have been required for new vehicle registrations in 13 major cities and Bharat Stage III emission standards are required throughout the rest of India. Japan sets specific exhaust emission and durability standards, test methods and driving cycles. In Japan, OBD is required with both EU and U.S. OBD systems accepted. All other countries in which we conduct operations within the Asia Pacific region either require or allow some form of EPA, EU or UN ECE style emission regulations with or without OBD requirements. In Russia, current emission regulations are equivalent to Euro 3 for cars and Euro 2 for commercial vehicles. The implementation of Euro 4 equivalent emission requirements for cars has been delayed to 2012. Euro 5 equivalent emission requirements for cars do not have an implementation date, but are expected to be implemented in 2015.



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Within the LAAM region, some countries follow the U.S. test procedures, standards and OBD requirements and some follow the EU test procedures, standards and OBD requirements with different levels of stringency. In terms of standards, Brazil implemented national LEV standards, L5, which preceded Tier 2 standards in the U.S., for passenger cars and light commercial vehicles in January 2009. Brazil has published new emission standards, L6, for light diesel and gasoline vehicles. L6 standards for light diesel vehicles are to be implemented in January 2012, which mandate OBD requirements for light diesel vehicles in 2015. L6 standards for light gasoline vehicles are to be implemented in January 2014 for new types and January 2015 for all models. Argentina implemented Euro 4 standards starting with new vehicle registrations in January 2009 and is moving to Euro 5 standards in January 2012 for new vehicle types and January 2014 for all models. Chile currently requires US Tier 1, and alternatively Euro 3, standards for gasoline vehicles and Euro 4 standards for diesel vehicles and has approved Euro 4 standards for gasoline vehicles beginning in April 2011 and Euro 5 standards for diesel vehicles beginning in September 2011. Other countries in the LAAM region either have adopted some level of U.S. or EU standards or no standards at all.

### **Industrial Environmental Control**

Our operations are subject to a wide range of environmental protection laws including those laws regulating air emissions, water discharges, waste management and environmental cleanup. In connection with the 363 Sale we have assumed various stages of investigation for sites where contamination has been alleged and a number of remediation actions to clean up hazardous wastes as required by federal and state laws. Certain environmental statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Under certain circumstances these laws impose joint and several liability, as well as liability for related damages to natural resources.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. Environmental reserves are recorded when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. This practice is followed whether the claims are asserted or unasserted. As of June 30, 2010, our reserves for environmental liabilities were \$196 million. The amount of current reserves is expected to be paid out over the periods of remediation for the applicable sites, which typically range from five to thirty years.

The following table summarizes the expenditures for site-remediation actions, including ongoing operations and maintenance (dollars in millions):

	Successor		Predecessor		
	Six Months Ended June 30, 2010	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Site remediation expenditures	\$ 8	\$ 3	\$ 34	\$ 94	\$ 104

It is possible that such remediation actions could require average annual expenditures of \$30 million over the next five years.

Certain remediation costs and other damages for which we ultimately may be responsible are not reasonably estimable because of uncertainties with respect to factors such as our connection to the site or to materials located at the site, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation). As a result, we are unable to determine or reasonably estimate the total amount of costs or other damages for which we are potentially responsible in connection with all sites, although that total could be substantial.

To mitigate the effects our worldwide facilities have on the environment, we are committed to convert as many of our worldwide facilities as possible to landfill-free facilities. Landfill-free facilities send no

manufacturing waste to landfills, by either recycling or creating energy from the waste. As part of Old GM's commitment to reduce the effect its worldwide facilities had on the environment, Old GM had committed to convert half of its major global manufacturing operations to landfill-free facilities by 2010. This landfill-free strategy translated, on an individual facility basis, to more than 69 (or 48%) of Old GM's manufacturing operations worldwide. At our landfill-free facilities, 96% of waste materials are recycled or reused and 3% is converted to energy at waste-to-energy facilities. We estimate that over 1 million tons of waste materials were recycled or reused by us in the six months ended June 30, 2010 and estimate that 22,500 tons of waste materials from us were converted to energy at waste-to-energy facilities. These numbers will increase as additional manufacturing sites reach landfill-free status.

We currently have not announced publicly any future targets to reduce carbon dioxide (CO<sub>2</sub>) emission levels from our worldwide facilities; however, we are continuing to make significant progress in further reducing CO<sub>2</sub> emission levels. Seven of our facilities in Europe are included in and comply with the European Community Emissions Trading Scheme, which is being implemented to meet the European Community's greenhouse gas reduction commitments under the Kyoto Protocol. We and Old GM reported in accordance with the Global Reporting Initiative, the Carbon Disclosure Project, the EPA Climate Leaders Program and the DOE 1605(b) program since their inception. We are implementing and publicly reporting on various voluntary initiatives to reduce energy consumption and greenhouse gas emissions from our worldwide operations. In 2005 Old GM had a 2010 target of an 8% reduction in CO<sub>2</sub> emissions from its worldwide facilities compared to Old GM's worldwide facilities 2005 emission levels. By 2008 Old GM had exceeded this target by reducing CO<sub>2</sub> emissions from its worldwide facilities by 20% compared to 2005 levels. Based on reduced production volume in 2009, we estimate 2009 CO<sub>2</sub> emissions were reduced from its worldwide facilities by 40% compared to 2005 levels.

### ***Automotive Fuel Economy***

#### *North America*

The 1975 Energy Policy and Conservation Act (EPCA) provided for average fuel economy requirements for fleets of passenger cars built for the 1978 model year and thereafter. For the 2009 model year, our and Old GM's domestic passenger car fleet achieved a CAFE of 31.3 mpg, which exceeded the standard of 27.5 mpg. The estimated CAFE for our 2010 model year domestic passenger cars is 30.6 mpg, which would also exceed the 27.5 mpg standard applicable for that model year.

Cars that are imported for sale in the U.S. are counted separately. For our and Old GM's imported passenger cars, the 2009 model year CAFE was 30.3 mpg, which exceeded the requirement of 27.5 mpg. The estimated CAFE for our 2010 model year imported passenger cars is 34.0 mpg, which would also exceed the applicable requirement of 27.5 mpg.

Fuel economy standards for light-duty trucks became effective in 1979. Starting with the 2008 model year, the NHTSA implemented substantial changes to the structure of the truck CAFE program, including reformed standards based upon truck size. Under the existing truck rules, reformed standards are optional for the 2008 through 2010 model years. Old GM chose to comply with these optional reform-based standards beginning with the 2008 model year. Our and Old GM's light-duty truck CAFE performance for the 2009 model year was 23.6 mpg, which exceeds our and Old GM's reformed requirement of 22.5 mpg. Our projected reform standard for light-duty trucks for the 2010 model year is 22.9 mpg and our projected performance under this standard is 25.4 mpg.

In 2007 Congress passed the Energy Independence and Security Act, which directed NHTSA to modify the CAFE program. Among the provisions in the new law was a requirement that fuel economy standards continue to be set separately for cars and trucks that combined would increase to at least 35.0 mpg as the industry average by 2020.

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In addition, California has passed legislation (AB 1493) requiring the CARB to regulate greenhouse gas emissions from vehicles (which is the same as regulating fuel economy). This California program is currently established for the 2009 through 2016 model years. California needed a federal waiver to implement this program and was granted this waiver on June 30, 2009.

Further, in response to a U.S. Supreme Court decision, the EPA was directed to establish a new program to regulate greenhouse gas emissions for vehicles under the Clean Air Act. As a result, in September 2009 the EPA and the NHTSA, on behalf of the DOT, issued a joint proposal to establish a coordinated national program consisting of new requirements for model year 2012 through 2016 light-duty vehicles that will reduce greenhouse gas emissions under the Clean Air Act and improve fuel economy pursuant to the CAFE standards under the EPCA. These reform-based standards will apply to passenger cars, light-duty trucks, and medium-duty passenger vehicles (collectively, light-duty vehicles) built in model years 2012 through 2016. The EPA and the NHTSA issued their final rule to implement this new federal program on April 1, 2010. Our current product plan projects compliance with the federal and California programs through 2016. In Canada, Environment Canada, an agency established to preserve and enhance the quality of the natural environment and coordinate environmental policies and programs for the federal government, is implementing vehicle greenhouse gas standards that are harmonized with the mandatory standards of the U.S. beginning with the 2011 model year. The Province of Quebec has indicated that it will align its vehicle greenhouse gas regulation to the Canadian federal requirements once they are finalized.

CARB has agreed that compliance with the EPA's greenhouse gas emission standards will be deemed compliance with the AB 1493 standards for 2012 through 2016 model years. In the meantime, California's program to regulate vehicle greenhouse gases is in effect for the 2009-2011 model years. The following table illustrates California's program compliance standards and our projected compliance (in grams per mile CO<sub>2</sub>-equivalent):

	2009 Model Year		2010 Model Year		2011 Model Year	
	Standard	Combined GM and Old GM	Standard	GM	Standard	GM(a)
Passenger car and light-duty truck 1 fleet	323	297	301	296	267	285
Light-duty truck 2 + medium-duty passenger vehicle fleet	439	414	420	384	390	386

- (a) Our performance projections for the 2011 model year for the passenger car is projected to be more than the standard. We are still projecting compliance due to the allowed use of credits earned in previous years.

### *Europe*

In Europe, legislation was passed on April 23, 2009 to regulate vehicle CO<sub>2</sub> emissions beginning in 2012. Based on a target function of CO<sub>2</sub> to vehicle weight, each manufacturer must meet a specific sales weighted fleet average target. This fleet average requirement will be phased in with 65% of vehicles sold in 2012 required to meet this target, 75% in 2013, 80% in 2014 and 100% in 2015 and beyond. Automobile manufacturers can earn super-credits under this legislation for the sales volume of vehicles having a specific CO<sub>2</sub> value of less than 50 grams CO<sub>2</sub>. This is intended to encourage the early introduction of ultra-low CO<sub>2</sub> vehicles such as the Chevrolet Volt and Opel/Vauxhall Ampera by providing an additional incentive to reduce the CO<sub>2</sub> fleet average. Automobile manufacturers may gain credit of up to 7 grams for eco-innovations for those technologies which improve real-world fuel economy but may not show in the test cycle, such as solar panels on vehicles. There is also a 5% credit for E85 flexible-fuel vehicles if more than 30% of refueling stations in an EU Member State sell E85. Further regulatory detail is being developed in the comitology process, which develops the detail of the regulatory requirements through a process involving the EC and EU Member States. The legislation sets a target of 95 grams per kilometer CO<sub>2</sub> for 2020 with an impact assessment required to further assess and develop this requirement. We have developed a compliance plan by adopting operational CO<sub>2</sub> targets for each market entry in Europe.

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In October 2009, the European Commission adopted a proposal to regulate CO<sub>2</sub> emissions from light commercial vehicles. The proposal is modeled after the CO<sub>2</sub> regulation for passenger cars. It proposes that new light commercial vehicles meet a fleet average CO<sub>2</sub> target of 175 grams per kilometer CO<sub>2</sub> with a phase-in of compliance beginning with 75% of new light commercial vehicles by 2014, 80% by 2015 and 100% compliance by 2016. The manufacturer-specific CO<sub>2</sub> compliance target will be determined as a function of vehicle curb mass. Flexibilities, such as eco-innovations and super credits, are part of the regulatory proposal as well. A long-term target for 2020 of 135g/km has been also proposed, to be confirmed in January 2013 after an impact assessment. We are currently making an assessment of the effect of the proposal on our fleet of light commercial vehicles. The proposal will now go through the legislative process with the European Parliament and European Council, during which we expect some modifications to be adopted.

An EC Regulation has been adopted that will require low-rolling resistance tires, tire pressure monitoring systems and gear shift indicators by 2012. An additional EC Regulation has been adopted that will require labeling of tires for noise, fuel efficiency and rolling resistance, affecting vehicles at sale as well as the sale of tires in the aftermarket. Further, there are plans to introduce regulatory proposals regarding energy efficiency of air conditioning systems and fuel economy meters.

Seventeen EU Member States have introduced fuel consumption or CO<sub>2</sub> based vehicle taxation schemes. Tax measures are within the jurisdiction of the EU Member States. We are faced with significant challenges relative to the predictability of future tax laws and differences in the tax schemes and thresholds.

### *International Operations*

In the Asia Pacific region, we face new or increasingly more stringent fuel economy standards. In China, Phase 3 fuel economy standards are under development and will move from a vehicle pass-fail system to an engine-displacement, corporate fleet average scheme. Phase 3 fuel economy standards are expected to increase by 15% to 20% from the current Phase 2 targets and implementation is expected to be phased in from 2012 with full compliance required by 2015. Some relief for certain vehicle types and vehicles with automatic transmissions will be applied through 2015. In 2016, it is expected that there will be one common standard for vehicles with either a manual or automatic transmissions. In Korea, new fuel economy/CO<sub>2</sub> targets for 2012-2015 and beyond were preliminarily announced in September 2010 as part of the government's low carbon/green growth strategy. These targets are based on each vehicle's curb weight, but in general are set at levels more stringent than fuel economy/CO<sub>2</sub> targets in the U.S., but less stringent than fuel economy/CO<sub>2</sub> targets in Europe. The proposed standards will be phased-in beginning in 2012 and finishing in 2015 with manufacturers having the option to certify either on a fuel consumption basis or a CO<sub>2</sub> emissions basis. The final regulation will be promulgated by the end of 2010. Each manufacturer will be given a corporate target to meet based on an overall industry fleet fuel economy/CO<sub>2</sub> average. Other aspects of the program being considered include credits, incentives, and penalties. Legislation of the new standard is expected to be completed by the end of 2010. In Australia the government is conducting an assessment of possible vehicle fuel efficiency measures including shifting from voluntary to mandatory standards and how any such move would align with the government's policy response to climate change. Before the government makes any decisions on additional fuel efficiency measures, it will conduct an industry consultation. For the first time, India is expected to establish fuel economy norms based on weight and measured in CO<sub>2</sub> emissions that will become mandatory sometime in 2011. Final targets and labeling requirements are still to be determined. In April 2009, automobile manufacturers in India began to voluntarily declare the fuel economy of each vehicle at the point of sale. In South Africa, CO<sub>2</sub> emissions are not regulated, but a new CO<sub>2</sub> emission tax went into effect for all new passenger cars in September 2010 with the exception of double cabbed light commercial vehicles, for which implementation is delayed until March 2011.

In Brazil, governmental bodies and the Brazilian automobile makers association established, in 2009, a national voluntary program for evaluation and labeling of light passenger and commercial vehicles equipped with internal combustion engines. This voluntary program aims to increase vehicles, energy efficiency by labeling vehicles with fuel consumption measurements for urban, extra-urban and combined (equivalent to city and highway mpg measurements in the U.S.) driving conditions.

## ***Chemical Regulations***

### *North America*

In the U.S., the EPA and several states have introduced regulations or legislation related to the selection and use of safer chemical alternatives, green chemistry and product stewardship initiatives as have several provinces in Canada. These initiatives will give broad regulatory authority over the use of certain chemical substances and potentially affect automotive manufacturers' responsibilities for vehicle life-cycle, including chemical substance selection for product development and manufacturing. Although vehicles may not specifically be included in the regulations currently being developed, automotive sector effects are expected because substances that comprise components may be included. These emerging regulations will potentially lead to increases in cost and supply chain complexity. California's "Safer Alternatives for Consumer Products" is the first of these regulations expected to be finalized by the end of 2010.

### *Europe*

In June 2007 the EU implemented its regulatory requirements to register, evaluate, authorize and restrict the use of chemical substances (REACH). This regulation requires chemical substances manufactured in or imported into the EU in quantities of one metric ton or more per year to be registered with the European Chemicals Agency before 2018. During REACH's pre-registration phase, Old GM and our suppliers registered those substances identified by the regulation. REACH is to be phased in over a 10 year period from the implementation date. During the implementation phase, REACH will require ongoing action from importers of pure chemical substances, chemical preparations (mixtures), and articles. This will affect us, as an OEM, as well as our suppliers and other suppliers in the supply chain. Under REACH, substances of very high concern may either require authorization for further use or may be restricted in the future. This could potentially increase the cost of certain alternative substances that are used to manufacture vehicles and parts or result in a supply chain disruption when a substance is no longer available to meet production timelines. In addition, our research and development initiatives may be diverted to address future REACH requirements. In order to maintain compliance, we are continually monitoring the implementation of REACH and its effect on our suppliers and the automotive industry.

## ***Safety***

New motor vehicles and motor vehicle equipment sold in the U.S. are required to meet certain safety standards promulgated by the NHTSA. The National Traffic and Motor Vehicle Safety Act of 1966 authorized the NHTSA to determine these standards and the schedule for implementing them. In addition, in the case of a vehicle defect that creates an unreasonable risk to motor vehicle safety or if a vehicle or item of motor vehicle equipment does not comply with a safety standard, the National Traffic and Motor Vehicle Safety Act of 1966 generally requires that the manufacturer notify owners and provide a remedy. The Transportation Recall Enhancement, Accountability and Documentation Act requires us to report certain information relating to certain customer complaints, warranty claims, field reports and notices and claims involving property damage, injuries and fatalities in the U.S. and claims involving fatalities outside the U.S., as well as information concerning safety recalls and other safety campaigns outside the U.S.

We are subject to certain safety standards and recall regulations in the markets outside the U.S. in which we operate. These standards often have the same purpose as the U.S. standards, but may differ in their requirements and test procedures. From time to time, other countries pass regulations which are more stringent than U.S. standards. Many countries require type approval while the U.S. and Canada require self-certification.

## ***Vehicular Noise Control***

Vehicles we manufacture and sell may be subject to noise emission regulations.

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In the U.S., passenger cars and light-duty trucks are subject to state and local motor vehicle noise regulations. We are committed to designing and developing our products to meet these noise regulations. Since addressing different vehicle noise regulations established in numerous state and local jurisdictions is not practical, we attempt to identify the most stringent requirements and validate to those requirements. In the rare instances where a state or local noise regulation is not covered by the composite requirement, a waiver of the requirement is requested and to date the resolution of these matters has not resulted in significant cost or other material adverse effects to us has resulted from such a request. Medium to heavy-duty trucks are regulated at the federal level. Federal truck regulations preempt all United States state or local noise regulations for trucks over 10,000 lbs. gross vehicle weight rating.

Outside the U.S., noise regulations have been established by authorities at the national and supranational level (e.g., EC or UN ECE for Europe). We believe that our vehicles meet all applicable noise regulations in the markets where they are sold.

While current noise emission regulations serve to regulate maximum allowable noise levels, proposals have been made to regulate minimum noise levels. These proposals stem from concern that vehicles that are relatively quiet, specifically hybrids, may not be heard by the sight-impaired. We are committed to design and manufacture vehicles to comply with potential noise emission regulations that may come from these proposals.

### ***Potential Effect of Regulations***

We are actively working on aggressive near-term and long-term plans to develop and bring to market technologies designed to further reduce emissions, mitigate remediation expenses related to environmental liabilities, improve fuel efficiency, monitor and enhance the safety features of our vehicles and provide additional value and benefits to our customers. This is illustrated by our commitment to marketing more hybrid vehicles, our accelerated commitment to develop electrically powered vehicles, our use of biofuels in our expanded portfolio of flexible-fuel vehicles and enhancements to conventional internal combustion engine technology have contributed to the fuel efficiency of our vehicles. In addition, the conversion of many of our manufacturing facilities to landfill-free status has shown our commitment to mitigate potential environmental liability. We believe that the development and global implementation of new, cost-effective energy technologies in all sectors is the most effective way to improve energy efficiency, reduce greenhouse gas emissions and mitigate environmental liabilities.

Despite these advanced technology efforts, our ability to satisfy fuel economy, CO<sub>2</sub> and other emissions requirements is contingent on various future economic, consumer, legislative and regulatory factors that we cannot control and cannot predict with certainty. If we are not able to comply with specific new requirements, which include higher CAFE standards and state CO<sub>2</sub> requirements such as those imposed by the AB 1493 Rules, then we could be subject to sizeable civil penalties or have to restrict product offerings drastically to remain in compliance. Environmental liabilities, which we may be responsible for, are not reasonably estimable and could be substantial. In addition, violations of safety or emissions standards could result in the recall of one or more of our products. In turn, any of these actions could have substantial adverse effects on our operations, including facility idling, reduced employment, increased costs and loss of revenue.

### ***Pension Legislation***

We are subject to a variety of federal rules and regulations, including the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Pension Protection Act of 2006, which govern the manner in which we fund and administer our pensions for our retired employees and their spouses. The Pension Protection Act of 2006 is designed, among other things, to more appropriately reflect the value of pension assets and liabilities to determine funding requirements. Recently, the Pension Relief Act of 2010 was passed. This act provides us additional options to amortize any shortfall amortization base for U.S. hourly and salaried qualified pension plans over 7 years with amortizations starting two years after the election of this relief or 15 years. We

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expect to evaluate these options for the 2010 and 2011 plan years. If we decide to elect one of these options, it could provide us with the flexibility to defer and potentially reduce the size of any minimum funding requirements for the plan years beginning in 2010. However, we are considering making discretionary contributions to our U.S. qualified pension plans and are evaluating the amount, timing, and form of assets that may be contributed. We also maintain pension plans for employees in a number of countries outside the U.S., which are subject to local laws and regulations.

### ***Export Control***

We are subject to U.S. export control laws and regulations, including those administered by the U.S. Departments of State, Commerce, and Treasury. In addition, most countries in which we do business have applicable export controls. Our Office of Export Compliance and global Export Compliance Officers are responsible for working with our business units to ensure compliance with these laws and regulations. Non-U.S. export controls are likely to become increasingly significant to our business as we develop our research and development operations on a global basis. If we fail to comply with applicable export compliance regulations, we and our employees could be subject to criminal and civil penalties and, under certain circumstances, loss of export privileges and debarment from doing business with the U.S. government and the governments of other countries.

### **Significant Transactions**

#### ***363 Sale Transaction***

On July 10, 2009, we completed the acquisition of substantially all of the assets and assumed certain liabilities of Old GM and three of its domestic direct and indirect subsidiaries (collectively, the Sellers). The 363 Sale was consummated in accordance with the Purchase Agreement, between us and the Sellers, and pursuant to the Bankruptcy Court's sale order dated July 5, 2009.

In connection with the 363 Sale, the purchase price we paid to Old GM equaled the sum of:

- A credit bid in an amount equal to the total of: (1) debt of \$19.8 billion under Old GM's UST Loan Agreement, plus notes of \$1.2 billion issued as additional compensation for the UST Loan Agreement, plus interest on such debt Old GM owed as of the closing date of the 363 Sale; and (2) debt of \$33.3 billion under the DIP Facility, plus notes of \$2.2 billion issued as additional compensation for the DIP Facility, plus interest Old GM owed as of the closing date, less debt of \$8.2 billion owed under the DIP Facility;
- UST's return of the warrants Old GM previously issued to it;
- The issuance to MLC of 50 million shares (or 10%) of our common stock and warrants to acquire newly issued shares of our common stock initially exercisable for a total of 91 million shares of our common stock (or 15% on a fully diluted basis); and
- Our assumption of certain specified liabilities of Old GM (including debt of \$7.1 billion owed under the DIP Facility).

Under the Purchase Agreement, as supplemented by a letter agreement we entered into in connection with our October 2009 holding company merger, we are obligated to issue additional shares of our common stock to MLC in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares issued if estimated general unsecured claims total \$42.0 billion or more. We currently

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believe that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In the circumstance where estimated general unsecured claims equal \$37.0 billion, we would be required to issue 2.9 million Adjustment Shares to MLC as an adjustment to the purchase price under the terms of the Purchase Agreement.

As of June 30, 2010, we have accrued \$162 million in Accrued expenses related to this contingent obligation.

### ***Issuances of Securities***

#### *Holding Company Merger*

On October 19, 2009, we completed our holding company merger to implement a new holding company structure that is intended to provide greater financial and organizational flexibility. We effected our holding company merger pursuant to an Agreement and Plan of Merger, dated as of October 15, 2009 by and among us, our previous legal entity (which is now a wholly-owned subsidiary of the Company) (Prior GM), and an indirect wholly-owned subsidiary of Prior GM.

We issued new securities in connection with our holding company merger. All of the outstanding shares of common stock, shares of Series A Preferred Stock and warrants to purchase common stock in Prior GM were exchanged on a one-for-one basis for new shares of our common stock, new shares of our Series A Preferred Stock and new warrants to purchase shares of our common stock. These new GM securities have the same economic terms and provisions as the corresponding Prior GM securities for which they were exchanged and, upon completion of the holding company merger, were held by our securityholders in the same class evidencing the same proportional interest in us as the securityholders held in Prior GM prior to the exchange.

In addition, in connection with the holding company merger, we entered into Amended and Restated Warrant Agreements dated as of October 16, 2009 between us and U.S. Bank National Association, as Warrant Agent (the Warrant Agreements), a Stockholders Agreement dated as of October 15, 2009 by and among the Company, Prior GM, the UST, the New VEBA and Canada Holdings (the Stockholders Agreement) and the Equity Registration Rights Agreement, which are substantially identical to our prior warrant agreements, Stockholders Agreement dated as of July 10, 2009 and Equity Registration Rights Agreement dated as of July 10, 2009. Also in connection with the holding company merger, GMCL entered into an amendment (Canadian Loan Amendment) to the Canadian Loan Agreement, and we entered into an assignment and assumption agreement and amendment to the UST Credit Agreement and an assignment and assumption agreement and amendment to the VEBA Note Agreement.

Set forth below is a summary of GM securities we issued in connection with our holding company merger:

#### Common Stock

- Issued 304,131,356 shares to the UST;
- Issued 58,368,644 shares to Canada Holdings;
- Issued 87,500,000 shares to the New VEBA; and
- Issued 50,000,000 shares to MLC.

#### Series A Preferred Stock

- Issued 83,898,305 shares to the UST;



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- Issued 16,101,695 shares to Canada Holdings; and
- Issued 260,000,000 shares to the New VEBA.

The shares of Series A Preferred Stock have a liquidation preference of \$25.00 per share and accrue cumulative dividends at a rate equal to 9.0% per annum (payable quarterly on March 15, June 15, September 15, and December 15) if, as and when declared by our Board of Directors. So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. On or after December 31, 2014, we may redeem, in whole or in part, the shares of Series A Preferred Stock at the time outstanding, at a redemption price per share equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions.

### Warrants

- Issued warrants to MLC to acquire 45,454,545 shares of our common stock, exercisable at any time prior to July 10, 2016, with an exercise price of \$30.00 per share;
- Issued warrants to MLC to acquire 45,454,545 shares of our common stock, exercisable at any time prior to July 10, 2019, with an exercise price of \$55.00 per share; and
- Issued warrants to the New VEBA to acquire 15,151,515 shares of our common stock, exercisable at any time prior to December 31, 2015, with an exercise price set at \$126.92 per share.

The number of shares of our common stock underlying each of the warrants issued to MLC and the New VEBA and the per share exercise price thereof are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

### *363 Sale*

The foregoing securities were issued to the UST, Canada Holdings, the New VEBA, and MLC solely in exchange for the corresponding securities of Prior GM in connection with the holding company merger. The consideration originally paid for the securities of Prior GM with respect to each of the UST, Canada Holdings, the New VEBA, and MLC in connection with the formation of Prior GM and the 363 Sale on July 10, 2009 was as follows:

### UST

- UST's existing credit agreement with Old GM;
- UST's portion of Old GM's DIP Facility (other than debt we assumed or MLC's wind-down facility) and all of the rights and obligations as lender thereunder;
- The warrants Old GM previously issued to the UST; and
- Any additional amounts UST loaned to Old GM prior to the closing of the 363 Sale with respect to each of the foregoing UST credit facilities.

### Canada Holdings

- Certain existing loans made to GMCL by EDC;

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- Canada Holding's portion of the DIP Facility (other than debt we assumed or MLC's wind-down facility); and
- The loans made to Prior GM under the loan agreement between Prior GM, EDC and UST immediately following the closing of the 363 Sale on July 10, 2009.

### New VEBA

- The compromise of certain claims against MLC existing under the 2008 UAW Settlement Agreement.

### MLC

- The assets acquired by us pursuant to the Purchase Agreement, offset by the liabilities we assumed pursuant to the Purchase Agreement.

### ***Agreements with the UST, EDC and New VEBA***

On July 10, 2009, we entered into the UST Credit Agreement and assumed the UST Loans of \$7.1 billion. In addition, through our wholly-owned subsidiary GMCL, we entered into the Canadian Loan Agreement and assumed the Canadian Loan of CAD \$1.5 billion (equivalent to \$1.3 billion when entered into). Proceeds of the DIP Facility of \$16.4 billion were deposited in escrow, to be distributed to us at our request if certain conditions were met and returned to us after the UST Loans and the Canadian Loan were repaid in full. Immediately after entering into the UST Credit Agreement, we made a partial pre-payment due to the termination of the U.S. government sponsored warranty program, reducing the UST Loans principal balance to \$6.7 billion.

In December 2009 and March 2010, we made quarterly payments of \$1.0 billion on the UST Loans and quarterly payments of \$192 million and \$194 million on the Canadian Loan. In April 2010, we used funds from our escrow account to repay in full the outstanding amount of the UST Loans of \$4.7 billion. In addition, GMCL repaid in full the outstanding amount of the Canadian Loan of \$1.1 billion. Both loans were repaid prior to maturity. Following the repayment of the UST Loans and the Canadian Loan, the remaining funds in an amount of \$6.6 billion that were held in escrow became unrestricted. The availability of those funds is no longer subject to the conditions set forth in the UST Credit Agreement.

While we have repaid in full our indebtedness under the UST Credit Agreement, the executive compensation and corporate governance provisions of Section 111 of the EESA, including the Interim Final Rule, will continue to apply to us for the period specified in the EESA and the Interim Final Rule. In addition, certain of the covenants in the UST Credit Agreement will continue to apply to us until the earlier to occur of (i) us ceasing to be a recipient of Exceptional Financial Assistance, as determined pursuant to the Interim Final Rule or any successor or final rule, or (ii) UST ceasing to own any direct or indirect equity interests in us, and impose obligations on us with respect to, among other things, certain expense policies, executive privileges and compensation requirements.

The UST Credit Agreement also includes a covenant requiring us to use our commercially reasonable best efforts to ensure that our manufacturing volume conducted in the United States is consistent with at least ninety percent of the projected manufacturing level (1,801,000 units in 2010, 1,934,000 units in 2011, 1,998,000 units in 2012, 2,156,000 units in 2013 and 2,260,000 units in 2014), absent a material adverse change in our business or operating environment which would make the commitment non-economic. In the event that such a material adverse change occurs, the UST Credit Agreement provides that we will use our commercially reasonable best efforts to ensure that the volume of United States manufacturing is the minimum variance from the projected manufacturing level that is consistent with good business judgment and the intent of the commitment. This covenant survives our repayment of the loans and remains in effect through December 31, 2014 unless the UST receives total proceeds from debt repayments, dividends, interest, preferred stock redemptions and common stock sales equal to the total dollar amount of all UST invested capital.

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To the extent we fail to comply with any of the covenants in the UST Credit Agreement that continue to apply to us, the UST is entitled to seek specific performance and the appointment of a court-ordered monitor acceptable to the UST (at our sole expense) to ensure compliance with those covenants.

The Canadian Loan Agreement and related agreements include certain covenants requiring GMCL to meet certain annual Canadian production volumes expressed as ratios to total overall production volumes in the U.S. and Canada and to overall production volumes in the NAFTA region. The targets cover vehicles and specified engine and transmission production in Canada. These agreements also include covenants on annual GMCL capital expenditures and research and development expenses. In the event a material adverse change occurs that makes the fulfillment of these covenants non-economic (other than a material adverse change caused by the actions or inactions of GMCL), there is an undertaking that the lender will consider adjustments to mitigate the business effect of the material adverse change. These covenants survive GMCL's repayment of the loans and certain of the covenants have effect through December 31, 2016.

In connection with the 363 Sale, we also entered into the VEBA Note Agreement and issued the VEBA Notes in the principal amount of \$2.5 billion to the New VEBA on July 10, 2009. The VEBA Notes have an implied interest rate of 9.0% per annum. The VEBA Notes and accrued interest are scheduled to be repaid in three equal installments of \$1.4 billion on July 15 of 2013, 2015 and 2017.

The obligations under the VEBA Note Agreement are secured by substantially all of our assets, subject to certain exceptions, including our equity interests in certain of our foreign subsidiaries, limited in most cases to 65% of the equity interests of the pledged foreign subsidiaries due to tax considerations.

The VEBA Note Agreement contains various representations and warranties that we made on the effective date. The VEBA Note Agreement also contains various affirmative covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. The affirmative covenants impose obligations on us with respect to, among other things:

- Financial reporting;
- Corporate existence;
- Preservation of the collateral and other property subject to the VEBA Note Agreement;
- Payment of taxes; and
- Compliance with certain laws.

The VEBA Note Agreement contains restrictions on our ability to incur additional indebtedness, including indebtedness secured by a first-priority lien on certain of our assets. In addition, if such additional indebtedness is to be secured by a first-priority lien on certain of our assets, the obligations under the VEBA Note Agreement will be secured by a second-priority lien on any such assets. The following summarizes the restrictions to incur additional indebtedness (with certain exceptions):

- Secured indebtedness entered into after July 10, 2009 is limited to \$6.0 billion, provided that the aggregate amount of commitments under any secured revolving credit facilities shall not exceed \$4.0 billion. Secured indebtedness exceeding these amounts is subject to an incurrence test under which total debt divided by 12 month trailing EBITDA cannot exceed 3:1 and also triggers repayments of 50% of the amount borrowed;
- Unsecured indebtedness entered into after July 10, 2009 is limited to \$1.0 billion and triggers repayments of 50% of the amount borrowed. Unsecured indebtedness in excess of the \$1.0 billion is subject to the incurrence test previously described; and

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- The aggregate principal amount of capital lease obligations and purchase money indebtedness shall not exceed \$2.0 billion.

The VEBA Note Agreement also contains various events of default (including cross-default provisions) that entitle the New VEBA to accelerate the repayment of the VEBA Notes upon the occurrence and continuation of an event of default. In addition, upon the occurrence and continuation of any event of default, the implied interest rate on the VEBA Notes increases to a rate equal to 11.0% per annum, compounded annually. The events of default relate to, among other things:

- Our failure to make payments on the VEBA Notes;
- Certain of our domestic subsidiaries' failure to pay on their guarantees;
- The failure to pay other amounts due under the loan documents or the secured note documents;
- The failure to perform the covenants in the secured note documents;
- The representations and warranties in the VEBA Note Agreement being false or misleading in any material respect;
- Undischarged judgments in excess of \$100 million;
- Certain bankruptcy events;
- The termination of any secured note documents;
- The invalidity of security interests in our assets;
- Certain prohibited transactions under ERISA;
- A change of control without the permission of the New VEBA; and
- A default under other indebtedness if the default results in the holder accelerating the maturity of indebtedness in excess of \$100 million in the aggregate.

### ***Agreement with Delphi Corporation***

In July 2009, we entered into the DMDA with Delphi and other parties. Under the DMDA, we agreed to acquire Nexteer, which supplies us and other OEMs with steering systems and columns, and four domestic facilities that manufacture a variety of automotive components, primarily sold to us. We and the Investors agreed to acquire substantially all of Delphi's remaining assets through New Delphi. Certain excluded assets and liabilities have been retained by DPH to be sold or liquidated. In October 2009, we consummated the transaction contemplated by the DMDA with Delphi, New Delphi, Old GM and other sellers and other buyers that are party to the agreement, as more fully described in Note 5 to our audited consolidated financial statements. Refer to the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Specific Management Initiatives—Resolution of Delphi Matters" for a description of the terms of the DMDA and related agreements.

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### Employees

At June 30, 2010, we employed 208,000 employees, of whom 144,000 (69%) were hourly employees and 64,000 (31%) were salaried employees. The following table summarizes employment by segment (in thousands):

	Successor		Predecessor	
	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
GMNA (a)	105	103	118	142
GMIO (b)	61	62	70	68
GME (c)	42	50	54	55
Total Worldwide	208	215	242	265
United States — Salaried	26	26	30	34
United States — Hourly	53	51	62	78

- (a) We acquired GM Financial effective October 1, 2010. At June 30, 2010, GM Financial employed 3,000 employees in the United States and Canada. These employees were excluded from our amounts because the date of acquisition was subsequent to June 30, 2010.
- (b) Decrease in GMIO reflects a reduction of 2,400 employees due to the sale of our India Operations.
- (c) Decrease in GME primarily relates to the sale of Saab, employees located within Russia and Uzbekistan transferred from our GME segment to our GMIO segment and restructuring initiatives in Germany, Spain and the United Kingdom.

At June 30, 2010, 53,000 of our U.S. employees (or 67%) were represented by unions, of which 52,000 employees were represented by the UAW. In addition, many of our employees outside the U.S. were represented by various unions. At June 30, 2010, we had 400,000 U.S. hourly and 117,000 U.S. salaried retirees, surviving spouses and deferred vested participants.

Refer to Note 19 to our audited consolidated financial statements and Note 20 to our unaudited condensed consolidated interim financial statements for additional information on our salaried and hourly severance programs.

### Segment Reporting Data

Operating segment data for the six months ended June 30, 2010 are summarized in Note 25 to our unaudited condensed consolidated interim financial statements. Operating segment and principal geographic area data for July 10, 2009 through December 31, 2009 (Successor); January 1, 2009 through July 9, 2009 (Predecessor); and the years ended December 31, 2008 and 2007 (Predecessor) are summarized in Note 33 to our audited consolidated financial statements.

### Properties

Excluding our automotive financing and leasing operations, at June 30, 2010 we had 117 locations in 26 states and 93 cities or towns in the United States excluding dealerships. Of these locations, 40 are manufacturing facilities, of which 11 are engaged in the final assembly of our cars and trucks and other manufacture automotive components and power products. Of the remaining locations, 26 are service parts operations primarily responsible for distribution and warehouse functions, and the remainder are offices or facilities primarily involved in engineering and testing vehicles. Leased properties are primarily composed of warehouses and administration, engineering and sales offices. The leases for warehouses generally provide for an initial period of five to 10 years, based upon prevailing market conditions and may contain renewal options. Leases for administrative offices are generally for shorter periods.

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We have 17 locations in Canada, and assembly, manufacturing, distribution, office or warehousing operations in 58 other countries, including equity interests in associated companies which perform assembly, manufacturing or distribution operations. Leases for warehouses outside the United States have remaining lease terms ranging from one to 12 years, many of which contain options to extend or terminate the lease. The major facilities outside the United States and Canada, which are principally vehicle manufacturing and assembly operations, are located in:

• Argentina	• Colombia	• Kenya	• South Korea	• Venezuela
• Australia	• Ecuador	• Mexico	• Spain	• Vietnam
• Belgium	• Egypt	• Poland	• Thailand	
• Brazil	• Germany	• Russia	• United Kingdom	
• China	• India	• South Africa	• Uzbekistan	

We, our subsidiaries, or associated companies in which we own an equity interest, own most of the above facilities.

On October 1, 2010 we acquired AmeriCredit, an independent automobile finance company, which we subsequently renamed GM Financial. GM Financial's automotive financing and leasing operations lease facilities for administration and regional credit centers. These facilities are primarily located in the United States with one administrative facility located in Canada. GM Financial also owns a servicing facility, which is located in the United States.

Our properties include facilities which, in our opinion, are suitable and adequate for the manufacture, assembly and distribution of our products.

### **Legal Proceedings**

The following section summarizes material pending legal proceedings to which the Company is a party, other than ordinary routine litigation incidental to the business. We and the other defendants affiliated with us intend to defend all of the following actions vigorously.

#### ***Canadian Export Antitrust Class Actions***

Approximately eighty purported class actions on behalf of all purchasers of new motor vehicles in the United States since January 1, 2001, have been filed in various state and federal courts against General Motors Corporation, GMCL, Ford Motor Company, Chrysler, LLC, Toyota Motor Corporation, Honda Motor Co., Ltd., Nissan Motor Company, Limited, and Bavarian Motor Works and their Canadian affiliates, the National Automobile Dealers Association, and the Canadian Automobile Dealers Association. The federal court actions have been consolidated for coordinated pretrial proceedings under the caption *In re New Market Vehicle Canadian Export Antitrust Litigation Cases* in the U.S. District Court for the District of Maine, and the more than 30 California cases have been consolidated in the California Superior Court in San Francisco County under the case captions *Belch v. Toyota Corporation, et al.* and *Bell v. General Motors Corporation*. Old GM's liability in these matters was not assumed by General Motors Company as part of the 363 Sale. GMCL was not part of Old GM's bankruptcy proceeding and potentially remains liable in all matters. In the California state court cases, oral arguments on the plaintiffs' motion for class certification and defendants' motion in limine were heard on April 21, 2009. The court ruled that it would certify a class. Defendants written appeal to the appropriate California court was denied. Defendants are preparing other substantive motions for summary judgment. In the Minnesota state court cases, the court granted defendants' motions to lift the stay of proceedings and granted summary judgment on September 16, 2010. Plaintiffs have not yet filed an appeal.

The nearly identical complaints alleged that the defendant manufacturers, aided by the association defendants, conspired among themselves and with their dealers to prevent the sale to U.S. citizens of vehicles produced for the Canadian market and sold by dealers in Canada. The complaints alleged that new vehicle prices in Canada are 10% to

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30% lower than those in the United States, and that preventing the sale of these vehicles to U.S. citizens resulted in the payment of higher than competitive prices by U.S. consumers. The complaints, as amended, sought injunctive relief under U.S. antitrust law and treble damages under U.S. and state antitrust laws, but did not specify damages. The complaints further alleged unjust enrichment and violations of state unfair trade practices act. On March 5, 2004, the U.S. District Court for the District of Maine issued a decision holding that the purported indirect purchaser classes failed to state a claim for damages under federal antitrust law but allowed a separate claim seeking to enjoin future alleged violations to continue. The U.S. District Court for the District of Maine on March 10, 2006 certified a nationwide class of buyers and lessees under Federal Rule 23(b)(2) solely for injunctive relief, and on March 21, 2007 stated that it would certify 20 separate statewide class actions for damages under various state law theories under Federal Rule 23(b)(3), covering the period from January 1, 2001 to April 30, 2003. On October 3, 2007, the U.S. Court of Appeals for the First Circuit heard oral arguments on Old GM's consolidated appeal of the both class certification orders.

On March 28, 2008, the U.S. Court of Appeals for the First Circuit reversed the certification of the injunctive class and ordered dismissal of the injunctive claim. The U.S. Court of Appeals for the First Circuit also vacated the certification of the damages class and remanded to the U.S. District Court for the District of Maine for determination of several issues concerning federal jurisdiction and, if such jurisdiction still exists, for reconsideration of that class certification on a more complete record. On remand, plaintiffs again moved to certify a damages class, and defendants again moved for summary judgment and to strike plaintiffs' economic expert. On July 2, 2009, the court granted one of defendants' summary judgment motions. Plaintiffs did not appeal. As a result, the only issues remaining in the federal actions relate to disposition of the funds paid by Toyota in a settlement years ago.

### ***American Export Antitrust Class Actions***

On September 25, 2007, a claim was filed in the Ontario Superior Court of Justice against GMCL and Old GM on behalf of a purported class of actual and intended purchasers of vehicles in Canada claiming that a similar alleged conspiracy was now preventing lower-cost U.S. vehicles from being sold to Canadians. The Plaintiffs have delivered their certification materials. An order staying claims against MLC was granted in November 2009. A certification hearing has not yet been scheduled. No determination has been made that the case may be maintained as a class action, and it is not possible to determine the likelihood of liability or reasonably ascertain the amount of any damages.

### ***Canadian Dealer Class Action***

On January 21, 2010, a claim was filed in the Ontario Superior Court of Justice against GMCL for damages on behalf of a purported class of 215 Canadian General Motors dealers which entered into wind-down agreements with GMCL in May 2009. GMCL offered the Plaintiff dealers the wind-down agreements to assist the Plaintiffs' exit from the GMCL Canadian dealer network upon the expiration of their GM Dealer Sales and Service Agreements (DSSAs) on October 31, 2010, and to assist the Plaintiffs in winding down their dealer operations in an orderly fashion. The Plaintiff dealers allege that the DSSAs have been wrongly terminated by GMCL and that GMCL failed to comply with franchise disclosure obligations, breached its statutory duty of fair dealing and unlawfully interfered with the dealers' statutory right to associate in an attempt to coerce the class member dealers into accepting the wind-down agreements. The Plaintiff dealers claim that the wind-down agreements are void. GMCL is vigorously defending the claims. A certification hearing has not yet been scheduled. No determination has been made that the case may be maintained as a class action, and it is not possible to determine the likelihood of liability or reasonably ascertain the amount of any damages.

### ***OnStar Analog Equipment Litigation***

Our wholly-owned subsidiary OnStar Corporation is a party to more than 20 putative class actions filed in various states, including Michigan, Ohio, New Jersey, Pennsylvania and California. All of these cases have been consolidated for pretrial purposes in a multi-district proceeding under the caption *In re OnStar Contract Litigation* in the U.S.

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District Court for the Eastern District of Michigan. The litigation arises out of the discontinuation by OnStar of services to vehicles equipped with analog hardware. OnStar was unable to provide services to such vehicles because the cellular carriers which provide communication service to OnStar terminated analog service beginning in February 2008. In the various cases, the plaintiffs are seeking certification of nationwide or statewide classes of owners of vehicles currently equipped with analog equipment, alleging various breaches of contract, misrepresentation and unfair trade practices. No determination has been made as to whether class certification motions are appropriate, and it is not possible at this time to determine whether class certification or liability is probable as to OnStar or to reasonably ascertain the amount of any liability. On August 2, 2010 plaintiffs filed a motion seeking to add General Motors LLC as an additional defendant. We will oppose that motion, which we believe is barred by the Sale Approval Order entered by the United States Bankruptcy Court for the Southern District of New York on July 5, 2009.

### ***Patent Infringement Litigation***

On July 10, 2009, *Kruse Technology Partnership v. General Motors Company* was filed in the U.S. District Court for the Central District of California. In *Kruse*, the plaintiff alleges that we infringed three U.S. patents related to "Internal Combustion Engine with Limited Temperature Cycle" by making and selling diesel engines. The plaintiff has not made a claim specifying damages in this case. However, in a similar case filed against Old GM in December 2008, plaintiff asserted that its royalty damages would be significantly more than \$100 million. In April 2009, the plaintiff filed a separate patent infringement action against DMAX, Inc., then a joint venture between Isuzu Diesel Services of America, Inc. and Old GM, and which is now a joint venture between Isuzu Diesel Services of America, Inc. and General Motors LLC, our subsidiary. DMAX manufactures and assembles mechanical and other components of Duramax diesel engines for sale to us. The plaintiff asserted that its royalty damages claim against DMAX, Inc. would exceed \$100 million and requests an injunction in both the case against DMAX and the case against General Motors LLC. We are defending *Kruse* on several grounds, including non-infringement and invalidity of the patents.

### ***Unintended Acceleration Class Actions***

We have been named as a co-defendant in two of the many class action lawsuits brought against Toyota arising from Toyota's recall of certain vehicles related to reports of unintended acceleration. The two cases are *Nimishabehen Patel v. Toyota Motors North America, Inc. et al.* (filed in the United States District Court for the District of Connecticut on February 9, 2010) and *Darshak Shah v. Toyota Motors North America, Inc. et al.* (filed in the United States District court for the District of Massachusetts on or about February 16, 2010). The 2009 and 2010 model year Pontiac Vibe, which was manufactured by a joint venture between Toyota and Old GM, included components that were common with those addressed by the Toyota recall and were accordingly the subject of a parallel recall by us. Each case makes allegations regarding Toyota's conduct related to the condition addressed by the recall and asserts breaches of implied and express warranty, unjust enrichment and violation of consumer protection statutes and seeks actual damages, multiple damages, attorneys fees, costs and injunctive relief on behalf of classes of vehicle owners which include owners of 2009 and 2010 model year Pontiac Vibe. The cases were consolidated in the multi-district proceeding pending in the Central District of California created to administer all cases in the Federal court system addressing Toyota unintended acceleration issues. Although a comprehensive assessment of the cases is not possible at this time, we believe that, with respect to the overwhelming majority of Pontiac vehicles addressed by the two cases, the claims asserted are barred by the Sale Approval Order entered by the United States Bankruptcy Court for the Southern District of New York on July 5, 2009. Moreover, on August 2, 2010, a consolidated complaint was filed in the multi-district proceeding and we were omitted from the list of named defendants. Accordingly, it is possible that the claims asserted will not be further pursued against us.

### ***UAW VEBA Contribution Claim***

On April 6, 2010, the UAW filed suit against us in the U.S. District Court for the Eastern District of Michigan claiming that we breached our obligation to contribute \$450 million to the New VEBA. The UAW alleges that we were required to make this contribution pursuant to the UAW-Delphi-GM Memorandum of Understanding Delphi Restructuring dated June 22, 2007. The UAW is seeking payment of \$450 million. We were served with the complaint on September 17, 2010.



### ***AmeriCredit Transaction Claims***

On July 27, 2010 *Robert Hatfield, Derivatively on behalf of AmeriCredit Corp v. Clifton Morris, Jr. et al.* was filed in the district court for Tarrant County, Texas. General Motors Holdings, LLC and General Motors Company (the GM Entities) are two of the named defendants. Among other allegations, the complaint alleges that the individual defendants breached their fiduciary duty with regard to the proposed transaction between AmeriCredit and GM. The GM Entities are accused of aiding and abetting the alleged breach of fiduciary duty by the individual defendants (officers and directors of AmeriCredit). Among other relief, the complaint sought to enjoin the transaction from closing; however, no motion for an injunction was filed. It is not possible to determine the likelihood of success or reasonably ascertain the amount of any attorneys' fees or costs that may be awarded.

On July 28, 2010 *Labourers Pension Fund of Eastern and Central Canada, on behalf of itself and all others similarly situated v. AmeriCredit Corp, et al.* was filed in the district court for Tarrant County, Texas. General Motors Company is one of the named defendants. The plaintiff seeks class action status and alleges that AmeriCredit and the individual defendants (officers and directors of AmeriCredit) breached their fiduciary duties in negotiating and approving the proposed transaction between AmeriCredit and GM. We are accused of aiding and abetting the alleged breach of fiduciary duty. Among other relief, the complaint sought to enjoin both the transaction from closing as well as a shareholder vote on the proposed transaction; however, no motion for an injunction was filed. No determination has been made that the case may be maintained as a class action, and it is not possible to determine the likelihood of liability or reasonably ascertain the amount of any damages.

On or about August 6, 2010, *Clara Butler, Derivatively on behalf of AmeriCredit Corp v. Clifton Morris, Jr. et al.* was filed in the district court for Tarrant County, Texas. General Motors Holdings, LLC and General Motors Company are among the named defendants. Like previously filed litigation related to the proposed AmeriCredit acquisition, the complaint initiating this case alleges that individual officers and directors of AmeriCredit breached their fiduciary duties to AmeriCredit shareholders. The GM Entities are accused of breaching a fiduciary duty and aiding and abetting the individual defendants in usurping a corporate opportunity. Among other relief, the complaint seeks to rescind the AmeriCredit transaction and sought to enjoin its consummation, and also to award plaintiff costs and disbursements including attorneys' and expert fees; however, no motion for an injunction was filed. It is not possible to determine the likelihood of success or reasonably ascertain the amount of any attorneys' fees or costs that may be awarded.

On September 1, 2010, *Douglas Mogle, on behalf of himself and all others similarly situated v. AmeriCredit Corp., et al.* was filed in the district court for Tarrant County, Texas. General Motors Company is among the named defendants. This complaint is similar to the *Labourers Pension Fund* complaint discussed above.

### ***Korean Labor Litigation***

On or about September 29, 2010, current and former hourly employees of GM Daewoo, our majority-owned affiliate in the Republic of Korea, filed three separate group actions in the Incheon District Court in Incheon, Korea. The cases allege that GM Daewoo failed to include certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. GM Daewoo may receive additional claims by hourly employees in the future. Similar cases have been brought against other large employers in the Republic of Korea. This case is in its earliest stages and the scope of claims asserted may change. However, based on a preliminary analysis of the claims currently asserted, the allegations of plaintiffs if accepted in their entirety represent a claim of approximately 454 billion Korean won, which is approximately \$400 million.

## MANAGEMENT

### Directors

The names and ages, as of September 30, 2010, of our directors and their positions and offices are as follows:

<b>Name and (Age)</b>	<b>Positions and Offices</b>
Daniel F. Akerson (61)	Chief Executive Officer, General Motors Company
David Bonderman (67)	Co-Founding Partner and Managing General Partner, TPG
Erroll B. Davis, Jr. (66)	Chancellor, University System of Georgia
Stephen J. Girsky (48)	Vice Chairman, Corporate Strategy and Business Development, General Motors Company
E. Neville Isdell (67)	Retired Chairman and Chief Executive Officer, The Coca-Cola Company
Robert D. Krebs (68)	Retired Chairman and Chief Executive Officer, Burlington Northern Santa Fe Corporation
Philip A. Laskawy (69)	Retired Chairman and Chief Executive Officer, Ernst & Young LLP
Kathryn V. Marinello (54)	Chairman and Chief Executive Officer, Stream Global Services, Inc.
Patricia F. Russo (58)	Former Chief Executive Officer, Alcatel-Lucent
Carol M. Stephenson (59)	Dean, Richard Ivey School of Business, The University of Western Ontario
Cynthia A. Telles (58)	Director, UCLA Neuropsychiatric Institute Spanish-Speaking Psychosocial Clinic
Edward E. Whitacre, Jr. (68)	Chairman, General Motors Company

There are no family relationships, as defined in Item 401 of Regulation S-K, between any of the directors named above. Other than as set forth in the Stockholders Agreement, which is described in the section of this prospectus entitled "Certain Stockholder Agreements—Stockholders Agreement," there is no arrangement or understanding between any of the directors named above and any other person pursuant to which he or she was elected as a director.

#### ***Daniel F. Akerson***

Daniel F. Akerson has been a member of our Board of Directors since July 24, 2009 and serves on the Finance and Risk Policy Committee (Chair). He has held the office of Chief Executive Officer of our company since September 1, 2010. He served as Managing Director and Head of Global Buyout of The Carlyle Group from July 2009 until August 2010 and as Managing Director and Co-Head of the U.S. Buyout Fund from 2003 to 2009. Prior to joining Carlyle, Mr. Akerson served as Chairman and Chief Executive Officer of XO Communications, Inc. from 1999 to January 2003. XO Communications, Inc. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in June 2002 and emerged from bankruptcy proceedings in January 2003. Mr. Akerson also served as Chairman of Nextel Communications from 1996 to 2001 and Chairman and Chief Executive Officer from 1996 to 1999. He held the offices of Chairman and Chief Executive Officer of General Instrument Corporation from 1993 to 1995. He is currently a director of American Express Company.

Mr. Akerson's qualifications to serve on our Board of Directors are rooted in his operating and management experience as a chief executive officer in a succession of major companies in challenging, highly competitive industries. In that capacity he has dealt with a wide range of issues including audit and financial reporting, compliance and controls, technology and business restructuring. In addition, Mr. Akerson's extensive experience in private equity investments brings to our Board of Directors significant expertise in finance, business development, mergers and acquisitions, risk management and international business.

#### ***David Bonderman***

David Bonderman has been a member of our Board of Directors since July 24, 2009 and serves on the Directors and Corporate Governance and Executive Compensation Committees. He is Co-Founding Partner and Managing General Partner of TPG, a private investment firm he founded in 1992. Prior to forming TPG,

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Mr. Bonderman served as Chief Operating Officer of Robert M. Bass Group (now doing business as Keystone Group, L.P.) from 1983 to 1991. Mr. Bonderman currently serves as Chairman of the Board of Directors of Ryanair Holdings PLC and as a director of Armstrong Worldwide Industries, Inc., CoStar Group, Inc., a marketing and information services company in the commercial real estate industry, and Gemalto N.V., a digital security company. He also served as a director of Washington Mutual, Inc. (April 2008-December 2008), Burger King Holdings, Inc. (2002-2008), Gemplus International SA (predecessor to Gemalto) (2000-2006), Ducati Motor Holding S.p.A. (1996-2006), Seagate Technology, a hard drive and storage solutions manufacturer (2000-2004), and Continental Airlines, Inc. (1993-2004).

Mr. Bonderman's qualifications to serve on our Board of Directors include his operating and leadership experience as a co-founding and managing general partner in a private equity firm. Through his involvement with TPG he has provided leadership to companies that have been in distressed and turn-around situations and are undergoing dramatic changes. He brings to our Board of Directors extensive experience in finance, business development, mergers and acquisitions, business restructuring and integration, and international business, particularly in China where GM has significant operations.

### ***Erroll B. Davis, Jr.***

Erroll B. Davis, Jr. has been a member of our Board of Directors since July 10, 2009 and serves on the Audit and Finance and Risk Policy Committees. He was also a member of the Board of Old GM from 2007 to July 2009. Mr. Davis has served as Chancellor of the University System of Georgia, the governing and management authority of public higher education in Georgia, since 2006. From 2000 to 2006, Mr. Davis served as Chairman of Alliant Energy Corporation, and he held the offices of President and Chief Executive Officer from 1998 to 2005. He is currently a director of Union Pacific Corporation. Mr. Davis also served as a director of PPG Industries, Inc. (1994-2007) and BP p.l.c. (1998-April 2010).

In nominating Mr. Davis to serve on our Board of Directors, the Board considered his operating and management experience as a chief executive officer of a large, diverse public university and, before that, a complex, highly regulated public utility. Mr. Davis brings to our Board of Directors extensive knowledge in the areas of financial reporting and accounting, compliance and controls, technology, and public policy issues such as education. In addition, his knowledge and experience in the utility and energy industries brings the board valuable insight regarding the infrastructure needed to advance the use and acceptance of electric power and natural gas to fuel low-emission vehicles.

### ***Stephen J. Girsky***

Stephen J. Girsky has been a member of our Board of Directors since July 10, 2009 and serves on the Finance and Risk Policy and Public Policy Committees. He has been GM Vice Chairman of Corporate Strategy and Business Development since March 1, 2010. Prior to that, he served as Senior Advisor to the Office of the Chairman of our company from December 2009 to February 2010 and President of S. J. Girsky & Company (SJG), an advisory firm, from January 2009 to March 1, 2010. From November 2008 to June 2009, Mr. Girsky was an advisor to the UAW. He served as President of Centerbridge Industrial Partners, LLC (Centerbridge), an affiliate of Centerbridge Partners, L.P., a private investment firm from 2006 to 2009. Prior to joining Centerbridge, Mr. Girsky was a special advisor to the Chief Executive Officer and the Chief Financial Officer of Old GM from 2005 to June 2006. From 1995 to 2005, he served as Managing Director at Morgan Stanley and a Senior Analyst of the Morgan Stanley Global Automotive and Auto Parts Research Team. Mr. Girsky also served as lead director of Dana Holding Corporation (2008-2009). He has been a member of the Adam Opel GmbH Supervisory Board since January 2010.

Mr. Girsky's current role as GM Vice Chairman of Corporate Strategy and Business Development in addition to nearly 25 years of experience in the automotive industry, both as a participant and insightful observer, provides our Board of Directors with unique insight into the Company's challenges, operations and strategic

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opportunities as well as in-depth knowledge of the automotive business and its key participants. In addition, Mr. Girsky's experience as an auto analyst and president of a private equity firm brings to our Board of Directors significant expertise in finance, market and risk analysis, business restructuring and development.

### ***E. Neville Isdell***

E. Neville Isdell has been a member of our Board of Directors since July 10, 2009 and serves on the Public Policy (Chair) and Executive Compensation Committees. He was also a member of the Board of Old GM from 2008 to July 2009. Mr. Isdell served as Chairman of The Coca-Cola Company from 2004 until April 2009 and Chief Executive Officer from 2004 to 2008. From 2002 to May 2004, he was an International Consultant to The Coca-Cola Company and head of his investment company, Collines Investments in Barbados. Mr. Isdell served as Chief Executive Officer of Coca-Cola Hellenic Bottling Company from 2000 to May 2001 and Vice Chairman from May 2001 to December 2001. He was Chairman and Chief Executive Officer of Coca-Cola Beverages plc from 1998 to September 2000. Mr. Isdell also served as a director of SunTrust Banks, Inc. (2004-2008).

When considering Mr. Isdell as a nominee to serve on our Board of Directors the Board recognized his success as a chief executive officer of an iconic American corporation that promotes one of the most widely recognized consumer brands in the world in a continually growing global market. In addition, Mr. Isdell has significant expertise in global brand management, corporate strategy and business development. His previous and current board positions in non-profit organizations involved with, among other areas, community development, environmental issues and human rights, have developed his broad perspective on issues related to environmental sustainability and corporate social responsibility.

### ***Robert D. Krebs***

Robert D. Krebs has been a member of our Board of Directors since July 24, 2009 and serves on the Directors and Corporate Governance (Chair) and Audit Committees. He served as Chairman of Burlington Northern Santa Fe Corporation (BNSF) from December 2000 until his retirement in 2002. Prior to that, he served as Chairman and Chief Executive Officer of BNSF from June 1999 until 2000. He held the offices of Chairman, President and Chief Executive Officer from 1997 to 1999. Mr. Krebs is currently a director of UAL Corporation. He also served as a director of Phelps Dodge Corporation, a mining company (now doing business as Freeport-McMoRan Copper & Gold, Inc.), from 1987 to 2006.

Mr. Krebs' career at BNSF has provided him with wide-ranging operating and management experience as a chief executive officer of a large, highly regulated company focused on meeting the needs of industry in the U.S. and Canada. He brings to our Board of Directors extensive experience in corporate strategy, business development and finance. In addition, his service on several public company boards of directors provides exposure to diverse industries with unique challenges enabling him to make significant contributions to other areas of Board responsibility including governance and executive compensation.

### ***Philip A. Laskawy***

Philip A. Laskawy has been a member of our Board of Directors since July 10, 2009 and serves on the Audit (Chair) and Finance and Risk Policy Committees. He was also a member of the Board of Old GM from 2003 to July 2009. Mr. Laskawy served as Chairman and Chief Executive Officer of Ernst & Young LLP from 1994 to 2001. Mr. Laskawy is non-executive Chairman of the Board of Directors of the Federal National Mortgage Association and a director of Henry Schein, Inc., Lazard Ltd, and Loews Corporation. He also served as a director of The Progressive Corporation (2001-2007) and Discover Financial Services (2007-2008).

As the former Chairman and Chief Executive Officer of Ernst & Young LLP, Mr. Laskawy brings to GM both extensive audit and financial reporting expertise as well as his managerial and operational experience as a former chief executive officer of one of the four major international public accounting firms. With nearly 40 years of public

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accounting experience, Mr. Laskawy has extensive knowledge and background relating to accounting and financial reporting rules and regulations as well as the evaluation of financial results, internal controls and business processes. Furthermore, his service on several public company boards of directors provides exposure to diverse industries with unique challenges enabling him to make significant contributions to our Board, particularly in the areas of audit and risk assessment.

### ***Kathryn V. Marinello***

Kathryn V. Marinello has been a member of our Board of Directors since July 10, 2009 and serves on the Audit and Public Policy Committees. She was also a member of the Board of Old GM from 2007 to July 2009. Ms. Marinello has been Chairman and Chief Executive Officer of Stream Global Services, Inc., a premium business process outsource (BPO) service provider specializing in customer relationship management for Fortune 1,000 companies, since August 2010. Prior to that, Ms. Marinello served as senior advisor and consultant at both Providence Equity Partners LLC, a private equity firm, and Ares Capital Corporation, a specialty finance company, since June 2010. She served as Chairman and Chief Executive Officer of Ceridian Corporation, an information services company in the human resource, retail, and transportation markets from December 2007 to January 2010. Prior to that, she held the offices of President and Chief Executive Officer from 2006 to 2007. Before joining Ceridian, Ms. Marinello served as President and Chief Executive Officer of GE Fleet Services, a division of General Electric Company, from 2002 to October 2006.

Ms. Marinello's experience in a variety of industries enables her to bring a varied perspective to the GM Board. As Chairman and CEO of Stream Global Services, Inc., she is focused on using information technology to enhance customer service, two areas that are key to our success. Her recent affiliation with Providence Equity Partners gave her insight into communications, media and entertainment, areas that are essential to GM's ability to grow in new areas such as vehicle infotainment and use of social media for marketing. Ares Capital, one of the largest business development companies, provided her with exposure to the current lending and leveraged financing market. At Ceridian, Ms. Marinello led a business service company providing integrated HR systems, dealing with a wide range of issues including audit and financial reporting, compliance and controls, and mergers and acquisitions. Moreover, as the former President and CEO of GE Fleet Services, Ms. Marinello has significant experience with vehicle fleet sales and financing, and dealer relations and continues to ensure that our Board of Directors considers the customer perspective in its decision-making.

### ***Patricia F. Russo***

Patricia F. Russo has been a member of our Board of Directors since July 24, 2009. She is Lead Director and serves on the Executive Compensation (Chair), Directors and Corporate Governance and Finance and Risk Policy Committees. She served as Chief Executive Officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as Chairman and Chief Executive Officer of Lucent Technologies, Inc. from February 2003 to 2006 and President and Chief Executive Officer from 2002 to 2003. Before rejoining Lucent in January 2002, Ms. Russo was President and Chief Operating Officer of Eastman Kodak Company from March 2001 to December 2001. Ms. Russo is currently a director of Alcoa Inc., and Merck & Co. Inc. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995.

As the chief executive officer of two highly technical, complex companies, Ms. Russo demonstrated leadership that strongly supported her nomination to our Board of Directors. In that capacity she dealt with a wide range of issues including mergers and acquisitions and business restructuring as she led Lucent Technologies, Inc.'s recovery through a severe industry downturn and later a merger with Alcatel, a French company. In addition, she brings to the Board extensive global experience in corporate strategy, finance, sales and marketing, technology and leadership development. Ms. Russo's service as chair of the governance committee and lead director on the Schering-Plough board provided valuable expertise when she was chosen to be lead director by her fellow members of the GM Board.

***Carol M. Stephenson***

Carol M. Stephenson has been a member of our Board of Directors since July 24, 2009 and serves on the Directors and Corporate Governance and Executive Compensation Committees. She has been Dean of the Richard Ivey School of Business at The University of Western Ontario (Ivey) since 2003. Prior to joining Ivey, Ms. Stephenson served as President and Chief Executive Officer of Lucent Technologies Canada from 1999 to 2003. Ms. Stephenson is currently a director of Intact Financial Services Corporation (formerly ING Canada), a provider of property and casualty insurance in Canada and Manitoba Telecom Services Inc., a communications provider in Canada. She was a member of the General Motors of Canada Advisory Board from 2005 to July 2009.

Ms. Stephenson's experience as Dean of the Richard Ivey School of Business and President and Chief Executive Officer of Lucent Technologies Canada provides our Board of Directors with diverse perspective and progressive management expertise in marketing, operations, strategic planning, technology development and financial management. Her experience on boards of companies in a variety of industries provides our Board of Directors with her broad perspective on successful management strategies.

***Cynthia A. Telles***

Cynthia A. Telles has been a member of our Board of Directors since April 13, 2010 and serves on the Directors and Corporate Governance and Public Policy Committees. She has been on the faculty of the University of California, Los Angeles School of Medicine Department of Psychiatry since 1986 and the Director of the UCLA Neuropsychiatric Institute Spanish-Speaking Psychosocial Clinic since 1980. Among many corporate and non-profit board memberships, Dr. Telles was recently appointed to the White House Commission on Presidential Scholars by President Obama. She has held several governmental and public service appointments that include serving as a Commissioner for the City of Los Angeles for 13 years. Dr. Telles currently is a member of the board of the Kaiser Foundation Health Plan and Hospitals and Americas United Bank, the largest Hispanic-owned bank based in California. She previously served on the boards of Burlington Northern Santa Fe Corporation from 2009 to 2010 and California United Bank (formerly Sanwa Bank California) from 1994 to 2002.

Dr. Telles's qualifications for serving as a director include her extensive experience in public and governmental service, as well as public policy and governmental and community relations. In addition, her in-depth understanding of the Hispanic community, which represents the nation's largest and fastest growing consumer market segment, provides our Board of Directors with valuable insight. Moreover, her previous and current board positions in companies in the health care, transportation and financial industries and in non-profit organizations involved with, among other areas, community development, environmental issues, health care reform, and education, have developed her broad perspective on issues related to corporate social responsibility and governance.

***Edward E. Whitacre, Jr.***

Edward E. Whitacre, Jr. has been the Chairman of our Board of Directors since July 10, 2009. He served as Chief Executive Officer of our company from December 1, 2009 through August 31, 2010. He is also Chairman Emeritus of AT&T Inc., where he served as Chairman and Chief Executive Officer from 2005 until his retirement in 2007. Prior to the merger with AT&T, Mr. Whitacre served as Chairman and Chief Executive Officer of SBC Communications from 1990 to 2005. He is currently a director of Exxon Mobil Corporation. He also served as a director of Burlington Northern Santa Fe Corporation (1993-February 2010), Anheuser-Busch Companies, Inc. (1988-2008), Emerson Electric Co. (1990-2004), and The May Department Stores Company, now doing business as Macy's Inc. (1989-2004).

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His prior experience as our Chief Executive Officer enables Mr. Whitacre to provide the Company's Board of Directors with insight and information related to the Company's strategy, operations, and business. His prior experience as the Chief Executive Officer of AT&T Inc. and its predecessor companies provided him with the ability to lead a highly competitive, highly-regulated consumer products business through significant change. During his tenure, which began with SBC Communications, Mr. Whitacre led the company through a series of mergers and acquisitions, including that of AT&T in 2005, to create the nation's largest provider of local, long distance and wireless services. On August 11, 2010, Mr. Whitacre announced his intention to retire from his position as Chairman of the Board by the end of 2010.

### **Executive Officers**

The names and ages, as of September 30, 2010, of our executive officers, other than Messrs. Akerson and Girsky, who are discussed above, and their positions and offices with General Motors are as follows:

<b><u>Name and (Age)</u></b>	<b><u>Positions and Offices</u></b>
Christopher P. Liddell (52)	Vice Chairman and Chief Financial Officer
Thomas G. Stephens (62)	Vice Chairman, Global Product Operations
Timothy E. Lee (59)	President, GM International Operations
David N. Reilly (60)	President, GM Europe
Mark L. Reuss (46)	President, GM North America
Daniel Ammann (38)	Vice President, Finance and Treasurer
Jaime Ardila (55)	President, GM South America
Mary T. Barra (48)	Vice President, Global Human Resources
Selim Bingol (50)	Vice President, Communications
Nicholas S. Cyprus (57)	Vice President, Controller and Chief Accounting Officer
Terry S. Kline (48)	Vice President, Information Technology and Chief Information Officer
Michael P. Millikin (62)	Vice President and General Counsel

There are no family relationships, as defined in Item 401 of Regulation S-K, between any of the officers named above, and there is no arrangement or understanding between any of the officers named above and any other person pursuant to which he or she was selected as an officer. Each of the officers named above was elected by the Board of Directors or a committee of the Board to hold office until the next annual election of officers and until his or her successor is elected and qualified or until his or her earlier resignation or removal. The Board of Directors elects the officers immediately following each annual meeting of the stockholders and may appoint other officers between annual meetings.

Christopher P. Liddell joined GM as Vice Chairman and Chief Financial Officer in January 2010 and leads our financial and accounting operations on a global basis. Before joining GM, Liddell was CFO for Microsoft Corporation from May 2005 until December 2009, where he was responsible for leading their worldwide finance organization. Mr. Liddell had previously served as CFO at International Paper Co.

Thomas G. Stephens was named Vice Chairman, Global Product Operations in December 2009. He had been associated with Old GM since 1969. Mr. Stephens had been Vice Chairman, Global Product Development since July 10, 2009, and Vice Chairman, Global Product Development for Old GM since April 1, 2009. On January 1, 2007, Mr. Stephens was appointed Group Vice President Global Powertrain and Global Quality and became Executive Vice President on March 3, 2008. He was named Group Vice President for Global Powertrain on July 1, 2001.

Timothy E. Lee was named President, GM International Operations on December 4, 2009. He had been associated with Old GM since 1969. He had been Group Vice President, Global Manufacturing and Labor since October 1, 2009. He was named GM North America Vice President, Manufacturing in January 2006. Mr. Lee became Vice President of Manufacturing of GM Europe, on June 1, 2002.

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David N. Reilly was named President, GM Europe on December 4, 2009. He had been associated with Old GM since 1975. He had been Executive Vice President, GM International Operations since August 4, 2009. He was appointed Group Vice President and President, of our former segment, GM Asia Pacific, in July 2006 and had previously been President and Chief Executive Officer of GM Daewoo after leading our transition team in the formation of GM Daewoo beginning in January 2002. Mr. Reilly served as Vice President, for Sales, Marketing, and Aftersales of GM Europe beginning in August 2001.

Mark L. Reuss was appointed President of GM North America on December 4, 2009. He had been associated with Old GM since 1983. Before this appointment, he served briefly as Vice President of Engineering. He managed GM's operations in Australia and New Zealand as the President and Managing Director of GM Holden, Ltd., from February 2008 until July 2009. In October 2005, Reuss was appointed Executive Director of North America vehicle systems and architecture, and the following year, he was named Executive Director of global vehicle integration, safety, and virtual development. In June, 2001, he was named Executive Director, architecture engineering and GM Performance Division.

Daniel Ammann was named Vice President, Finance and Treasurer of General Motors Company in April 2010. Before joining GM, he was Managing Director and Head of Industrial Investment Banking for Morgan Stanley, a position he held since 2004. During his 11 years at Morgan Stanley, he was instrumental in many high profile assignments spanning a variety of technology, service, and manufacturing clients.

Jaime Ardila was appointed President of GM South America, effective July 1, 2010, with responsibility for operations in South America. He had been associated with Old GM since 1984. He had served as President and Managing Director of GM Mercosur since November 1, 2007, with responsibility for GM operations in Brazil, Argentina, Uruguay, Paraguay, Chile, Bolivia and Peru. Prior to this position, he was Vice President and Chief Financial Officer of GM Latin America, Africa and Middle East since March 1, 2003.

Mary T. Barra was named Vice President, Global Human Resources on July 30, 2009. She had been associated with Old GM since 1980. Prior to this appointment, she had been Vice President, Global Manufacturing Engineering since February 2008. She had been Executive Director, Vehicle Manufacturing Engineering since January 2005, with global responsibility for General Assembly; Controls, Conveyors, Robotics and Welding; Paint and Polymer, and Advanced Vehicle Development Centers; Industrial Engineering, Global Manufacturing System Implementation, and Pre-Production Operations.

Selim Bingol was appointed Vice President, Communications on March 8, 2010, with overall responsibility for our global communications. Most recently, he served as Senior Vice President and senior partner with Fleishman-Hillard, where he specialized as a senior communications strategist to large international clients across diverse industries. He was Senior Vice President-Corporate Communications at AT&T Corporation from December 2004 until August 2007.

Nicholas S. Cyprus was named Vice President, Controller and Chief Accounting Officer on August 4, 2009. He had been associated with Old GM since December 2006, when he became Controller and Chief Accounting Officer. Prior to joining Old GM, he was Senior Vice President, Controller and Chief Accounting Officer for the Interpublic Group of Companies from May 2004 to March 2006. From 1999 to 2004, Mr. Cyprus was Vice President, Controller and Chief Accounting Officer at AT&T Corporation.

Terry S. Kline was named Vice President, Information Technology and Chief Information Officer on October 1, 2009. He had been associated with Old GM since December 2000. Previously, Mr. Kline was the Global Product Development Process Information Officer and was responsible for coordinating product development process re-engineering activities and the implementation of associated information systems across GM business sectors. From December 2004 until December 2007, he served as the Chief Information Officer for GM Asia Pacific.



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Michael P. Millikin was appointed Vice President and General Counsel on July 20, 2009, with overall global responsibility for the legal affairs of GM. He had been associated with Old GM since 1977. Mr. Millikin was appointed Assistant General Counsel in June 2001 and became Associate General Counsel in June 2005. He is a member of the board of directors of GM Daewoo and the Supervisory Board of Adam Opel GmbH.

### **Board Designation Rights**

Pursuant to the Stockholders Agreement, so long as the New VEBA holds at least 50% of the shares of our common stock it held at the date of the Stockholders Agreement, the New VEBA shall have the right to designate one nominee to our Board of Directors (which designation shall be subject to the consent of the UAW and, if the designated nominee is not independent within the meaning of New York Stock Exchange (NYSE) rules, to the consent of the UST, which consent of the UST is not to be unreasonably withheld). Immediately following this offering, the New VEBA will own approximately % ( % if the underwriters in the offering of our common stock exercise their over-allotment option in full) of the shares of our common stock that it held at the date of the Stockholders Agreement. Following this offering, for so long as the New VEBA has the right to designate one nominee to our Board of Directors, subject to our Board of Directors' approval, our Board of Directors shall nominate the New VEBA nominee to be elected a member of our Board of Directors and include the New VEBA nominee in our proxy statement and related materials in respect of the election to which the nomination pertains. Following this offering, the UST and Canada Holdings will no longer have the right under the Stockholders Agreement to designate nominees for election to our Board of Directors.

See the section of this prospectus entitled "Certain Stockholder Agreements—Stockholders Agreement" for additional information about the Stockholders Agreement.

### **Corporate Governance**

In our Board's judgment, the rapid and severe changes in our business and our management that have occurred during the past year and the importance of reestablishing ourselves as a successful, stable company demands the continuity, efficiency, and centralized control that is provided by having a single individual act both as Chairman and CEO. On December 1, 2009, our Board requested Mr. Whitacre, the Chairman, to assume the role of CEO, following the resignation of Frederick A. Henderson, and in January 2010 our Board and Mr. Whitacre reaffirmed this decision. On August 11, 2010, the Board elected Daniel F. Akerson to be CEO effective September 1, 2010. Mr. Whitacre will remain Chairman of the Board until the end of 2010, since in the Board's judgment his continued involvement as Chairman while Mr. Akerson establishes himself as CEO will ensure a smooth transition and promote continuity during a time we are striving to maintain our successful momentum while undertaking this offering. Our Board has designated Mr. Akerson to serve as Chairman after Mr. Whitacre's departure in light of the advantages that have resulted from combining the positions under Mr. Whitacre. Our Board may reconsider its determination to have a single individual act both as Chairman and CEO from time to time based on changes in our circumstances.

On March 2, 2010, our Board designated Patricia F. Russo as its Lead Director. During the time that the roles of Chairman and Chief Executive Officer are combined in one person, our Board believes that a Lead Director will provide guidance to the non-management directors in their active oversight of management, including the Chairman and CEO. Under the policy adopted on the same day, the Board's Lead Director calls all executive sessions of our non-management directors, sets the agendas, chairs the sessions, and advises the Chairman and CEO of any actions taken. Agendas for Board meetings, which are established by the Chairman using input from other directors, are reviewed and approved by the Lead Director, along with Board meeting schedules and materials. The Lead Director also serves as a liaison between the Chairman and CEO and other directors, assists the Chairman and CEO in the recruiting and orientation of new directors, presides at Board meetings when the Chairman is not present, and assumes additional responsibilities as determined by our non-management directors. Finally, the Lead Director is available for consultation and direct communication with major stockholders, if requested.

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Following this offering, nominations for the election of directors shall be made by the Board in accordance with the Stockholders Agreement and pursuant to the recommendations by the Board's Directors and Corporate Governance Committee (the Governance Committee), or by any stockholder entitled to vote for the election of directors who complies with the requirements of applicable law and of our Bylaws.

The Governance Committee is responsible for identifying potential candidates for Board membership and making its recommendations to the full Board. In assessing potential candidates the Governance Committee seeks to consider individuals with a broad range of business experience and diverse backgrounds. The Governance Committee also considers it desirable that each candidate contribute to the Board's overall diversity—diversity being broadly defined to mean a variety of opinions, perspectives, personal and professional experiences, and backgrounds, such as gender, race, ethnicity, or country of origin.

The selection of qualified directors is complex and crucial to our long-term success. Potential candidates for election to the Board are evaluated based upon criteria that include:

- The nature and depth of their experience in business, government, and non-profit organizations, and whether they are likely to be able to make a significant and immediate contribution to the Board's discussion and decision making concerning the broad array of complex issues facing the Company;
- Their demonstrated commitment to the highest ethical standards and the values of the Company;
- Their special skills, expertise, and experience that would complement or expand that of the current directors;
- Their ability to take into account and balance the legitimate interests and concerns of all our stockholders and other stakeholders effectively, consistently, and appropriately in reaching decisions; and
- Their global business and social perspective, personal integrity, and sound judgment.

In addition, directors must have time available to devote to Board activities and to enhance their knowledge of our Company and the global automotive industry. To assist in the identification and evaluation of qualified director candidates, the Governance Committee, on occasion, has engaged search firms that specialize in providing services for the identification and evaluation of candidates for election to corporate boards.

Our Board's primary function is oversight of management, directly and through its various committees, so that identifying and addressing the risks and vulnerabilities that we face is an important component of the Board's responsibilities, whether monitoring ordinary operations or considering significant plans, strategies, or proposed transactions. The risk management process that we have established is overseen by the Board's Audit Committee, which is also responsible for oversight of risk issues associated with our overall financial reporting and disclosure process and with legal compliance as well as reviewing policies on risk control assessment and accounting risk exposure. The Board's Finance and Risk Policy Committee, created on August 3, 2010, assists the Board in overseeing other aspects of risk management, including our risk management framework, our risk management and risk assessment policies regarding market, credit, liquidity and funding risks, and our risk tolerance, including risk tolerance levels and limits. In addition, each of our other Board committees oversees the risks within its area of responsibility. For example, the Executive Compensation Committee (the Compensation Committee) considers the risks that may be implicated by our executive compensation programs. While the Board is ultimately responsible for risk oversight, our management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.

## Director Independence

Pursuant to our Bylaws and the Stockholders Agreement, at least two-thirds of our directors must be independent within the meaning of Rule 303A.02 of the NYSE Listed Company Manual, as determined by our Board of Directors.

The Governance Committee assesses the independence of each director and makes recommendations to the Board as to his or her independence both by using the quantitative criteria in the Board's Corporate Governance Guidelines and by determining whether he or she is free from any qualitative relationship that would interfere with the exercise of independent judgment.

Section 2.10 of our Bylaws incorporates, by reference, the independence criteria of the SEC and NYSE, and the Board's Corporate Governance Guidelines set forth our standards for director independence, which are based on all the SEC and NYSE requirements. The Board's Corporate Governance Guidelines provide that an independent director must satisfy all of the following criteria:

- During the past three years, we have not employed the director, and have not employed (except in a non-executive capacity) any of his or her immediate family members.
- During any twelve-month period within the last three years, the director has not received more than \$120,000 in direct compensation from us other than director fees or other forms of deferred compensation. No immediate family members of the director have received any compensation other than for employment in a non-executive capacity.
- The director or an immediate family member is not a current partner of a firm that is our internal or external auditor; the director is not an employee of such a firm; the director does not have an immediate family member who is a current employee of such a firm and personally works on our audit; or the director or an immediate family member was not within the last three years a partner or employee of such a firm and personally worked on our audit within that time.
- During the past three years, neither the director nor any of his or her immediate family members has been part of an "interlocking directorate" in which one of our executive officers serves on the compensation committee (or its equivalent) of another company that employs the director.
- During the past three years, neither the director nor any of his or her immediate family members has been employed (except, in the case of family members, in a capacity other than an executive officer) by one of our significant suppliers or customers or any affiliate of such supplier or customer. For the purposes of this standard, a supplier or customer is considered significant if its sales to, or purchases from, us represent the greater of \$1 million or 2% of our or the supplier's or customer's consolidated gross revenues.

In addition to satisfying all of the foregoing requirements, a director is not considered independent if he or she has, in the judgment of the Board, any other "material" relationship with the Company, other than serving as a director that would interfere with the exercise of his or her independent judgment.

Consistent with the standards described above, the Board has reviewed all relationships between the Company and the members of the Board, considering quantitative and qualitative criteria, and affirmatively has determined that, other than Messrs. Whitacre, Akerson and Girsky, all of the directors are independent according to the definition in the Board's Corporate Governance Guidelines, which is based on the standards of the SEC and NYSE.

Our Bylaws and Corporate Governance Guidelines are available on our website at <http://investor.gm.com>, under "Corporate Governance."

## **Code of Ethics**

We have adopted a code of ethics that applies to our directors, officers, and employees, including the Chairman and Chief Executive Officer, the Vice Chairman and Chief Financial Officer, the Vice President, Controller and Chief Accounting Officer, and any other persons performing similar functions. The text of our code of ethics, "Winning With Integrity," is posted on our website at <http://investor.gm.com>, under "Corporate Governance." We will provide a copy of the code of ethics without charge upon request to the Corporate Secretary, General Motors Company, Mail Code 482-C25-A36, 300 Renaissance Center, P. O. Box 300, Detroit, Michigan 48265-3000.

## **Committees of the Board of Directors**

Our Board of Directors has an Audit Committee, an Executive Compensation Committee, a Directors and Corporate Governance Committee, a Public Policy Committee and a Finance and Risk Policy Committee. Our Board of Directors may also establish from time to time any other committees that it deems necessary or desirable. The composition of each committee will comply with the listing requirements and other rules of the New York Stock Exchange and the Toronto Stock Exchange.

### ***Audit Committee***

Our Board of Directors has a standing Audit Committee to assist the Board in fulfilling its oversight responsibilities with respect to the financial reports and other financial information provided by us to stockholders and others; our system of internal controls; our compliance procedures for the employee code of ethics and standards of business conduct; and our audit, accounting, and financial reporting processes. Erroll B. Davis, Jr., Robert D. Krebs, Philip A. Laskawy (Chair) and Kathryn V. Marinello comprise the Audit Committee. Our Board has determined that all of the members of the Audit Committee are independent, financially literate, and have accounting or related financial management expertise as required by the NYSE. The Board also has determined that Mr. Davis, Mr. Krebs, Mr. Laskawy and Ms. Marinello all qualify as "audit committee financial experts" as defined by the SEC. Currently, Mr. Laskawy serves on the audit committees of four public companies in addition to GM. The Board has determined, in light of Mr. Laskawy's depth of knowledge and experience and time available as a retiree, that this simultaneous service does not impair his ability to function as a member and the Chair of the Audit Committee.

### ***Executive Compensation Committee***

Our Board of Directors has a standing Executive Compensation Committee. The members of our Compensation Committee are David Bonderman, E. Neville Isdell, Patricia F. Russo (Chair) and Carol M. Stephenson.

Although Mr. Whitacre was a member of the Compensation Committee during 2009, he is no longer a member. His membership was suspended when he initially agreed to serve as CEO in December 2009, and he resigned from the Compensation Committee after the Board reaffirmed his appointment as CEO in January 2010. The Chair of the Compensation Committee has invited Mr. Whitacre and Mr. Akerson to participate in meetings of the Compensation Committee, as appropriate. None of the members of our Compensation Committee are eligible to participate in any of the compensation plans or programs it administers.

The Compensation Committee's overall objective is to ensure that our compensation policies and practices support the recruitment, development, and retention of the executive talent needed for the long-term success of the Company. In doing this, the Compensation Committee must balance the need to provide competitive compensation and benefits with the guidelines and requirements of the UST Credit Agreement and the TARP regulations as they apply to Exceptional Assistance Recipients. Working with the Office of the Special Master, the Compensation Committee reviewed and approved corporate goals and objectives related to compensation and set individual award targets for the CEO and Named Executive Officers as well as our Senior Leadership Group (the SLG) and certain other employees subject to its review.

***Directors and Corporate Governance Committee***

Our Board of Directors has a standing Directors and Corporate Governance Committee. David Bonderman, Robert D. Krebs (Chair), Patricia F. Russo, Carol M. Stephenson and Cynthia A. Telles comprise our Governance Committee. The Governance Committee gives direction and oversight to the identification and evaluation of potential Board candidates and ultimately recommends candidates to be nominated for election to the Board (in accordance with the terms of the Stockholders Agreement). It periodically conducts studies of the appropriate size and composition of the Board and reviews and makes recommendations concerning compensation for non-employee directors. The Governance Committee is also responsible for reviewing and proposing revisions to the Board's Corporate Governance Guidelines and Delegation of Authority; recommending memberships, rotation, and Chairs for all committees of the Board; and contributing to the process of setting the agendas for the executive sessions of the Board.

***Public Policy Committee***

Our Board of Directors has a standing Public Policy Committee. Stephen J. Girsky, E. Neville Isdell (Chair), Kathryn V. Marinello and Cynthia A. Telles comprise our Public Policy Committee. The Public Policy Committee fosters our commitment to operate the business worldwide in a manner consistent with the rapidly changing demands of society. Topics reviewed by the Public Policy Committee include our strategies and plans in the areas of advanced technology, fuel economy, environmental and energy performance, global climate, research and development, automotive safety, diversity, health care, education, communications, government relations, employee health and safety, trade, and philanthropic activities. The Public Policy Committee provides public policy guidance to management to support our progress in growing the business globally within the framework of our core values to ensure that GM is strongly positioned to compete today and into the future.

***Finance and Risk Policy Committee***

Our Board of Directors has a standing Finance and Risk Policy Committee. Daniel F. Akerson (Chair), Erroll B. Davis, Jr., Stephen J. Girsky, Philip A. Laskawy and Patricia F. Russo comprise our Finance and Risk Policy Committee. The Finance and Risk Policy Committee is responsible for assisting the Board in its oversight of our financial policies and strategies, including our capital structure. It is also responsible for assisting the Board in its oversight of our risk management strategies and policies, including overseeing management of market, credit, liquidity and funding risks. In addition, the Finance and Risk Policy Committee periodically receives reports regarding our U.S. employee benefit plans for the purpose of reviewing the administration, financing, investment performance, risk and liability profile, and funding of such plans, in each case including with respect to regulatory compliance.

**Non-Employee Director Compensation**

Compensation for our non-employee directors is set by our Board at the recommendation of the Governance Committee. Pursuant to the Board's Corporate Governance Guidelines, the Governance Committee is responsible for conducting an annual assessment of non-employee director compensation. The Governance Committee compares our Board's compensation to compensation paid to directors at peer companies having similar size, scope and complexity.

Only non-employee directors receive fees for serving on the Board. Non-employee directors are not eligible to participate in the Savings-Stock Purchase Program (S-SPP), which is described in the section of this prospectus entitled "Executive Compensation—Retirement Programs Applicable to Executive Officers," nor any of the retirement programs for our employees. Other than as described in this section, there are no separate benefit plans for directors.

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Non-employee directors are reimbursed for reasonable travel expenses incurred in connection with their duties as directors. Under our Expense Policy, members of the Board may use charter aircraft for travel only in North America and only when a clear business rationale is stated. The Governance Committee periodically monitors the use of charter aircraft.

To familiarize directors with our product line, we provide the use of a company vehicle on a six-month rotational basis, and directors are expected to submit product evaluations to us. In addition, we pay for the cost of personal accident insurance coverage, and until January 1, 2010, we paid the cost of personal liability insurance coverage.

### **Old GM Board of Directors**

Members of the Old GM Board of Directors served until July 10, 2009, when the 363 Sale closed and our Board was constituted. The Old GM Board voluntarily agreed to reduce its total compensation for 2009, including annual Board retainer, retainers for Committee Chairs and Audit Committee membership, and fees for excess meetings and special services, to one dollar effective January 1, 2009. Prior to 2009, each non-employee director of Old GM received an annual Board retainer of \$200,000 on a pro rata basis effective March 1, 2008, which was voluntarily reduced from time to time. Under the General Motors Corporation Compensation Plan for Non-Employee Directors (Old GM Director Compensation Plan), Old GM non-employee directors were required to defer at least 70% of their annual Board retainer (i.e., \$140,000) into share units of its common stock and could elect to receive the remaining compensation in cash or to defer in cash-based alternatives or share units.

The Old GM Director Compensation Plan remains in place with respect to past deferrals of compensation to former directors of Old GM, including those who are now members of our Board. Old GM directors who deferred compensation into share units of common stock are not expected to receive any value for this deferred compensation under the Chapter 11 Proceedings. In addition, deferred cash-based account balances were reduced by ten percent for Old GM non-employee directors effective September 8, 2009, in line with the penalty incurred by Old GM executives on early withdrawal of their deferred cash account balances. Interest on fees deferred in cash-based alternatives was credited monthly to the directors' accounts. Old GM did not credit interest at above-market rates. In general, Old GM did not pay deferred amounts until January following the director's retirement or separation from the Old GM Board. Old GM then paid those amounts, either in lump sum or in annual installments for up to ten years based on the director's deferral election. (Members of the Old GM Board who are now serving on our Board will not receive their deferred amounts until after they leave our Board.)

### **2009 Old GM Non-Employee Director Compensation**

<b>Director (a)</b>	<b>Fees Earned or Paid in Cash</b>	<b>All Other Compensation (b)</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Percy N. Barnevik	0	2,882	2,882
Erskine B. Bowles	1	10,250	10,251
John H. Bryan	1	32,586	32,587
Armando M. Codina	1	8,004	8,005
Erroll B. Davis, Jr.	1	7,880	7,881
George M.C. Fisher	1	25,616	25,617
E. Neville Isdell	1	4,316	4,317
Karen Katen	1	4,724	4,725
Kent Kresa	1	8,021	8,022
Philip A. Laskawy	1	7,727	7,728
Kathryn V. Marinello	1	7,650	7,651
Eckhard Pfeiffer	1	19,585	19,586

(a) Mr. Barnevik resigned from the Old GM Board effective February 3, 2009. The other directors resigned from the Old GM Board in early July 2009, either before or immediately after the closing of the 363 Sale.

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(b) “All Other Compensation” is comprised of interest paid on deferred cash-based accounts; incremental costs for the use of company vehicles and reimbursement of associated taxes until August 1, 2009; and the costs associated with personal accident and liability insurances.

### *All Other Compensation*

Totals for amounts reported as “All Other Compensation” in the preceding “2009 Old GM Non-Employee Director Compensation” table are described below:

<u>Director</u>	<u>Aggregate Earnings on Deferred Compensation</u> <u>(\$)</u>	<u>Company Vehicle (a)</u> <u>(\$)</u>	<u>Tax Reimbursement (b)</u> <u>(\$)</u>	<u>Other (c)</u> <u>(\$)</u>	<u>Total</u> <u>(\$)</u>
Percy N. Barnevik	0	1,905	532	445	2,882
Erskine B. Bowles (e)	0	6,984	2,771	495	10,250
John H. Bryan (d)(e)	23,112	5,714	3,690	70	32,586
Armando M. Codina (e)	0	4,444	3,065	495	8,004
Erroll B. Davis, Jr.	744	3,810	3,035	291	7,880
George M.C. Fisher (d)(e)	19,574	3,175	2,372	495	25,616
E. Neville Isdell	0	3,810	436	70	4,316
Karen Katen (e)	0	2,540	1,689	495	4,724
Kent Kresa	604	3,810	3,316	291	8,021
Philip A. Laskawy	0	3,810	3,626	291	7,727
Kathryn V. Marinello	0	3,810	3,549	291	7,650
Eckhard Pfeiffer (d)(e)	7,056	6,984	5,050	495	19,585

(a) Includes incremental costs for company vehicles which are calculated based on the average monthly cost of providing vehicles to all directors, including lost sales opportunity and incentive costs, if any; insurance claims, if any; licensing and registration fees; and use taxes.

(b) Directors were charged with imputed income based on the lease value of the vehicle driven and reimbursed for associated taxes until August 1, 2009.

(c) Reflects cost of premiums for providing personal accident and personal umbrella liability insurance. If a director elected to receive coverage, the taxes related to the imputed income are the responsibility of the director.

(d) We administered the Old GM Director Compensation Plan after July 9, 2009. Amounts shown under “Aggregate Earnings on Deferred Compensation” for Mr. Bryan, Mr. Fisher, and Mr. Pfeiffer include interest credited to their deferred cash-based accounts in 2009 including the period subsequent to July 9, 2009.

(e) Following their resignation from the Old GM Board, Mr. Bowles, Mr. Bryan, Mr. Codina, Mr. Fisher, Ms. Katen and Mr. Pfeiffer were requested to turn in their company vehicles as soon as practicable because they did not join our Board. We paid for the costs related to providing company vehicles during the transition period which followed the closing of the 363 Sale in addition to costs related to selling company vehicles to certain former directors. Directors were charged imputed income for use of these vehicles and were responsible for associated taxes beginning August 1, 2009.

### *General Motors Board of Directors*

Following the recommendation of the Governance Committee, our Board determined that effective July 10, 2009, each member of the Board who is not an employee would be paid, in cash, an annual retainer of \$200,000 for service on the Board and, if applicable, one or more of the following annual retainers:

(1) \$10,000 for service as Chair of any Board committee; (2) \$20,000 for service on the Audit Committee; and (3) \$150,000 for service as the Chairman of the Board. In addition, until August 1, 2009, the members of the Board could be reimbursed for taxes related to income imputed to them for the use of company cars provided to non-employee directors.

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Upon joining the Board, Mr. Bonderman requested that his annual retainer of \$200,000 for service on the Board be reduced to one dollar. Effective August 2010, his annual Board retainer of \$200,000 was reinstated.

On March 2, 2010, the Governance Committee approved an additional annual retainer of \$10,000 for service as Lead Director, consistent with the annual retainer paid to the Chair of any Board committee.

Mr. Whitacre will receive director's and Chairman's fees totaling \$300,000 for his service as Chairman of the Board for the period from September 1, 2010 through December 31, 2010. Mr. Whitacre stepped down from his position as Chief Executive Officer of the Company on September 1, 2010 and thus will receive only that portion of his salary and salary stock earned prior to his termination date, and will not be granted any restricted stock units.

On October 5, 2010, our Board adopted the General Motors Company Deferred Compensation Plan for Non-Employee Directors (New GM Director Compensation Plan). Under the New GM Director Compensation Plan, which takes effect January 1, 2011, non-employee directors will be required to defer 50% of their annual Board retainer (i.e., \$100,000) into share units of our common stock and may elect to receive the remainder of the Board retainer in cash or to defer either 50% or 100% in additional share units of our common stock. Amounts deferred and credited as share units under this plan are not available until after the director retires or otherwise leaves the Board. After leaving the Board, the director receives a cash payment or payments under this plan based on the number of shares in the director's account, valued at the average daily closing market price for the quarter immediately preceding payment. Directors are paid in a lump sum or in annual installments for up to five years based on their deferral elections.

The fees for a director who joins or leaves the Board or assumes additional responsibilities during the year are pro-rated for his or her period of service. The fees listed in the table below reflect any pro-rata adjustments that occurred in the year ended December 31, 2009.

### 2009 GM Non-Employee Director Compensation

<u>Director</u>	<u>Fees Earned or Paid in Cash (a)</u> \$	<u>All Other Compensation (b)</u> \$	<u>Total</u> \$
Daniel F. Akerson (d) (f)	91,667	1,444	93,111
David Bonderman (d)	1	1,095	1,096
Erroll B. Davis, Jr. (c)	108,333	3,337	111,670
Stephen J. Girsky (c)	100,000	76,792	176,792
E. Neville Isdell (c)	104,167	2,286	106,453
Robert D. Krebs (d)	83,333	1,095	84,428
Kent Kresa (c) (e)	112,500	3,242	115,742
Philip A. Laskawy (c)	112,500	2,815	115,315
Kathryn V. Marinello (c)	100,000	2,958	102,958
Patricia A. Russo (d)	87,500	1,095	88,595
Carol M. Stephenson (d)	83,333	1,820	85,153

(a) Includes annual retainer fees, Chair and Audit Committee fees. Fees for excess meetings and special services were eliminated effective July 10, 2009.

(b) "All Other Compensation" includes among other items incremental costs for the use of company vehicles and reimbursement of associated taxes until August 1, 2009; and the costs associated with personal accident and liability insurances.

(c) Following their resignations from the Old GM Board, Mr. Davis, Mr. Isdell, Mr. Kresa, Mr. Laskawy, and Ms. Marinello joined our Board on July 10, 2009. Mr. Girsky and Mr. Whitacre also joined our Board on the same day. (Mr. Whitacre's compensation as a director is reflected in the Summary Compensation Table.)



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(d) Mr. Akerson, Mr. Bonderman, Mr. Krebs, Ms. Russo and Ms. Stephenson joined the Board on July 24, 2009.

(e) Mr. Kresa retired from the Board effective August 3, 2010.

(f) Mr. Akerson became our Chief Executive Officer on September 1, 2010.

### *All Other Compensation*

Totals for amounts reported as “All Other Compensation” in the preceding “2009 GM Non-Employee Director Compensation” table are described below:

<b>Director</b>	<b>Aggregate Earnings on Deferred Compensation (\$)</b>	<b>Company Vehicle (a) (\$)</b>	<b>Tax Reimbursement (b) (\$)</b>	<b>Other (c) (\$)</b>	<b>Total (\$)</b>
Daniel F. Akerson	0	1,394	0	50	1,444
David Bonderman	0	1,045	0	50	1,095
Erroll B. Davis, Jr. (e)	650	2,091	342	254	3,337
Stephen J. Girsky (d)	0	1,742	0	75,050	76,792
E. Neville Isdell	0	2,091	145	50	2,286
Robert D. Krebs	0	1,045	0	50	1,095
Kent Kresa (e)	523	2,091	374	254	3,242
Philip A. Laskawy	0	2,091	470	254	2,815
Kathryn V. Marinello	0	2,091	613	254	2,958
Patricia A. Russo	0	1,045	0	50	1,095
Carol M. Stephenson	0	1,742	28	50	1,820

(a) Includes incremental costs for company vehicles which are calculated based on the average monthly cost of providing vehicles to all directors, including lost sales opportunity and incentive costs, if any; insurance claims, if any; licensing and registration fees; and use taxes.

(b) Directors were charged with imputed income based on the lease value of the vehicle driven and reimbursed for associated taxes until August 1, 2009.

(c) Reflects cost of premiums for providing personal accident and personal umbrella liability insurance. If a director elected to receive coverage, the taxes related to the imputed income are the responsibility of the director. Effective January 1, 2010, we no longer pay for the cost of providing personal umbrella liability insurance.

(d) “Other” amount for Mr. Girsky reflects additional compensation received in the form of salary stock for his services as Senior Advisor to the Office of the Chairman in December 2009. See the section of this prospectus entitled “Certain Relationships and Related Party Transactions” for more information.

(e) We assumed the Old GM Director Compensation Plan, and it remains in place with respect to past deferrals of compensation to Old GM directors who are members of our Board.

### **Compensation Committee Interlocks and Insider Participation**

No executive officer of GM served on any board of directors or compensation committee of any other company for which any of our directors served as an executive officer at any time during the year ended December 31, 2009.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following section contains a discussion of our executive compensation programs and our analysis of the compensation decisions affecting our Named Executive Officers during the year ended December 31, 2009, as well as a review of executive compensation programs related to Old GM.

#### *Compensation Discussion and Analysis — Old GM*

Prior to the Chapter 11 Proceedings and 363 Sale, Old GM's Compensation Committee had overall responsibility for the development and administration of Old GM's executive compensation program and executive benefit plans. Old GM's Compensation Committee established the compensation philosophy and strategy; set the base salary and incentive opportunities for Old GM's CEO and SLG; established performance measures and objectives for Old GM's CEO and SLG; determined whether, and to what extent, the performance objectives were achieved; recommended to the Old GM Board the amount of incentive compensation to be paid to the Old GM CEO and Old GM SLG; and was responsible for amending and modifying Old GM's executive compensation benefit plan. Old GM's Compensation Committee also recommended to the Old GM Board perquisites and non-qualified benefits for the Old GM CEO, and approved such benefits for the Old GM SLG, as well as any employment or consulting agreements and severance arrangements for Old GM SLG members.

Prior to the Chapter 11 Proceedings, the Old GM Compensation Committee consisted of the following directors: Mr. John H. Bryan (Chair), Mr. Erskine B. Bowles, Mr. Armando Codina, Mr. George M. C. Fisher, and Ms. Karen Katen. The Old GM Compensation Committee met five times between January 1 and July 9, 2009. All the members of the Old GM Compensation Committee resigned from the Board of Directors of Old GM by July 10, 2009.

*Resignation of Mr. Wagoner and Appointment of Mr. Henderson.* On March 29, 2009, Mr. Wagoner resigned as a director and stepped down from his positions as Chairman of the Board and Chief Executive Officer of Old GM. On the same date, Mr. Henderson was appointed President and Chief Executive Officer and elected to the Board of Directors of Old GM.

*UST Loan Agreement Executive Compensation Limitations.* Under the terms of the UST Loan Agreement, first effective on December 31, 2008, Old GM was required to comply with certain limitations on executive compensation. The most significant of these included:

- Prohibition of any severance payable to an "SEO" (Senior Executive Officer who is also a Named Executive Officer) and the next five most highly compensated employees (the MHCEs);
- No tax deduction for any compensation in excess of \$500,000 paid to an SEO;
- Prohibition of any bonus or incentive compensation payments to or accruals for the 25 MHCEs (including the SEOs), unless otherwise approved by the UST;
- Prohibition from adopting or maintaining any compensation plan that would encourage manipulation of reported earnings;
- Clawback of any bonuses or other compensation paid to any SEO in violation of any of the executive compensation provisions of the UST Loan Agreement;
- Prohibitions on incentives for SEOs that might encourage them to take unnecessary or excessive risks and a requirement that the Committee review SEO compensation arrangements with the chief risk officer within 120 days of entering into the UST Loan Agreement and quarterly thereafter; and

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- Prohibition on owning or leasing private aircraft and limitations on expenditures for corporate events, travel, consultants, real estate, and corporate offices.

These provisions also prohibited the payment of all outstanding equity awards granted prior to December 31, 2008 and disclosed in the section of this prospectus below entitled “—Outstanding Equity Awards at December 31, 2009” to the Named Executive Officers unless approved by the UST.

*Bankruptcy Proceedings.* On June 1, 2009, Old GM filed a motion for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. In connection with the Chapter 11 Proceedings on July 10, 2009, we completed the 363 Sale and executed the UST Credit Agreement. The UST Credit Agreement reiterated the provisions of the UST Loan Agreement with respect to executive compensation and incorporated the requirements of the TARP Standards.

*Treasury Interim Final Rule on TARP Standards for Compensation and Corporate Governance and Appointment of Special Master.* On June 15, 2009, the UST published its Interim Final Rule on TARP Standards for Compensation and Corporate Governance, including the appointment of a Special Master and requirements for the approval by him of all compensation plans and payments for Old GM’s CEOs and the next 20 MHCEs as well as the compensation structure for Old GM’s top 100 executives.

*Base Salaries.* At Mr. Wagoner’s recommendation, and with the concurrence of the other executives, Old GM’s Compensation Committee had reduced the base salaries of Old GM’s most senior executives as follows on January 1, 2009:

Mr. G. Richard Wagoner, Jr. — Chairman and Chief Executive Officer	\$1.00 Annual Salary
Mr. Frederick A. Henderson — President and Chief Operating Officer	30% Annual Salary Reduction
Mr. Ray G. Young — Executive Vice President and Chief Financial Officer	20% Annual Salary Reduction

The remaining three Old GM Named Executive Officers (Mr. Robert S. Osborne, Mr. Carl-Peter Forster, and Mr. Nick S. Cyprus) received 10% salary reductions on May 1, 2009.

*Annual Incentive Plan (AIP).* Due to the severe economic downturn and Old GM’s financial condition, no AIP target awards were established for Old GM’s CEO and Old GM’s SLG for 2009.

*Long-Term Incentive Awards.* In conjunction with the Chapter 11 Proceedings, all unexercised Old GM stock options, unvested restricted stock units, and unvested equity incentive plan awards were left in MLC with no consideration paid to the employees. Old GM did not make any new long-term award grants during 2009.

*Perquisites and Benefits.* Also, in conjunction with the Chapter 11 Proceedings, Old GM reduced or eliminated certain employee benefits, including the following:

- Executive Retirement Plan (ERP) — For executives that were still active employees, ERP benefit accruals were reduced by 10% effective with the closing of the 363 Sale. For executives that were retired from Old GM with an annual pension benefit below \$100,000, ERP benefits were reduced by 10% effective with the closing of the 363 Sale. In addition, for executives that were retired from Old GM with an annual pension benefit above \$100,000, the ERP benefit payable above \$100,000 was reduced by two-thirds effective with the closing of the 363 Sale. Additional modifications to the ERP are discussed in the “Retirement Program Applicable to Executive Officers” subsection of this prospectus.
- Supplemental Life Benefits Program (SLBP) — The SLBP benefit for certain executive retirees was reduced by 50%, effective May 1, 2009. Additional modifications to the SLBP are discussed in footnote (4) of the “All Other Compensation” section.

***Compensation Discussion and Analysis — New GM***

Our Board of Directors was appointed in July 2009, following the 363 Sale. Upon its appointment, our Board began a review of the senior leadership team to assure that we have the right leadership to return the Company to sustained profitability. Our new leadership team was selected for their strategic orientation and ability to implement decisions quickly and effectively.

*Objectives and Elements of Our Compensation Program.* As discussed in the section of this prospectus entitled “Management—Committees of the Board of Directors—Executive Compensation Committee,” the Committee must balance the need to provide competitive compensation and benefits with the guidelines and requirements of the UST Credit Agreement and in the TARP regulations as they apply to Exceptional Assistance Recipients. Working with the Special Master, the Committee reviewed and approved corporate goals and objectives related to compensation and set individual compensation amounts for the CEO and Named Executive Officers.

Between July 10 and December 31, 2009, representatives of management and the Compensation Committee met frequently and participated in several telephonic discussions with the Special Master to establish TARP compliant compensation, benefit, and incentive plans. Overall, “TARP compliant” compensation structures for our senior executives, including the Named Executive Officers, must be consistent with the following six general principles articulated by TARP regulations:

- Risk — The compensation structure should avoid incentives to take unnecessary and excessive risk, e.g., should be paid over a time horizon that takes into account the appropriate risk horizon;
- Taxpayer Return — The compensation paid should recognize the need for us to remain viable and competitive, and to retain and recruit critical talent;
- Appropriate Allocation — The structure should appropriately allocate total compensation to fixed and variable pay elements resulting in an appropriate mix of long- and short-term pay elements;
- Performance-Based Compensation — An appropriate portion of total compensation should be performance based over a relevant performance period;
- Comparable Structures and Payments — Structures and amounts should be competitive with those paid to persons in similar positions at similarly situated companies; and
- Employee Contribution to TARP Recipient Value — Compensation should reflect the current and prospective contributions of the individual employee to the value of the Company.

*Total Compensation Framework*

With these principles in mind, the Special Master determined that the following standards would be applied in setting compensation for our Named Executive Officers:

- Cash — Base salary should not exceed \$500,000 per year, except in appropriate cases for good cause shown. Guarantees of “bonus” or “retention” awards are not permitted for Named Executive Officers. Overall, cash compensation for senior executives was reduced 31% from 2008 levels.
- Salary stock — comprises the majority of each senior executive’s total annual compensation. Salary stock units (SSUs) vest immediately and are payable in three equal, annual installments beginning on the second anniversary of the quarter in which they were deemed to have been granted, or one year earlier upon certification by our Compensation Committee that repayment of our TARP obligations has commenced.

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- Long-term restricted stock units — should not exceed one-third of total annual compensation and will be based on annual business performance. The restricted stock units will be forfeited unless the employee remains with the Company for at least three years following grant, and will only be redeemed after the third anniversary date of the grant in 25% installments for each 25% installment of our TARP obligations that is repaid.
- Benefits and perquisites — All “other” compensation and perquisites may not exceed \$25,000 for Named Executive Officers except in exceptional circumstances for good cause shown, e.g., payments related to expatriate assignments. No severance benefits may be accrued or tax “gross-ups” paid, and no additional amounts under supplemental executive retirement plans or other “non-qualified deferred compensation” plans could be credited after October 22, 2009 for Messrs. Young, Cole, and Henderson, and after December 11, 2009 for Messrs. Stephens and Lutz.

Total annual compensation for each senior executive reflects the individual’s value to us and was targeted at the 50th percentile of total compensation provided to persons in similar positions or roles at similar companies. Total direct compensation, excluding benefits and perquisites, for senior executives was decreased 24.7% from 2008 levels. All incentives paid to these Named Executive Officers are subject to recovery or “clawback” if payments are later found to be based on materially inaccurate financial statements or other materially inaccurate performance metrics, or if the executive is terminated due to any misconduct that occurred during the period in which the incentive was earned.

### *Assessing Compensation Competitiveness*

With the completion of the 363 Sale, the starting point for our compensation planning was assuring compensation competitiveness and leadership strength. For this reason, although recognizing that our 2009 program would be shaped by the parameters of the TARP regulations for Exceptional Assistance Recipients, we began our planning with a review of our compensation program in comparison to compensation opportunities provided by other large companies. We cannot limit the group to our industry alone because compensation information is not available from most of our major competitors. We also believe it is important to understand the compensation practices for Named Executive Officers at other U.S. based multinationals as it affects our ability to attract and retain diverse talent around the globe.

During 2009, we used a comparator group of 23 companies whose selection was based on the following criteria:

- Large Fortune 100 companies (annual revenue from \$18.4 billion to \$477.3 billion);
- Complex business operations, including significant research and development, design, engineering, and manufacturing functions with large numbers of employees;
- Global enterprises; and
- Broad representation across several industries of companies that produce products, rather than services.

**2009 Comparator Companies**

<b>Company</b>	<b>GICS Category</b>	<b>Company</b>	<b>GICS Category</b>
Ford Motor Company	Consumer Discretionary	Johnson & Johnson	Consumer Staples
Johnson Controls Inc.	Consumer Discretionary	PepsiCo, Inc.	Consumer Staples
Dell Inc.	IT	The Procter & Gamble Company	Consumer Staples
Hewlett-Packard Company	IT	Chevron Corporation	Energy
International Business Machines Corporation	IT	ConocoPhillips	Energy
Alcoa, Inc.	Industrial	Exxon Mobil Corporation	Energy
The Boeing Company	Industrial	Abbott Laboratories	Healthcare
Caterpillar Inc.	Industrial	Pfizer Inc.	Healthcare
General Electric Company	Industrial	Archer Daniels Midland Company	Materials
Honeywell International Inc.	Industrial	E.I. du Pont De Nemours & Company	Materials
Lockheed Martin Corporation	Industrial	The Dow Chemical Company	Materials
United Technologies Corporation	Industrial		

*Role of Management in Compensation Decisions*

During his tenure as CEO, Mr. Henderson believed compensation had an important function in aligning and motivating the executive team to achieve key corporate objectives, and he played an active role in the development of our compensation plans. He personally reviewed the proposed individual compensation of our SLG. Mr. Henderson attended Compensation Committee meetings at the invitation of the committee Chairman and provided input to the Compensation Committee regarding the compensation of the Named Executive Officers reporting to him.

*2009 Compensation for Named Executive Officers*

Based on the compensation objectives and elements described above, and in cooperation with the Special Master, 2009 compensation was established for our Named Executive Officers listed below and described in the tables below in this “Executive Compensation” section of this prospectus:

Edward E. Whitacre, Jr.	Chairman of the Board and Former Chief Executive Officer
Thomas G. Stephens	Vice Chairman, Global Product Operations
Ray G. Young	Executive Vice President and Chief Financial Officer
Frederick A. Henderson	President and Chief Executive Officer (Separated)
G. Richard Wagoner, Jr.	Chairman of the Board and Chief Executive Officer (Retired)
Robert A. Lutz	Vice Chairman (Retired)
Kenneth W. Cole	Vice President, Global Public Policy and Government Relations (Retired)

Base Salaries and Salary Stock

As noted above in our discussion of TARP principles and Special Master guidelines, cash base salaries for Named Executive Officers of TARP Exceptional Assistance Recipients are not allowed to exceed \$500,000 per year, except in appropriate cases approved by the Special Master for good cause shown, e.g., the retention of critical talent and competitive compensation data for individuals in comparable positions. We relied on our comparator information for similar positions to support our recommendations for setting base salaries for each Named Executive Officer. Although cash salaries exceeded the \$500,000 guideline in all cases except Mr. Young and Mr. Cole as shown in the table below, they are well below the cash base salaries paid at comparator companies and are supplemented by the amounts set for SSUs for each senior executive.

We finalized our compensation planning for Named Executive Officers with the Special Master in late 2009. Although base salaries had been affected by reductions earlier in 2009, in determining the total annual compensation, including new salary amounts, for Messrs. Stephens, Lutz, Young, Cole, and Henderson, we relied on the comparator data for total compensation at the 50th percentile for each respective position. We then

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excluded one-third of the value for long-term restricted stock units, and adjusted the allocation between cash and SSUs in accordance with TARP guidelines as follows:

	<u>Cash Salary</u>	<u>SSUs</u>	<u>Total</u>
Mr. Stephens	\$900,000	\$ 945,833	\$1,845,833
Mr. Lutz	\$900,000	\$1,070,833	\$1,970,833
Mr. Young	\$500,000	\$ 576,668	\$1,076,668
Mr. Cole	\$500,000	\$ 935,543	\$1,435,543
Mr. Henderson	\$950,000	\$2,421,667	\$3,371,667

SSUs are determined as a dollar amount through the date salary is earned, accrued at the same time as salary would otherwise be paid, and vest immediately upon grant, with the number of SSUs based on the most current value of the Company on the date of the grant. To assure that our compensation structure appropriately allocates a portion of compensation to long-term incentives, these vested units will become payable in three equal, annual installments beginning on the second anniversary of the quarter in which they were deemed to have been granted, with each installment payable one year earlier upon certification by our Compensation Committee that repayment of our TARP obligations has commenced. SSUs will be payable in cash if settled prior to six months after completion of this offering. Thereafter, settlement of awards will be made in shares of stock. As the compensation plans were not finalized until late in 2009, amounts earned for earlier 2009 pay periods will become payable on their anniversary dates as if they had been credited on a *nunc pro tunc* basis throughout 2009 beginning January 1, and will be paid on the anniversary of the quarter in which they were deemed to have been granted.

Mr. Whitacre served as our CEO from December 1, 2009 until August 31, 2010. He received no 2009 cash salary or SSU grant as he was not an employee of the Company during 2009. His compensation was paid in the form of a director's retainer as described in the section of this prospectus below entitled "—Summary Compensation Table."

Mr. Wagoner retired on August 1, 2009. His compensation was reduced to \$1 on January 1, 2009, and he did not receive a salary increase or an SSU grant in 2009. His retirement benefit was determined under the provisions of Old GM Salaried Retirement Program (SRP) and Old GM ERP plans.

### "Other" Compensation, Benefits, and Perquisites

Pursuant to TARP regulations, the Special Master determined that no more than \$25,000 in total "other" compensation and perquisites may be provided to Named Executive Officers, absent exceptional circumstances for good cause shown. Payments related to expatriate assignments are not included in this total. Detailed disclosure of these items for the Named Executive officers appears in footnote (9) in the section of this prospectus below entitled "—Summary Compensation Table," and any exceptions to this guideline were reviewed and approved by the Special Master.

2009 accruals for non-qualified supplemental executive retirement and deferred compensation plans for Named Executive Officers ceased as described in footnote (9) in the section of this prospectus entitled "—Summary Compensation Table." No severance payment to which a Named Executive Officer becomes entitled in the future may take into account any salary increase or payment of salary stock awarded during 2009, and none of the Named Executive Officers may receive a severance payment of any kind during the TARP period.

### Stock Ownership Guidelines

We continue to believe it is important to align the interests of senior executives with those of stockholders, and will review our stock ownership guidelines and practices after this offering has been completed.

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### Employment Agreements

We had no employment agreements with Messrs. Stephens or Young that provided them with special compensation arrangements. In addition, we do not maintain any plan providing benefits related to a change-in-control of the Company, and none of our current incentive plans contain such provisions. Employment arrangements with Messrs. Akerson, Girsky and Liddell are discussed in the section of this prospectus below entitled “—Employment Arrangements.”

### Recoupment Policy on Incentive Compensation

In October 2006, the Old GM Board adopted a policy regarding the recoupment of incentive compensation paid to executive officers after January 1, 2007 and unvested portions of awards previously granted in situations involving financial restatement due to employee fraud, negligence, or intentional misconduct. The policy was published on Old GM’s website. In addition, Old GM included provisions in all executive incentive and deferred compensation plans referencing Old GM’s Board compensation policies and required that the compensation of all executives covered by this policy be subject to this recoupment clause.

On September 8, 2009, our Board reaffirmed this policy and re-published it on our website, consistent with the requirements for TARP recipients. Our recoupment policy now provides that if our Board or an appropriate committee thereof has determined that any bonus, retention award, or incentive compensation has been paid to any Senior Executive Officer or any of the next 20 MHCEs of the Company based on materially inaccurate misstatement of earnings, revenues, gains, or other criteria, the Board or Compensation Committee shall take, in its discretion, such action as it deems necessary to recover the compensation paid, remedy the misconduct, and prevent its recurrence. For this purpose, a financial statement or performance metric shall be treated as materially inaccurate with respect to any employee who knowingly engaged in providing inaccurate information or knowingly failed to timely correct information relating to those financial statements or performance metrics.

### Luxury Expense Policy

As required by TARP regulations, we have adopted a luxury expense policy and published it on our website. The policy’s governing principles establish expectations for every business expense, embodying the integrity and values that promote the best interests of the enterprise.

Luxury or excessive expenditures are not reimbursable under the policy. Such expenditures may include, but are not limited to expenditures on entertainment or events, office and facility renovations, aviation, transportation services, or other activities or events that are not reasonable expenditures for staff development, performance incentives, or other similar measures conducted in the normal course of business operations. Guidelines relating to transportation expenses are discussed in footnote (9) (All Other Compensation) in the section of this prospectus below entitled “—Summary Compensation Table.”

### Tax Considerations

As a recipient of TARP funds, we cannot claim a tax deduction in excess of \$500,000 annually for compensation paid to any of our Named Executive Officers (including with respect to performance-based compensation), so long as the UST owns direct or indirect equity interests in us.

#### *2010 Compensation for Named Executive Officers*

We have developed our 2010 compensation structure for our Named Executive Officers pursuant to the provisions of the UST Credit Agreement, Special Master Determinations, and TARP regulations. The elements of these plans are based on the same principles as our 2009 plans:

- Avoidance of incentives to take unnecessary and excessive risk;



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- Recognition of the need for us to remain viable and competitive, and to retain and recruit critical talent;
- Appropriate allocation of total compensation to fixed, variable, long-term, and short-term pay elements;
- Pay is performance-based over a relevant performance period;
- Structures and amounts are competitive with those paid to employees in comparable positions by similarly situated companies; and
- The employee's contribution to enterprise value is recognized.

With these principles as a foundation, we will again compensate our Named Executive Officers with cash salary, SSUs, and performance-based long-term restricted stock units, consistent with proportions and guidelines utilized in our 2009 plans and determinations made by the Special Master.

### Long-Term Restricted Stock

Long-term restricted stock unit grants were planned under the amended 2009 Long-Term Incentive Plan (2009 GMLTIP) and reviewed with the Special Master as part of our overall compensation structure. These grants, totaling 4.9 million share units, were based on exceeding the 2009 operating cash flow targeted performance of (\$6.0) billion, and were granted on March 15, 2010, to the Company's executive employees, including the Named Executive Officers in the following amounts: Mr. Stephens, \$1,016,667 (18,835 share units) and Mr. Young, \$630,000 (11,671 share units). Messrs. Lutz, Cole and Henderson did not receive RSU grants as they had already terminated or planned to terminate employment with the Company before the grants could vest.

In addition, 1.0 million salary stock units were paid to senior executives, including the Named Executive Officers through June 30, 2010.

### New Incentive Plans

On October 5, 2010 our Board approved the 2009 GMLTIP, as amended October 5, 2010; the 2009 Salary Stock Plan, as amended October 5, 2010 (the GMSSP); and the 2010 Short-Term Incentive Plan (the GMSTIP).

The 2009 GMLTIP authorizes awards of RSUs and options. Our Board approved an aggregate fungible pool of shares totaling 25 million for the 2009 GMLTIP, the GMSSP and the GMSTIP with a maximum grant to any one individual under the 2009 GMLTIP of 1 million options or 250,000 RSUs. The fungible pool assigns a ratio for counting share usage upon issuance of awards as follows:

- Stock options and stock appreciation rights ("SARS") granted under the 2009 GMLTIP will count against the pool on a 1:1 ratio; and
- Full value awards granted under the 2009 GMLTIP, the GMSSP, and the GMSTIP will count against the fungible pool on a 2.5:1 ratio for awards granted after October 5, 2010.

Under the GMSSP, our Compensation Committee may select employees to receive base salary or other compensation as salary stock subject to a payment schedule over a three-year period. Compensation to be paid in salary stock is converted to RSUs at each quarter-end unless a different issue date is approved by our Compensation Committee. Salary stock RSUs are settled ratably in one-third increments on each of the first, second, and third anniversaries of the issue date thereof, or other settlement dates as approved by our Compensation Committee. Awards are not forfeitable and may be settled in cash, or stock, if settlement occurs after this offering.

Under the GMSTIP, grants of target awards may be made based on the establishment of one or more performance metrics by our Compensation Committee. Target awards may become final awards based on the relative achievement of the selected metrics, and any payment of final awards will be made in cash and/or restricted stock units subsequent to the determination of the actual performance achieved during the performance period. The maximum final award payable to any one individual under the GMSTIP is \$7.5 million.

**Summary Compensation Table**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary	Bonus	Stock Awards(7)	Stock Options(8)	Non-Equity Incentive Plan Compensation	Pension Value and NQ Deferred Compensation(9)	All Other Compensation(10)	TOTAL
<b>Whitacre, Jr., E.E. (1)</b> Chairman and Former CEO	2009							\$ 181,308	\$ 181,308
<b>Stephens, T.G.</b> Vice Chairman – Global Product Operations	2009	\$1,087,500	\$ 0	\$ 945,833	\$ 0	\$ 0	\$ 0	\$ 78,785	\$ 2,112,118
	2008	\$ 970,833	\$ 0	\$1,375,000	\$ 637,875	\$ 0	\$ 644,300	\$ 140,621	\$ 3,768,629
	2007	\$ 825,000	\$ 0	\$2,218,637	\$ 437,500	\$ 468,000	\$ 1,528,100	\$ 112,499	\$ 5,589,736
<b>Lutz, R.A. (2)</b> Vice Chairman (Ret)	2009	\$1,379,167	\$ 0	\$1,070,833	\$ 0	\$ 0	\$ 0	\$ 175,854	\$ 2,625,854
	2008	\$1,678,000	\$ 0	\$4,387,800	\$1,822,500	\$ 0	\$ 0	\$ 674,199	\$ 8,562,499
	2007	\$1,279,167	\$ 0	\$4,018,283	\$2,187,500	\$ 1,026,000	\$ 0	\$ 516,506	\$ 9,027,456
<b>Young, R.G. (3)</b> Executive Vice President and Chief Financial Officer	2009	\$ 683,333	\$ 0	\$ 576,668	\$ 0	\$ 0	\$ 345,200	\$ 21,573	\$ 1,626,774
	2008	\$ 850,000	\$ 0	\$1,007,234	\$ 637,875	\$ 0	\$ 85,000	\$ 93,003	\$ 2,673,112
<b>Cole, K.W. (4)</b> Vice President Global Public Policy and Gov't Rel. (Ret)	2009	\$ 643,417	\$785,000	\$ 935,543	\$ 0	\$ 0	\$ 0	\$ 49,907	\$ 2,413,867
<b>Henderson, F.A. (5)</b> President and CEO (Sep)	2009	\$1,208,333	\$ 0	\$2,421,667	\$ 0	\$ 0	\$ 0	\$ 400,764	\$ 4,030,764
	2008	\$1,719,667	\$ 0	\$3,422,030	\$3,222,500	\$ 0	\$ 264,500	\$ 348,710	\$ 8,977,407
	2007	\$1,279,167	\$ 0	\$4,018,283	\$2,187,500	\$ 1,026,000	\$ 748,300	\$ 805,848	\$10,065,098
<b>Wagoner, Jr., G.R. (6)</b> Chairman and CEO (Ret)	2009	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,833,809	\$ 2,833,810
	2008	\$2,108,333	\$ 0	\$4,786,076	\$7,145,000	\$ 0	\$ 1,583,800	\$ 836,703	\$16,459,912
	2007	\$1,558,333	\$ 0	\$7,308,783	\$4,375,000	\$ 1,802,000	\$ 4,020,400	\$ 697,358	\$19,761,874

(1) Mr. Whitacre was named Chairman and CEO effective December 1, 2009 and served as our CEO until August 31, 2010. He was elected Chairman of our Board of Directors on July 10, 2009. The compensation shown in All Other Compensation reflects retainer amounts paid to him for his service as Board member, Governance Committee Chair, and Chairman of the Board during the year ended December 31, 2009. Mr. Whitacre, who continues to serve as Chairman of the Board, announced his intention to retire from that position by the end of 2010.

(2) Mr. Lutz retired on May 1, 2010.

(3) Mr. Young was appointed Vice President-International Operations in Shanghai, China on February 1, 2010. During the year ended December 31, 2009, he served as Executive Vice President and Chief Financial Officer of Old GM and GM. Mr. Christopher P. Liddell was appointed Vice Chairman and Chief Financial Officer on January 1, 2010.

(4) On December 30, 2009, Mr. Cole announced that he would retire in 2010. He continued to provide public policy support as a special advisor until his retirement on July 1, 2010. Mr. Cole's guaranteed payment of \$785,000 was made pursuant to the terms of his employment agreement with Old GM and predated the UST Credit Agreement. This payment was reviewed with the UST as part of our 2009 compensation planning and the agreement was terminated on September 4, 2009.

(5) Mr. Henderson was appointed President and CEO of Old GM on March 29, 2009. He had been President and Chief Operating Officer of Old GM since March 3, 2008. He was subsequently appointed President and CEO of GM on July 10, 2009. He resigned as a director and as President and CEO of GM on December 1, 2009. His employment terminated on December 31, 2009. As a result of his employment termination, Mr. Henderson is only eligible for a deferred vested pension benefit from the SRP.

(6) Mr. Wagoner resigned as a director and as Chairman and CEO of Old GM on March 29, 2009. He retired on August 1, 2009.

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(7)(8) For 2009, the amounts shown in this column reflect the value of SSUs at their grant dates to each of the Named Executive Officers. Individual grants are discussed previously in the section of this prospectus above entitled “—Compensation Discussion and Analysis,” as well as in the section of this prospectus below entitled “—2009 Grants of Plan Based Awards.” We describe the valuation assumptions used in measuring the expense in Note 29 to our audited consolidated financial statements, “Stock Incentive Plans.”

The 2008 and 2007 awards include equity awards and stock options granted by Old GM to the Named Executive Officers. These 2008 and 2007 awards are included in the Summary Compensation Table above at their grant date fair value, and we describe the valuation assumptions used in measuring the expense in Note 29 to our audited consolidated financial statements, “Stock Incentive Plans.” These Old GM awards have no future value as we did not assume them on July 10, 2009.

(9) Pension values actuarially decreased during 2009 for Messrs. Stephens, Lutz, Cole, Henderson, and Wagoner but are shown in column (h) as \$0, consistent with SEC reporting guidelines.

(10) **All Other Compensation** — Totals for amounts reported as All Other Compensation in column (i) are described in the table below. Mr. Whitacre did not participate in these plans during 2009; the amount reported as his All Other Compensation reflects the amount paid to him as a director.

	<u>E.E. Whitacre, Jr.</u>	<u>T.G. Stephens</u>	<u>R.A. Lutz</u>	<u>R.G. Young</u>	<u>K.W. Cole</u>	<u>F.A. Henderson</u>	<u>G.R. Wagoner, Jr.</u>
(i) Personal Benefits	\$ 2,091	\$ 15,735	\$ 55,829	\$ 11,829	\$ 11,888	\$ 377,924	\$ 289,660
(ii) Tax Reimbursements	\$	\$ 5,294	\$ 5,626	\$ 1,798	\$ 3,139	\$ 2,039	\$ 5,687
(iii) Savings Plan Contributions	\$	\$ 9,334	\$ 36,049	\$ 1,650	\$ 15,540	\$ 2,888	\$ 0
(iv) Insurance and Death Benefits	\$	\$ 47,322	\$ 77,250	\$ 5,196	\$ 18,915	\$ 16,813	\$ 2,537,362
(v) Other	\$ 179,217	\$ 1,100	\$ 1,100	\$ 1,100	\$ 425	\$ 1,100	\$ 1,100
<b>Total All Other Compensation</b>	<u>\$ 181,308</u>	<u>\$ 78,785</u>	<u>\$ 175,854</u>	<u>\$ 21,573</u>	<u>\$ 49,907</u>	<u>\$ 400,764</u>	<u>\$ 2,833,809</u>

(i) See the “Personal Benefits” table below for additional information.

(ii) Includes payments made on the executives’ behalf by the Company for the payment of taxes related to executive company program vehicles from January 1 until June 15, 2009, and for spousal accompaniment on business travel.

(iii) Includes employer contributions to tax-qualified and non-qualified savings and excess benefit plans. For Messrs. Lutz and Cole, amounts also include tax-qualified retirement plan contributions and post-retirement healthcare contributions; the non-qualified retirement plan contributions are included in the section of this prospectus entitled “—2009 Pension Benefits.” Non-qualified employer contributions were suspended for Messrs. Young, Cole, and Henderson on October 22, 2009, and for Messrs. Stephens and Lutz on December 11, 2009.

(iv) Includes SLBP cash benefits paid upon the death of an active executive at three times annual salary for executives appointed prior to January 1, 1989 and two times annual salary for executives appointed on January 1, 1989 or later. No income is imputed to the executive and the benefit is taxable as ordinary income to survivors when paid.

The incremental cost reflects amounts contained in IRS Table 1 for insurance premiums at comparable coverage limits based on the executive’s age. SLBP benefits were eliminated for retirees on August 1, 2009. SLBP benefits for active executives were eliminated effective May 1, 2010, and benefits will be provided under a Group Variable Universal Life insurance plan. The amount shown for Mr. Wagoner represents the taxable cash value proceeds of a split dollar life insurance policy maintained for him by the Company. The Company terminated the policy, received a return of the cash value, and paid the proceeds to him following his retirement.

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(v) Includes the cost of premiums for personal umbrella liability insurance. Program coverage was eliminated January 1, 2010, and existing program participants were allowed to continue coverage on a self-paid basis. For Mr. Whitacre, cost includes annual retainer, Governance Committee Chair and Chairman of the Board fees, and personal accident insurance premium.

**Personal Benefits** — Amounts shown below for personal benefits include the incremental costs for executive security services and systems, the executive company vehicle program, executive health evaluations, and financial counseling. During 2009, we divested ourselves of any private passenger aircraft or any interest in such aircraft, and private passenger aircraft leases, and we did not maintain company aircraft for employees' business or personal use.

	<b>E.E. Whitacre, Jr.</b>	<b>T.G. Stephens</b>	<b>R.A. Lutz</b>	<b>R.G. Young</b>	<b>K.W. Cole</b>	<b>F.A. Henderson</b>	<b>G.R. Wagoner, Jr.</b>
(i) Security	\$ 0	\$ 1,924	\$ 45,313	\$ 1,313	\$ 0	\$ 364,428	\$ 276,144
(ii) Company Vehicle Program	\$ 2,091	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516
(iii) Financial Counseling	\$ 0	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 12,000
(iv) Medical Evaluations	\$ 0	\$ 3,295	\$ 0	\$ 0	\$ 1,372	\$ 2,980	\$ 0
<b>Total</b>	<b>\$ 2,091</b>	<b>\$ 15,735</b>	<b>\$ 55,829</b>	<b>\$ 11,829</b>	<b>\$ 11,888</b>	<b>\$ 377,924</b>	<b>\$ 289,660</b>

(i) As part of a comprehensive security study, residential security systems and services were maintained for Messrs. Wagoner and Henderson and vehicles and drivers are available for business-related functions. The associated cost includes the actual costs of the residential systems including installation and monitoring of security systems and allocation of staffing expenses for personal protection during 2009. Vehicle and driver costs associated with daily commuting are deemed "personal benefits," and, as such, are imputed as income to the executives and are included at their full incremental cost in these security expenses. In 2009, they totaled \$22,799 for Mr. Lutz, \$996 for Mr. Stephens, \$1,313 for Mr. Young, \$16,752 for Mr. Henderson, and \$4,559 for Mr. Wagoner.

(ii) Includes the incremental cost to maintain the executive company vehicle program fleet that is allocated to each executive and includes lost sales opportunity and incentive costs, if any; fuel, maintenance, and repair costs; insurance claims, if any; licensing and registration fees; and use taxes. Executives electing to participate in the program are required to purchase or lease at least one GM vehicle every four years and asked to evaluate the vehicles they drive, thus providing feedback about our products. Participants are required to pay a monthly administration fee of \$300 and are charged with imputed income based on the value of the vehicle they choose to drive. During part of 2009, participants were reimbursed for taxes on this income, subject to a maximum vehicle value. Beyond this maximum amount, taxes assessed on imputed income are the responsibility of the participant. Tax "gross-ups" were eliminated on June 15, 2009 for Named Executive Officers and on February 1, 2010 for other executives. Mr. Whitacre's vehicle was provided under the provisions of the vehicle program for directors.

(iii) Costs associated with financial counseling and estate planning services with one of several approved providers.

(iv) Costs for medical services incurred by the Corporation in providing executive health evaluations with one of several approved providers.

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**2009 Grants of Plan Based Awards**

As a TARP recipient under the jurisdiction of the Special Master, we have adopted a new equity compensation plan, the Salary Stock Plan. Pursuant to plan terms and upon approval of the Special Master, Named Executive Officers receive a portion of their total annual compensation in the form of SSUs. In 2009, SSUs were granted on each salary payment date to Named Executive Officers in lieu of a portion of their total annual compensation based on the most current valuation of the Company as determined by an independent third party. SSUs are non-forfeitable and will be paid in three equal installments at each of the second, third, and fourth anniversary of the quarter in which they were deemed to have been granted, and may be paid one year earlier upon certification by our Compensation Committee that repayment of our TARP obligations has commenced.

Name (1)	Award Type	Grant Date	Approval Date (2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)
				Threshold (\$)	Target (\$)	Max. (\$)	Threshold (#)	Target (#)	Max. (#)				
T.G. Stephens	SSU	12/31/2009	11/2/2009							17,522		945,833	
R.A. Lutz	SSU	12/31/2009	11/2/2009							19,838		1,070,833	
R.G. Young	SSU	11/13/2009	11/2/2009							3,709		144,167	
	SSU	11/30/2009	11/2/2009							3,709		144,167	
	SSU	12/15/2009	11/2/2009							3,709		144,167	
	SSU	12/31/2009	11/2/2009							2,671		144,167	
												<b>576,668</b>	
K.W. Cole	SSU	11/13/2009	11/2/2009							2,632		102,306	
	SSU	11/30/2009	11/2/2009							2,632		102,306	
	SSU	12/15/2009	11/2/2009							2,632		102,306	
	SSU	12/31/2009	11/2/2009							11,646		628,625	
												<b>935,543</b>	
F. A. Henderson	SSU	11/13/2009	11/2/2009							15,576		605,417	
	SSU	11/30/2009	11/2/2009							15,576		605,417	
	SSU	12/15/2009	11/2/2009							15,576		605,417	
	SSU	12/31/2009	11/2/2009							11,216		605,416	
												<b>2,421,667</b>	

(1) Messrs. Whitacre and Wagoner are not included in this table as they did not receive grants under this plan during 2009.

(2) On November 2, 2009, the Compensation Committee took action to approve grants of SSUs to be made on various salary payment dates as determined by and subject to the approval of the Special Master. The unit value for the November 13, November 30, and December 15 grant dates was \$38.87 based on the July 10, 2009 valuation. The unit value for the December 31 grant date was \$53.98, based on the December 31, 2009 valuation. When salary amounts were converted to SSUs, fractional shares were rounded up to the nearest whole share.

**Outstanding Equity Awards at December 31, 2009**

All of the awards reflected in the table below were granted by Old GM and all obligations in respect thereto were retained by Old GM. The awards reflected in this table, while valued as required by SEC rules, are expected to have a realized value of \$0. This table does not include any SSUs we granted in 2009 to our Named Executive Officers.

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(a)	Option Awards (1)						Stock Awards				
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)		
Name	Grant Date	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (#Un-exercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (2) (#)	Market Value of Shares or Units of Stock That Have Not Vested (2) (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (3) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (3) (\$)
T. G. Stephens	3/05/2008	29,168	58,332		23.13	3/06/2018	3/05/2008	22,688	10,686	2,760	1,300
	3/20/2007	33,334	16,666		29.11	3/21/2017	3/20/2007	15,000	7,065		
	2/23/2006	36,000			20.90	2/24/2016					
	1/24/2005	32,000			36.37	1/25/2015					
	1/23/2004	32,000			53.92	1/24/2014					
							6/02/2003	9,000	4,239		
	1/21/2003	40,000			40.05	1/22/2013					
	2/04/2002	20,000			50.82	2/05/2012					
	1/07/2002	40,000			50.46	1/08/2012					
	1/08/2001	20,000			52.35	1/09/2011					
	1/10/2000	18,000			75.50	1/11/2010					
R.A. Lutz	3/05/2008	83,334	166,666		23.13	3/06/2018	3/05/2008	60,000	28,260	18,396	8,665
	3/20/2007	166,667	83,333		29.11	3/21/2017	3/20/2007	36,000	16,956		
	2/23/2006	106,664			20.90	2/24/2016					
	1/24/2005	160,000			36.37	1/25/2015					
	1/23/2004	160,000			53.92	1/24/2014					
	1/21/2003	200,000			40.05	1/22/2013					
	2/04/2002	100,000			50.82	2/05/2012					
	1/07/2002	100,000			50.46	1/08/2012					
	9/04/2001	200,000			54.91	9/05/2011					
	3/05/2008	29,168	58,332		23.13	3/06/2018	3/05/2008	20,236	9,531	2,760	1,300
	3/20/2007	10,000	5,000		29.11	3/21/2017	3/20/2007	3,651	1,720		
2/23/2006	10,000			20.90	2/24/2016						
						6/06/2005	29,412	13,853			
1/24/2005	12,800			36.37	1/25/2015						
1/23/2004	12,800			53.92	1/24/2014						
1/21/2003	16,000			40.05	1/22/2013						
2/04/2002	7,000			50.82	2/05/2012						
1/07/2002	14,000			50.46	1/08/2012						
1/08/2001	7,500			52.35	1/09/2011						
1/10/2000	6,000			75.50	1/11/2010						
K. W. Cole	3/05/2008	11,459	22,916		23.13	3/06/2018	3/05/2008	10,890	5,129	1,153	543
	3/20/2007	13,334	6,666		29.11	3/21/2017	3/20/2007	3,651	1,720		
	2/23/2006	15,000			20.90	2/24/2016					
	1/24/2005	16,000			36.37	1/25/2015					
	1/23/2004	16,000			53.92	1/24/2014					
	1/21/2003	20,000			40.05	1/22/2013					
	2/04/2002	10,000			50.82	2/05/2012					
	1/07/2002	20,000			50.46	1/08/2012					
	8/06/2001	20,000			63.76	8/07/2011					
	3/05/2008		500,000		23.13	3/05/2013					
	3/05/2008	500,000			23.13	3/06/2018					
3/20/2007	500,000			29.11	3/21/2017	3/20/2007	57,000	26,847			
2/23/2006	400,000			20.90	2/24/2016						
1/24/2005	400,000			36.37	1/25/2015						
1/23/2004	400,000			53.92	1/24/2014						
1/21/2003	500,000			40.05	1/22/2013						
2/04/2002	100,000			50.82	2/05/2012						
1/07/2002	500,000			50.46	1/08/2012						
1/08/2001	400,000			52.35	1/09/2011						
6/01/2000	50,000			70.10	6/02/2010						
1/10/2000	200,000			75.50	1/11/2010						

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### **Old GM Plans**

We did not assume any of the Old GM plans and we do not expect to pay any awards under these plans.

(1) The stock options in columns (b) and (c) above were granted by Old GM to the Named Executive Officers in a combination of non-qualified and Incentive Stock Options (ISOs) up to the Internal Revenue Code of 1986, as amended (IRC) maximum limit on ISOs, on the grant dates shown. Options become exercisable in three equal annual installments commencing on the first anniversary of the date of grant. The ISOs expire ten years from the date of grant, and the non-qualified options expire two days later. However, we assumed none of these outstanding stock options, and they are not expected to vest, be exercised, or have any future value.

(2) The amounts in columns (g) and (h) for 2008 and 2007 reflect restricted stock unit (RSU) and cash-based restricted stock unit (CRSU) grants by Old GM that, under their original terms, would vest ratably at various dates over several years. The awards are valued in column (h) based on the closing price of MLC Common Stock which is still being traded under the symbol MTLQQ (Pink Sheets) on December 31, 2009 (\$0.471). However, we assumed none of these outstanding awards, and they are not expected to vest, be earned, pay out, or have any future value.

(3) Amounts in columns (i) and (j) reflect long term incentive awards granted by Old GM to Named Executive Officers. Award opportunities cover the 2008-2010 performance period and were granted under the Old General Motors 2007 Long-Term Incentive Plan. Each unit in the table refers to a share of MLC Common Stock. The SPP grant may be earned in four discrete installments based on the Total Shareholder Return (TSR) ranking results of three one-year periods and one three-year period. Each installment, if earned, would have been credited as share equivalents and, at the end of the three-year performance period, the value of the number of share equivalents credited would be paid in cash based on the stock price at the end of the performance period. For the 2008-2010 plan, no amount was credited for the 2008 or 2009 periods, and the shares shown also reflect two remaining installments at the threshold (50%) level. The awards are valued in column (j) based on the closing price of MLC Common Stock on December 31, 2009 (\$0.471). However, we assumed none of these outstanding awards and they are not expected to vest, be earned, pay out, or have any future value.

Mr. Henderson terminated employment on December 31, 2009, and forfeited all outstanding unvested equity awards.

### **2009 Option Exercises and Stock Vested**

[a]  <b>Name</b>	Option Awards		Stock Awards	
	[b]  Number of Shares Acquired on Exercise (#)	[c]  Value Realized on Exercise (\$)	[d]  Number of Shares Acquired on Vesting (#)	[e]  Value Realized on Vesting (\$)
T. G. Stephens	0	0	17,522	945,833
R. A. Lutz	0	0	19,838	1,070,833
R. G. Young	0	0	13,798	576,668
K. W. Cole	0	0	19,542	935,543
F. A. Henderson	0	0	57,944	2,421,667

### **Old GM Plans**

The Named Executive Officers exercised no stock options and did not acquire any shares or receive any cash payments as a result of vesting of RSUs, CRSUs, or outstanding performance shares. We assumed none of these outstanding stock options or equity awards. Pursuant to the UST Credit Agreement, we cannot pay or accrue any incentive compensation to Named Executive Officers. No awards granted prior to 2009 were paid out in 2009 when vesting or payment dates occurred and none are expected to pay out at any time in the future.

### ***Our Plans***

During 2009, SSUs shown in columns (d) and (e) above were awarded to Named Executive Officers as a portion of their total annual compensation on each salary payment date as described in the section of this prospectus above entitled “—2009 Grants of Plan Based Awards.” SSUs are non-forfeitable and will be paid in three equal installments at each of the second, third, and fourth anniversary of the quarter in which they were deemed to have been granted. Although the compensation plans were not finalized until late in 2009, these SSUs are deemed to have been issued throughout 2009 on a *nunc pro tunc* basis (as if granted on various salary payroll dates beginning January 1, 2009) and will become payable beginning March 31, 2011, or one year earlier upon certification by our Compensation Committee that repayment of our TARP obligations has commenced.

### **Retirement Programs Applicable to Executive Officers**

In 2006, benefit accruals under Old GM’s U.S. pension plans were frozen effective December 31, 2006, and new pension plan formulas for U.S. and Canadian executive and salaried employees became effective for service on and after January 1, 2007. The implementation of these changes has had a significant effect on expected retirement benefit levels for executives, resulting in reductions generally ranging from 18% to greater than 50%, depending on the age of the executive at the time the new plan was implemented. We assumed these plans as amended on July 10, 2009.

Benefits for our U.S. executives may be from both a tax-qualified plan that is subject to the requirements of ERISA and from a non-qualified plan that provides supplemental benefits. Tax-qualified benefits are pre-funded and paid out of the trust assets of the SRP for executives with a length of service date prior to January 1, 2001. For executives with a length of service date between January 1, 2001 and December 31, 2006, tax-qualified benefits are pre-funded and paid out of the trust assets of the SRP for service prior to January 1, 2007 and are paid out of the S-SPP for service after December 31, 2006. For executives with a length of service date on or after January 1, 2007, all tax-qualified benefits are paid out of the S-SPP. Non-qualified benefits are not pre-funded and are paid out of our general assets.

U.S. executive employees must be at least age 55 with a minimum of ten years of eligible service to be vested in the U.S. non-qualified ERP, and must have been an executive employee on the active payroll as of December 31, 2006 to be eligible for any frozen accrued non-qualified ERP benefit. As of December 31, 2009, Messrs. Stephens, Lutz, and Cole were eligible to retire under these provisions.

In May 2009, Old GM non-qualified ERP benefits for all executive retirees were reduced by 10%. In June and July of 2009, as a result of Old GM’s amendment of ERP and the Chapter 11 Proceedings and 363 Sale, a number of ERP recipients had their non-qualified benefit further reduced. Effective August 1, 2009, following the 363 Sale, Old GM executive retirees with an annual combined qualified SRP benefit plus non-qualified ERP benefit over \$100,000, had the portion of their ERP benefit above \$100,000 reduced by two-thirds, inclusive of the 10% reduction to ERP benefits effective in May 2009. Also effective August 1, 2009, non-qualified ERP benefits accrued as of that date for active executives were frozen and reduced by 10%. Accruals resumed after August 1, 2009, based on the applicable ERP benefits formula described below. On October 22, 2009, and December 11, 2009, benefit accruals and company contributions under our deferred compensation plans were suspended by the Special Master pursuant to the UST Credit Agreement for SEOs and MHCEs.

Effective for service rendered on and after January 1, 2007, non-qualified retirement benefits for executive employees are determined under one of two methods, depending on an executive’s length of service date. Executives retiring on and after January 1, 2007, will have all vested non-qualified retirement benefits (benefits accrued both before and after January 1, 2007) paid as a five-year annuity. Should the executive die within the five-year period, any remaining five-year annuity payments will be converted to a present value lump sum for payment to the executive’s surviving spouse or, in the event there is no surviving spouse, the executive’s estate. Should an executive die prior to retirement, any vested non-qualified benefits will be converted to a present value



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lump sum for payment to the executive's surviving spouse or, in the event there is no surviving spouse, the executive's estate. The interest rate used in determining the non-qualified five-year annuity retirement benefits referenced above is the average of the 30-year U.S. Treasury Securities rate for the month of July and is re-determined annually. This annual interest rate is then effective for retirements commencing October 1 through September 30 of the succeeding year.

For executives with a length of service date prior to January 1, 2001, including Messrs. Stephens, Young, and Henderson, retirement benefits are calculated using a 1.25% Career Average Pay formula. Tax-qualified benefits will accrue for such executives with respect to the total of actual base salary plus eligible AIP final awards received while employed as an executive for service on and after January 1, 2007 equal to 1.25% of base salary plus eligible AIP final awards received up to the IRC 401(a)(17) compensation limit. Non-qualified benefits equal to 1.25% will accrue for such executives with respect to the total of actual base salary plus eligible AIP final awards received in excess of the IRC 401(a)(17) compensation limit. Eligible AIP final awards are defined as those paid with respect to annual incentive compensation performance periods commencing on and after January 1, 2007. Pro-rata annual incentive awards attributable to the year of retirement are not used in the calculation of any non-qualified benefits.

For executives with a length of service date on or after January 1, 2001, including Messrs. Lutz and Cole, retirement benefits are accumulated using a 4% defined contribution formula. Tax-qualified benefits are accrued for such executives with respect to the total of actual base salary and eligible AIP final awards received while employed as an executive for service on and after January 1, 2007, consisting of company contributions equal to 4% of base salary and eligible AIP final awards received up to the IRC 401(a)(17) compensation limit. Non-qualified benefits are accrued for executive service on or after January 1, 2007 consisting of notional contributions equal to 4% of base salary and eligible AIP final awards received in excess of the IRC 401(a)(17) compensation limit. Eligible AIP final awards are defined as those paid with respect to annual incentive compensation performance periods commencing on and after January 1, 2007. Pro-rata annual incentive awards attributable to the year of retirement are not used in the calculation of any non-qualified benefits. The notional contributions are credited into an unfunded individual defined contribution account for each executive. These individual accounts are credited with earnings based on investment options selected by the executive from a list approved by the Compensation Committee.

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**2009 Pension Benefits**

<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u>	<u>(f)</u>
<u>Name</u>	<u>Plan Name</u>	<u>No. of Years of Eligible Service as of December 31, 2009 (1) (#)</u>	<u>Present Value of Accumulated Benefit (2) (\$)</u>	<u>Annual or Five Year Annuity Payable on December 31, 2009 Under GM Pension Plans (\$)</u>	<u>Present Value of December 31, 2009 Plan Benefits (\$)</u>
T. G. Stephens (3)	SRP	40.84	1,601,400	120,600	1,601,400
	ERP	40.84	6,785,100	1,534,400	6,785,100
			<u>8,386,500</u>		<u>8,386,500</u>
R. A. Lutz (4)	SRP	8.33	142,400	18,500	142,400
	ERP	17.33	4,345,600	982,700	4,345,600
			<u>4,488,000</u>		<u>4,488,000</u>
R. G. Young (5)	SRP	23.42	481,200	76,500	357,500
	ERP	23.42	1,000,300	0	0
			<u>1,481,500</u>		<u>357,500</u>
K. W. Cole (4)	SRP	8.42	144,900	11,500	144,900
	ERP	20.75	2,534,600	573,200	2,534,600
			<u>2,679,500</u>		<u>2,679,500</u>
F. A. Henderson (5)	SRP	25.50	631,500	85,200	468,500
	ERP	25.50	0	0	0
			<u>631,500</u>		<u>468,500</u>
G. R. Wagoner, Jr. (6)	SRP	32.00	1,105,400	70,100	1,105,400
	ERP	32.00	7,281,400	1,646,600	7,281,400
			<u>8,386,800</u>		<u>8,386,800</u>

(1) Eligible service recognizes credited service under the frozen qualified SRP, in addition to service under the new plan formulas. The 35-year cap on ERP service used in calculating the frozen accrued ERP benefits still applies. Also, as noted below, Mr. Cole was approved for 12 years and 4 months of additional service under the non-qualified ERP, and Mr. Lutz was approved for nine additional years of service.

(2) The present value of the SRP benefit amounts shown takes into consideration the ability of the executive to elect a joint and survivor annuity form of payment. For SRP and ERP benefits, the present value represents the value of the benefit accrued through December 31, 2009 and payable at age 60 (or immediately if over age 60). Benefits and present values reflect the provisions of the SRP and ERP as of December 31, 2009. Present values shown here are based on the mortality and discount rate assumptions used in the December 31, 2009 disclosures contained in notes to our audited consolidated financial statements.

(3) As of December 31, 2009, Mr. Stephens is eligible to retire under both the qualified and non-qualified GM retirement plans. The amounts shown in column (d) represent the present value of benefits accrued through December 31, 2009, payable at age 60 (or immediately if over age 60) as a lifetime annuity form of payment for the SRP and payable as a five year annuity form of payment for the ERP. The amounts shown in column (e) are payable immediately, with the SRP benefit reduced from age 62. The ERP benefit is unreduced at age 60. The amounts in column (f) are the present values of the benefits shown in column (e).

(4) Beginning January 1, 2007, benefits for Messrs. Cole and Lutz are accumulated using the 4% defined contribution formula and are included in table in footnote (9) (All Other Compensation) in the section of this prospectus entitled “—Summary Compensation Table.” The SRP amounts shown in column (d) only reflect their frozen Account Balance Plans, valued and payable immediately as a lifetime annuity.

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In addition, beginning January 1, 2007, benefits under the ERP for Messrs. Cole and Lutz are accumulated using the 4% defined contribution formula on the total of actual base and eligible AIP final awards received in excess of the IRS 401(a)(17) compensation limit. The ERP amounts in column (d) for Messrs. Cole and Lutz include their accumulated benefit under the 4% ERP defined contribution formula plus the frozen ERP benefit, valued and payable immediately as a five-year annuity form of payment. For purposes of calculating benefits under the frozen ERP, the Committee approved a combined total award of 12 years and 4 months of additional service credits for Mr. Cole on February 5, 2001 and February 6, 2006 and awarded nine additional years of service credits for Mr. Lutz on December 4, 2006.

(5) As of December 31, 2009, Messrs. Henderson and Young are not eligible to retire under any qualified or non-qualified retirement plan. Amounts shown in column (d) for Messrs. Henderson and Young represent the present value of benefits accrued through December 31, 2009 payable at age 60 as a lifetime annuity form of payment for the SRP with reduction from age 62, and payable as a five year annuity form of payment for the ERP. Upon termination of employment prior to retirement eligibility, Messrs. Henderson and Young are only eligible for a deferred vested benefit from the SRP, reduced for age if received prior to age 65. The amount shown in column (e) represents the annual deferred vested SRP benefit that would be payable commencing at age 65. The present value benefit shown in column (f) represents the amount that would be payable per SRP plan rules if taken at December 31, 2009 as a lump sum. They would not have been eligible for ERP benefits if service terminated on December 31, 2009. Mr. Henderson did terminate employment on December 31, 2009, and, therefore, forfeited the ERP benefit, reflecting a zero value in column (d). He may elect to receive his deferred vested SRP benefit at any time.

(6) Mr. Wagoner retired from the Company on August 1, 2009, and commenced receipt of retirement benefits pursuant to the Old GM plan provisions applicable to Mr. Wagoner. His SRP benefit shown above in column (e) comprehends his election of a joint and survivor annuity form of payment. A significant portion of his non-qualified ERP benefits was reduced by two-thirds, consistent with the ERP reductions adopted by Old GM and applicable to Mr. Wagoner. Because Mr. Wagoner is a specified employee as defined by IRC 409A, he was subject to a six month waiting period before payment of his ERP benefits commenced.

### **2009 Nonqualified Deferred Compensation Plans**

#### ***Old GM Plans***

Old GM maintained the following nonqualified deferred compensation plans for executives:

- The Deferred Compensation Plan (DCP) described below, and
- The Benefit Equalization Plan (BEP) included in “Our Plans” on the following pages.

In addition, certain incentive awards earned and vested under the incentive plans were subject to mandatory deferral.

The DCP permitted senior executives to defer a portion of their base salary, AIP, SPP, and RSU earnings into the plan. The plan included eight investment options, one of which was Old GM common stock. No deferrals into the plan have been allowed since December 31, 2005. Dividend equivalents were credited and paid on Old GM common stock units until suspended on July 14, 2008. We did not assume the DCP on July 10, 2009, and the DCP will be included in the liquidation and asset distribution of MLC.

**Old GM Nonqualified Deferred Compensation Plans**

<u>Name</u> <u>(a)</u>	<u>Plan</u>	<u>Executive Contributions in the Year Ended December 31, 2009</u> <u>(b)</u>	<u>Registrant Contributions in the Year Ended December 31, 2009</u> <u>(c)</u>	<u>Aggregate Earnings in the Year Ended December 31, 2009</u> <u>(d)</u>	<u>Aggregate Withdrawals and Distributions</u> <u>(e)</u>	<u>Aggregate Balance at December 31, 2009 (f)</u> <u>(f)</u>
T. G. Stephens (1)	DCP	\$ 0	\$ 0	\$ (108,757)	\$ (48,080)	\$ 0
R. A. Lutz (2)	DCP	\$ 0	\$ 0	\$ (297,034)	\$ (131,316)	\$ 0
	RSU			\$ (204,675)		\$ 35,325
						\$ 35,325
R. G. Young (3)	DCP	\$ 0	\$ 0	\$ (4,196)	\$ (33,934)	\$ 0
F. A. Henderson (4)	DCP	\$ 0	\$ 0	\$ (135,369)	\$ (291,896)	\$ 47,683
G. R. Wagoner, Jr. (5)	DCP	\$ 0	\$ 0	\$ (35,921)	\$ (362,634)	\$ 0
	RSU			\$ (341,125)		\$ 58,875
						\$ 58,875

The table above reflects year-end balances and contributions, earnings, and withdrawals during the year for the DCP, as well as vested, but unpaid, RSUs for the Named Executive Officers. The plan does not provide for interest or earnings to be paid at above-market rates, so none of the amounts in column (d) have been reported in the Summary Compensation Table. Mr. Cole did not participate in the DCP and had no vested, but unpaid, incentive awards.

(1) On May 15, 2009, Mr. Stephens elected to receive an unscheduled distribution of all assets from the DCP as permitted under IRC 409A. The gross distribution included 44,110 shares of Old GM common stock at a share price of \$1.09 and was subject to a 10% penalty pursuant to plan terms.

(2) On May 15, 2009, Mr. Lutz elected to receive an unscheduled distribution of all assets from the DCP as permitted under IRC 409A. The gross distribution included 120,473 shares of Old GM common stock at a share price of \$1.09 and was subject to a 10% penalty pursuant to plan terms. 75,000 RSUs were granted to Mr. Lutz on January 21, 2003, in lieu of cash bonus, deliverable upon retirement or mutual separation. We did not assume any obligation in respect of these incentive awards. The amount shown is based on the December 31, 2009 MLC share price of \$0.471. We estimate that the actual realizable value of these shares is \$0.

(3) On May 15, 2009, Mr. Young elected to receive an unscheduled distribution of all assets from the DCP as permitted under IRC 409A. This gross withdrawal amount was subject to a 10% penalty pursuant to plan terms.

(4) On May 15, 2009, Mr. Henderson elected to receive an unscheduled distribution of cash assets from the DCP as permitted under IRC 409A. This gross withdrawal amount was subject to a 10% penalty pursuant to plan terms. Mr. Henderson's remaining DCP balance includes 101,238 shares of MLC common stock at a December 31, 2009 share price of \$0.471. We estimate that the actual realizable value of these shares is \$0.

(5) On April 21, 2009, Mr. Wagoner elected to receive an unscheduled distribution of all assets from the DCP as permitted under IRC 409A. This gross withdrawal amount was subject to a 10% penalty pursuant to plan terms. 125,000 RSUs were granted to Mr. Wagoner on January 21, 2003, in lieu of cash bonus, deliverable upon retirement or mutual separation. We did not assume these RSUs and the amount shown in Column (f) is their value based on the closing price of MLC common stock on December 31, 2009 of \$0.471. Even though Mr. Wagoner retired effective August 1, 2009, pursuant to the UST Credit Agreement his awards cannot be paid out and are not expected to be paid out at any time in the future.

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(6) All amounts reported in column (f), except earnings at prevailing market rates, have been reported in the Summary Compensation Table in previous years when earned if that officer's compensation was required to be disclosed in the applicable year. Amounts previously reported in such years include previously earned, but deferred salary and incentives and Company matching contributions.

The total reflects the cumulative value of these deferrals, contributions, and investment choices.

Pursuant to our UST Credit Agreement, we cannot pay or accrue any incentive compensation to Named Executive Officers. No awards granted prior to 2009 were vested or paid out in 2009 when vesting or payment dates occurred and none are expected to vest or pay out at any time in the future.

### ***Our Plans***

We maintain certain deferred compensation programs and arrangements for executives, including the Named Executive Officers.

**BEP** — The BEP is a non-qualified plan that allows for the equalization of benefits for certain highly compensated salaried employees under the SRP and the S-SPP when such employees' contribution and benefit levels exceed the maximum limitations on contributions and benefits imposed by Section 2004 of the Employee Retirement Income Security Act of 1974, as amended, and Section 401(a)(17) and 415 of the IRC, as amended. The plan is maintained as an unfunded plan, and we bear all expenses for administration of the plan and payment of amounts to participants. Our contributions to employee accounts are currently invested in one or more of six investment options. Company contributions to the BEP were suspended on October 22, 2009 for Messrs. Young, Cole, and Henderson and on December 11, 2009 for Messrs. Stephens and Lutz.

**Salary Stock Plan** — Pursuant to plan terms and upon approval of the Special Master, Named Executive Officers receive a portion of their total annual compensation in the form of SSUs. SSUs are granted on each salary payment date to Named Executive Officers based on the most current valuation of the Company as determined by an independent third party. SSUs are non-forfeitable and will be paid in three equal installments at each of the second, third, and fourth anniversary of the quarter in which they were deemed to be granted, and may become payable one year earlier upon certification by our Compensation Committee that repayment of our TARP obligations has commenced.

The table below reflects December 31, 2009 balances and all contributions, earnings, and withdrawals during the year for the BEP, as well as vested but unpaid SSUs for the Named Executive Officers.

Contributions include amounts credited to employee BEP accounts for both pre- and post- bankruptcy periods. We have included them below in column (c) for greater continuity and because we assumed all obligations in respect of the BEP from Old GM in the 363 Sale.

**2009 GM Nonqualified Deferred Compensation Plans**

<u>Name</u> <u>(a)</u>	<u>Plan</u>	<u>Executive Contributions in the Year Ended December 31, 2009</u> <u>(b)</u>	<u>Registrant Contributions in the Year Ended December 31, 2009 (7)</u> <u>(c)</u>	<u>Aggregate Earnings in the Year Ended December 31, 2009 (8)</u> <u>(d)</u>	<u>Aggregate Withdrawals and Distributions</u> <u>(e)</u>	<u>Aggregate Balance at December 31, 2009 (9)</u> <u>(f)</u>
T. G. Stephens (1)	SSU	\$ 0	\$ 945,833			\$ 945,833
	BEP	\$ 0	\$ 9,334	\$ 5,362		\$ 59,563
						1,005,396
R. A. Lutz (2)	SSU	\$ 0	\$ 1,070,833			\$ 1,070,833
	BEP	\$ 0	\$ 23,799	\$ 23,244		\$ 152,543
						1,223,376
R. G. Young (3)	SSU	\$ 0	\$ 576,668			\$ 576,668
	BEP	\$ 0	\$ 1,650	\$ 3,863		\$ 39,731
						616,399
K. W. Cole (4)	SSU	\$ 0	\$ 935,543			\$ 935,543
	BEP	\$ 0	\$ 8,628	\$ 7,802		\$ 63,860
						999,403
F. A. Henderson (5)	SSU	\$ 0	\$ 2,421,667			\$ 2,421,667
	BEP	\$ 0	\$ 2,888	\$ 9,012	\$ 6,987	\$ 0
						2,421,667
G. R. Wagoner, Jr. (6)	SSU	\$ 0	\$ 0			\$ 0
	BEP	\$ 0	\$ 0	\$ (7,693)	\$ (128,379)	\$ 0
						0

As described in the section of this prospectus above entitled “—2009 Grants of Plan Based Awards,” each of the grants described below will be treated as having been granted, *nunc pro tunc*, throughout 2009 beginning January 1 and will be paid on the anniversary of the quarter in which it was deemed to have been granted.

(1) The amount shown for Mr. Stephens consists of a grant of 17,522 SSUs on December 31, 2009.

(2) The amount shown for Mr. Lutz consists of a grant of 19,838 SSUs on December 31, 2009.

(3) The amount shown for Mr. Young consists of SSUs grants on each of the following dates: 3,709 on November 13, 2009; 3,709 on November 30, 2009; 3,709 on December 15, 2009; and 2,671 on December 31, 2009.

(4) The amount shown for Mr. Cole consists of SSU grants on each of the following dates: 2,632 on November 13, 2009; 2,632 on November 30, 2009; 2,632 on December 15, 2009; and 11,646 on December 31, 2009.

(5) The amount shown for Mr. Henderson consists of SSU grants on each of the following dates: 15,576 on November 13, 2009; 15,576 on November 30, 2009; 15,576 on December 15, 2009; and 11,216 on December 31, 2009.

At the time of his termination on December 31, 2009, Mr. Henderson had both vested and unvested BEP benefits. Unvested benefits in the amount of \$78,249 were forfeited, and his vested benefits in the amount of \$6,987 will be paid as a lump sum pursuant to plan provisions that provide for this form of payment when the present value of the benefit is less than the dollar limit under IRC 402(g). Because Mr. Henderson was a specified employee as defined by IRC 409A, he is subject to a six month waiting period before payment of his BEP benefits can commence.

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(6) Effective August 1, 2009, Mr. Wagoner retired. Pursuant to Plan provisions, his vested benefits under the BEP were withdrawn and converted to a 5-year monthly annuity form of payment. Because Mr. Wagoner was a specified employee as defined by IRC 409A, he was subject to a six month waiting period before payment of his BEP benefits commenced in February 2010.

(7) For each of the Named Executive Officers, the BEP amount reported here in column (c) is included within the amount reported in column (i) and footnote (9) of the 2009 Summary Compensation Table. The amounts reported in the Summary Compensation Table are larger because they also include our contributions to the S-SPP (tax-qualified plan). The SSU amount reported here in column (c) is included within the amount reported in column (e) and footnote (6) of the Summary Compensation Table.

(8) None of the amounts reported above in column (d) are reported in column (h) of the 2009 Summary Compensation Table because we do not pay guaranteed, above-market earnings on deferred compensation.

(9) All amounts reported in column (f), except earnings at prevailing market rates, have been reported in the Summary Compensation Table in previous years when earned if that officer's compensation was required to be disclosed in the applicable year. Amounts previously reported in such years include previously earned Company matching contributions. The total reflects the cumulative value of these contributions, and investment choices.

### **Potential Payments upon Termination or Change in Control**

#### ***Potential Termination Payments—GM***

We maintain compensation and benefit plans that will provide payment of compensation in the event of termination of employment due to retirement, death, and mutually-agreed-upon separation. These provisions are generally applicable to all plan participants and are not reserved only for Named Executive Officers. The amount of compensation payable to each Named Executive Officer in these situations is described in the tables that follow. We do not provide a change in control severance plan for executives, and, pursuant to TARP regulations, no severance payments may be made to Named Executive Officers.

*Retirement and Pension Benefits.* Plan provisions are described in the "2009 Pension Benefits" discussion, along with pension benefits for Named Executive Officers. No other individualized arrangements exist with Named Executive Officers except those disclosed in the "Employment Arrangements" section below.

As of December 31, 2009, Mr. Stephens was eligible to retire pursuant to the provisions of both the qualified SRP and the non-qualified ERP.

As of December 31, 2009, Messrs. Cole and Lutz were eligible to retire pursuant to the provisions of the qualified SRP. Both were also eligible to receive non-qualified ERP benefits pursuant to the Compensation Committee's action in 2001 and 2004, respectively, to grant full vesting rights with five years of service.

As of December 31, 2009, Mr. Young was not eligible to retire under any qualified or non-qualified retirement plan. Upon termination of employment, he could receive a deferred vested benefit from the qualified SRP, reduced for age if received prior to age 65. This benefit is available to any participant in the plan. His non-qualified ERP benefits would have been forfeited.

Mr. Wagoner retired August 1, 2009 and was eligible for benefits under the qualified SRP and the non-qualified ERP.

Mr. Henderson terminated employment on December 31, 2009. At that time, he was not eligible to retire under any qualified or non-qualified retirement plan. He will receive a deferred vested benefit from the qualified SRP, reduced for age if received prior to age 65.

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**Benefits Payable at Death.** Upon death of an active employee, we provide one month salary to certain dependents including surviving spouses, members of employee's family, or other individuals who are to be responsible for payment of funeral expenses. This benefit is provided generally for all salaried employees. In addition, pursuant to SRP plan terms we provide eligible survivors a monthly pension benefit based on a percentage of the monthly retirement benefit payable to the employee where the survivor option has been elected. Under the terms of the ERP, survivor benefits, if applicable, are payable as a lump sum. Supplemental Life Benefits are provided for all executives.

**Incentive Plans.** Under the provisions of the Salary Stock Plan, awards are vested when earned, and will continue to be paid in accordance with their terms as described in the "Options Exercised and Stock Vested" table upon separation, other than "For Cause."

**Vacation Pay.** Salaried employees may receive pay in lieu of unused vacation in the calendar year of termination of employment. Totals assume all vacation entitlement has been used as of December 31, 2009.

**Health Care Coverage Continuation.** Under provisions of the General Motors Salaried Health Care Program covering all U.S. salaried employees, Messrs. Cole, Lutz, and Young could continue health care coverage as provided under applicable federal laws (i.e., COBRA). Based on his eligibility to retire, Mr. Stephens would be eligible to receive financial contributions toward health care coverage in retirement until age 65. Mr. Wagoner retired and is receiving financial contributions toward health care coverage in retirement until age 65. Mr. Henderson terminated employment and is receiving health care coverage under COBRA.

## **Employment Arrangements**

Although we have described the material elements of certain employment arrangements with Executive Officers (including the Named Executive Officers) below, we are currently prohibited by the UST Credit Agreement, as well as by Section 111 of the EESA as implemented by the Interim Final Rule, from paying any severance or bonus and incentive compensation amounts (other than certain TARP compliant bonus and incentive compensation) to any Executive Officer. The Executive Officers have waived their contractual entitlement to any payment that would violate the terms of the UST Loan Agreement.

**Daniel F. Akerson.** Our employment arrangement with Mr. Akerson provides that Mr. Akerson's annual cash base salary is \$1,700,000, and he participates in the benefit plans currently available to executive officers. He also receives a portion of his total annual compensation in the form of salary stock, awarded pursuant to the provisions of the Salary Stock Plan, in the amount of \$5,300,000, which will be delivered over three years beginning September 30, 2011, and TARP compliant restricted stock units valued at \$2,000,000, under the Company's Long-Term Incentive Plan. This arrangement does not provide for any special post-employment compensation or benefits. Mr. Akerson will not receive additional compensation for his service on our Board of Directors.

**Stephen J. Girsky.** Our employment arrangement with Mr. Girsky provides that Mr. Girsky's annual cash base salary is \$500,000, and he participates in the benefit plans currently available to executive officers. Mr. Girsky will receive the remaining 90% of his total annual compensation in the form of salary stock, awarded pursuant to the provisions of the Salary Stock Plan, in the amount of \$3,000,000, which will be delivered ratably over three years beginning in 2011, and will be granted TARP compliant restricted stock units valued at \$1,500,000. This arrangement does not provide for any special post-employment compensation or benefits. Mr. Girsky will not receive additional compensation for his service on our Board of Directors.

**Christopher P. Liddell.** Our employment agreement with Mr. Liddell provides that Mr. Liddell's annual cash base salary is \$750,000, and he participates in the benefit plans currently available to executive officers. He also receives a portion of his total annual compensation in the form of salary stock, awarded pursuant to the provisions of the Salary Stock Plan, in the amount of \$3,450,000, which will be delivered ratably over three years beginning in 2011, and was granted TARP compliant 37,051 restricted stock units valued at \$53.98 each on June 30, 2010. This arrangement does not provide for any special post-employment compensation or benefits.



## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth as of September 30, 2010 information regarding the beneficial ownership of shares of our common stock for:

- Each person, or group of affiliated persons, who is known to us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- Each of our named executive officers;
- Each of our directors;
- All of our directors and executive officers as a group; and
- Each selling stockholder.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In addition, under these rules, an individual or entity beneficially owns any shares issuable upon the exercise of any options or warrants held by such person or entity that were exercisable on September 30, 2010 or within 60 days after September 30, 2010. In computing the percentage ownership of each individual and entity, the number of outstanding shares of our common stock includes any shares subject to options or warrants held by that individual or entity that were exercisable on or within 60 days after September 30, 2010. These shares are not considered outstanding, however, for the purpose of computing the percentage ownership of any other stockholder.

We have entered into a Stockholders Agreement with the UST, Canada Holdings and the New VEBA, which contains restrictions on how the UST, Canada Holdings and the New VEBA may vote their shares of our common stock. See the section of this prospectus entitled “Certain Stockholder Agreements—Stockholders Agreement” for a discussion of the terms of the Stockholders Agreement. In connection with the 363 Sale and our holding company reorganization, we entered into certain other agreements and engaged in certain transactions with the UST, New VEBA, Canada Holdings and MLC. For additional information on those agreements and transactions, see the section of this prospectus entitled “Certain Relationships and Related Party Transactions” and the various other sections of this prospectus that are cross-referenced in that section.

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Name and Address of Beneficial Owner	Shares Beneficially Owned Prior to Offering	Percentage Beneficially Owned Prior to Offering(1)	Shares Being Offered	Shares Subject to Over- Allotment Option	Shares Beneficially Owned After Offering		Percentage Beneficially Owned After Offering (1)		
					Without Over- Allotment Option	With Over- Allotment Option	Without Over- Allotment Option	With Over- Allotment Option	
<b>5% Stockholders</b>									
The United States Department of the Treasury (2) 1500 Pennsylvania Avenue, NW Washington, D.C. 20220	304,131,356	60.83%						%	%
Canada GEN Investment Corporation (3) 1235 Bay Street, Suite 400 Toronto, Ontario, Canada M5R 3K4	58,368,644	11.67%						%	%
UAW Retiree Medical Benefits Trust P.O. Box 14309 Detroit, Michigan 48214	102,651,515(4)	19.93%			(4)	(4)		%	%
Motors Liquidation Company 300 Renaissance Center Detroit, Michigan 48265-3000	140,909,090(5)	23.85%			(5)	(5)		%	%
<b>Directors and Executive Officers</b>									
All Directors and Executive Officers of General Motors Company 300 Renaissance Center Detroit, Michigan 48265-3000	0	0%	0	0	0	0	0	0%	0%

(1) These percentages reflect the maximum potential percentage ownership of our common stock for each beneficial owner. As such, the percentage ownership of the UST and Canada Holdings are calculated based on a total of 500,000,000 shares outstanding. The percentage ownership of the New VEBA is calculated based on a potential total of 515,151,515 shares outstanding, which includes the 15,151,515 shares of common stock that would be issued to the New VEBA if it exercised its warrant, as described in footnote (4) below. The percentage ownership of MLC is calculated based on a potential total of 590,909,090 shares outstanding, which includes the 90,909,090 shares of common stock that would be issued to MLC if it exercised its warrants, as described in footnote (5) below.

(2) The following description of the selling stockholder was provided by the UST. The UST is the executive agency of the U.S. government responsible for promoting economic prosperity and ensuring the financial security of the United States. The UST is responsible for a wide range of activities, such as advising the President of the United States on economic and financial issues, encouraging sustainable economic growth and fostering improved governance in financial institutions. The UST operates and maintains systems that are critical to the nation's financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection and the borrowing of funds necessary to run the federal government. The UST works with other federal agencies, foreign governments and international financial institutions to encourage global economic growth, raise standards of living and, to the extent possible, predict and prevent economic and financial crises. The UST also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the United States, identifying and targeting the financial support networks of national security threats and improving the safeguards of our financial systems. In addition, under EESA, the UST was given certain authority and facilities to restore the liquidity and stability of the financial system. See also the section of this prospectus entitled "Risk Factors—Risks Relating to this Offering and Ownership of Our Common Stock—The UST, a selling stockholder in the common stock offering, is a federal agency, and your ability to bring a claim against it under the U.S. securities laws may be limited."

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(3) The following description of the selling stockholder was provided by Canada Holdings. Canada GEN Investment Corporation is a wholly-owned subsidiary of Canada Development Investment Corporation. Canada Development Investment Corporation is a Canadian federal Crown corporation, meaning that it is a business corporation established under the Canada Business Corporations Act, owned by the federal Government of Canada. See also the section of this prospectus entitled “Risk Factors—Risks Relating to this Offering and Ownership of Our Common Stock—Canada Holdings, a selling stockholder in the common stock offering, is a wholly owned subsidiary of Canada Development Investment Corporation, which is owned by the federal Government of Canada, and your ability to bring a claim against Canada Holdings under the U.S. securities laws or otherwise, or to recover on any judgment against it, may be limited.”

(4) Includes 15,151,515 shares of our common stock issuable upon the exercise of a warrant we issued to the New VEBA. In connection with the closing of the 363 Sale, we issued a warrant to the New VEBA to acquire 15,151,515 newly issued shares of our common stock, exercisable at any time prior to December 31, 2015, with an exercise price of \$126.92 per share. The number of shares of our common stock underlying the warrant and the per share exercise price are subject to adjustment as a result of certain events, including stock splits, reverse stock splits, and stock dividends.

(5) Includes 90,909,090 shares of our common stock issuable upon the exercise of warrants we issued to MLC. In connection with the closing of the 363 Sale, we issued two warrants to MLC, one to acquire 45,454,545 newly issued shares of our common stock, exercisable at any time prior July 10, 2016, with an exercise price of \$30.00 per share and the other to acquire 45,454,545 newly issued shares of our common stock, exercisable at any time prior to July 10, 2019, with an exercise price of \$55.00 per share. The number of shares of our common stock underlying each of the warrants and the per share exercise price thereof are subject to adjustment as a result of certain events, including stock splits, reverse stock splits, and stock dividends.

## CERTAIN STOCKHOLDER AGREEMENTS

### Stockholders Agreement

On October 15, 2009, in connection with the holding company merger, we, the UST, the New VEBA, Canada Holdings, and our previous legal entity prior to our October 2009 holding company reorganization (which is now a wholly-owned subsidiary of the Company) entered into a Stockholders Agreement, which replaced and is substantially identical to the prior Stockholders Agreement dated as of July 10, 2009 that we entered into in connection with the 363 Sale. At all times prior to the termination of the Stockholders Agreement, at least two-thirds of the directors shall be required to be determined by our Board of Directors to be independent within the meaning of NYSE rules, whether or not any of our shares of common stock are listed on the NYSE.

So long as the New VEBA holds at least 50% of the shares of our common stock it held at the date of the Stockholders Agreement, the New VEBA shall have the right to designate one nominee to our Board of Directors (which designation shall be subject to the consent of the UAW and, if the designated nominee is not independent within the meaning of NYSE rules, to the consent of the UST, which consent of the UST is not to be unreasonably withheld). Following this offering, subject to our Board of Directors' approval, our Board of Directors shall nominate the New VEBA nominee to be elected a member of our Board of Directors and include the New VEBA nominee in our proxy statement and related materials in respect of the election to which the nomination pertains.

Following this offering, the UST and Canada Holdings will no longer have the right under the Stockholders Agreement to designate nominees for election to our Board of Directors.

The Stockholders Agreement provides that, following this offering and until the respective termination of their obligations under the Stockholders Agreement, the UST and Canada Holdings (Government Holders) will not vote their shares of our common stock at any meeting (whether annual or special) or by written consent, except that each Government Holder may vote its shares:

- As it desires in a vote with respect to any removal of directors;
- In a vote with respect to any election of directors as it desires only with respect to any candidates that are nominated by the Board of Directors, nominated by third parties, or nominated by either Government Holder pursuant to a Joint Slate Procedure, as defined in the Stockholders Agreement (provided that each Government Holder will vote "for" the nominees jointly named pursuant to a Joint Slate Procedure and each Government Holder will vote "for" any nominee designated by the New VEBA as described above that is standing for election);
- As it desires in a vote with respect to any acquisition or purchase of our capital stock or of all or substantially all of our assets or any merger, consolidation, business combination, recapitalization, reorganization or other extraordinary business transaction involving or otherwise relating to the Company, in each case, which would require a stockholder vote under Delaware law or our Certificate of Incorporation;
- As it desires in a vote with respect to any amendment or modification to our Certificate of Incorporation or our Bylaws that would affect any matters relating to the three bullet points above; and
- On each other matter presented to our stockholders, solely to the extent that the vote of the Government Holders is required for the stockholders to take action at a meeting at which a quorum is present and in that instance, in the same proportionate manner as the holders of common stock (other than the UST, Canada Holdings, New VEBA, and its affiliates and the directors and executive officers of the Company) that were present and entitled to vote on such matter voted or consented in connection with each such matter.

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The Stockholders Agreement provides that, until the termination of the Stockholders Agreement with respect to the New VEBA, the New VEBA will vote its shares at any meeting (whether annual or special) or by written consent on each matter presented to our stockholders in the same proportionate manner as the holders of our common stock (other than the New VEBA and its affiliates and our directors and executive officers).

The rights, restrictions, and obligations under the Stockholders Agreement shall terminate with respect to a stockholder party to the Stockholders Agreement when such stockholder party beneficially owns less than 2% of the shares of our common stock then issued and outstanding.

### **Equity Registration Rights Agreement**

On October 15, 2009, in connection with the holding company merger, we, the UST, Canada Holdings, the New VEBA, MLC and our previous legal entity prior to our October 2009 holding company reorganization (which is now a wholly-owned subsidiary of the Company) entered into an Equity Registration Rights Agreement, which replaced and is substantially identical to the prior Equity Registration Rights Agreement dated as of July 10, 2009 that we entered into in connection with the 363 Sale. Pursuant to the Equity Registration Rights Agreement, we have granted the UST, Canada Holdings, the New VEBA and MLC registration rights with respect to the shares of common stock, the warrants (including underlying shares of common stock issuable upon exercise of the warrants) and the shares of Series A Preferred Stock of the Company (referred to as “registrable securities”) held by them as of October 15, 2009. Each of the UST, Canada Holdings, the New VEBA and MLC, and certain of their transferees that agree to become a party to the Equity Registration Rights Agreement, is referred to as a “holder.”

Any particular registrable securities shall cease to be “registrable securities” for purposes of the Equity Registration Rights Agreement on the earliest of the date on which such securities: (1) have been registered under the Securities Act and disposed of in accordance with a registration statement; (2) have been sold pursuant to Rule 144 under the Securities Act; (3) are held by a holder that may sell all such registrable securities held by it in a single day pursuant to, and in accordance with, Rule 144; (4) cease to be outstanding; or (5) are held by any person or entity who is not a “holder.” The rights and obligations of a holder under the Equity Registration Rights Agreement shall terminate, subject to limited exceptions, when such holder no longer holds any registrable securities.

#### ***Demand Registration Rights***

The Equity Registration Rights Agreement provides that, subject to limitations described below, any holder or holders of registrable securities shall have the right to require us to file a registration statement under the Securities Act for a public offering of all or part of its or their registrable securities. This is referred to as a “demand registration.” The other holders shall have the right to elect to include in such demand registration such portion of their registrable securities as they may request, subject to underwriter cutback provisions. We may also register in any demand registration any equity securities of the Company, subject to underwriter cutback provisions.

#### ***Shelf Registrations and Sales***

The Equity Registration Rights Agreement provides that, subject to limitations described below, at any time that we are eligible to use Form S-3 or an automatic shelf registration statement on Form S-3 with respect to the registrable securities, any holder requesting a demand registration may request that we file a shelf registration statement under the Securities Act to effect such demand registration or, if a shelf registration statement covering registrable securities is effective, register additional registrable securities of the requesting holders pursuant to such shelf registration statement to effect such demand registration. Each of these is referred to as a “shelf registration.”

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The Equity Registration Rights Agreement also provides that, subject to limitations described below, any holder with registrable securities registered pursuant to a shelf registration may effect an underwritten offering of its registrable securities after delivery of advance notice to the Company. The other holders shall have the right to elect to include in such underwritten offering such portion of their registrable securities as they may request, subject to underwriter cutback provisions.

The Equity Registration Rights Agreement also provides that any holder with registrable securities registered pursuant to a shelf registration may effect a non-underwritten sale or transfer of its registrable securities after delivery of advance notice to the Company. Such a non-underwritten sale or transfer will not be deemed to be a demand registration and will not be subject to the limitations described in the following section.

### ***Certain Limitations on Demand Registrations and Underwritten Shelf Sales***

The Equity Registration Rights Agreement imposes certain limitations on a holder's ability to exercise its demand registration rights and a holder's ability to effect underwritten offerings of registrable securities registered pursuant to a shelf registration. In particular:

- A holder may not request a demand registration, or submit a transfer notice with respect to a proposed underwritten offering pursuant to a shelf registration, within 180 days after either: (1) the effective date of a previous demand registration (other than a shelf registration); or (2) the completion of any underwritten offering pursuant to a shelf registration.
- A holder may not request a demand registration or submit a transfer notice with respect to a proposed underwritten offering pursuant to a shelf registration unless it is for either: (1) a number of registrable securities having a market value equal to or exceeding a specified threshold in the aggregate; (2) at least a specified number of shares of common stock and/or warrants exercisable for at least a specified number of shares of common stock in the aggregate; or (3) all of the registrable securities then held by the requesting holder.
- We are not required to effect: (1) until (but excluding) July 10, 2012, more than two demand registrations (which shall include for this purpose any underwritten offering pursuant to a shelf registration but shall exclude a shelf registration) in the aggregate during any consecutive 12-month period; and (2) from and including July 10, 2012, more than one demand registration (which shall include for this purpose any underwritten offering pursuant to a shelf registration but shall exclude a shelf registration) in the aggregate during any consecutive 12-month period. However, the New VEBA has the right, from and including July 10, 2012, to request one additional demand registration (which shall include for this purpose any underwritten offering pursuant to a shelf registration but shall exclude a shelf registration) during any consecutive 12-month period.

The above limitations do not apply to any non-underwritten sales or transfers by any holder of registrable securities registered pursuant to a shelf registration.

### ***Piggyback Registration Rights***

The Equity Registration Rights Agreement provides that each time we propose to offer any of our equity securities in a registered underwritten offering (other than pursuant to specified excluded registrations) under the Securities Act (whether for our account or the account of any our equity holders other than a holder), we must give each holder under the Equity Registration Rights Agreement the opportunity to include any or all of its registrable securities in such underwritten offering, subject to underwriter cutback provisions.

***Deferral of Filing or Suspension of Use of Registration Statement***

The Equity Registration Rights Agreement gives us the right to defer the filing (but not the preparation) or the effectiveness, or suspend the use, of any registration statement required by or filed pursuant to the Equity Registration Rights Agreement, at any time if: (1) we determine, in our sole discretion, that such action or use (or proposed action or use) would require us to make specified types of disclosures; or (2) prior to receiving the request for demand registration or the transfer notice with respect to an underwritten offering pursuant to a shelf registration, as applicable, our Board of Directors had determined to effect a registered underwritten public offering of our equity securities or securities convertible into or exchangeable for our equity securities for our account and we have taken substantial steps (such as selecting a managing underwriter for such offering) and are proceeding with reasonable diligence to effect such offering. However, we cannot exercise our rights to deferral or suspension, and cannot so effect any such deferral or suspension, for more than a total of 180 days (which need not be consecutive) in any consecutive 12-month period.

***Holdback Agreements***

The Equity Registration Rights Agreement provides that we cannot effect any public sale or distribution of our equity securities or any securities convertible into or exchangeable or exercisable for our equity securities, except in each case as part of the underwritten offering, during the 60-day period (or such lesser period as the lead underwriters or managing underwriters may permit) beginning on: (1) the effective date of any registration statement in connection with an underwritten demand registration (other than a shelf registration); or (2) the pricing date for any underwritten offering of registrable securities pursuant to a shelf registration, in each case subject to various exceptions.

The Equity Registration Rights Agreement also provides that, in the event of an underwritten offering of equity securities by us (whether for our account or otherwise), no holder can offer, sell, contract to sell or otherwise dispose of any preferred stock, warrants, common stock or any securities convertible into or exchangeable or exercisable for common stock, including any sale pursuant to Rule 144 under the Securities Act (except as part of such underwritten offering), during the 60-day period (or such lesser period in each case as the lead underwriters or managing underwriters may permit) beginning on the effective date of the registration statement for such underwritten offering (or, in the case of an offering pursuant to an effective shelf registration statement, the pricing date for such underwritten offering). However, the sum of all holdback periods applicable to the holders may not exceed 120 days (which need not be consecutive) in any given 12-month period.

***Indemnification and Contribution***

The Equity Registration Rights Agreement also contains indemnification and contribution provisions.

***This Offering and the Concurrent Offering***

The common stock offering and the Series B preferred stock offering are being conducted pursuant to the piggyback registration rights provisions of the Equity Registration Rights Agreement.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Certain Relationships

Our Board of Directors has adopted a written policy governing the approval of related party transactions. Related party transactions are transactions in which our Company is a participant, the amount involved exceeds \$120,000 and a related party has or will have a direct or indirect material interest. Related parties of our Company include directors (including nominees for election as directors), executive officers, 5% stockholders of our Company and the immediate family members of these persons. Our Legal Staff, in consultation with management and outside counsel, as appropriate, will review potential related party transactions to determine if they are subject to our Related Party Transactions Policy. If so, the transaction will be referred for approval or ratification to: (i) the CEO and the Vice President and General Counsel (General Counsel), in the case of a transaction involving an executive officer other than the CEO or the General Counsel (and/or such officer's immediate family members); (ii) to the CEO, in the case of a transaction involving the General Counsel (and/or such officer's immediate family members); or (iii) to the Governance Committee, in the case of a transaction involving the CEO, a director or a 5% stockholder (and/or such person's immediate family members). In determining whether to approve a related party transaction, the appropriate approving body will consider, among other factors, the fairness of the proposed transaction, whether there are compelling business reasons to proceed, and whether the transaction would impair the independence of a non-management director or present an improper conflict of interest for a director or executive officer, taking into account the size of the transaction, the overall financial position of the related person, the direct or indirect nature of his or her interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Governance Committee deems relevant. Transactions that are approved by the CEO and the General Counsel will be reported to the Governance Committee at its next meeting. The Governance Committee has authority to oversee our Related Party Transactions Policy and to amend it from time to time. In addition, the Governance Committee is responsible for annually reviewing the independence of each director and the appropriateness of any potential related party transaction and related issues. Our Related Party Transactions Policy is available on our website at <http://investor.gm.com>, under the heading "Corporate Governance."

Douglas L. Henderson, brother of former President and Chief Executive Officer Frederick A. Henderson, is employed by General Motors LLC. In addition, Juli A. Stephens, sister-in-law of Vice Chairman Thomas G. Stephens, and George T. Stephens, Mr. Stephens's brother, are employed by General Motors LLC. Mr. Douglas Henderson, Ms. Juli Stephens, and Mr. George Stephens each make less than \$155,000 per year, and receive salary and benefits comparable to those provided to other GM employees in similar positions.

David Bonderman is a founding partner of TPG, a private investment firm, whose affiliate invests in automobile dealerships in Asia representing various vehicle manufacturers. These investments include dealerships in China that sell Chevrolet and Buick brand vehicles under a distribution agreement with SGM. Under the terms of SGM's joint venture agreement, we do not control SGM's distribution activities.

In 2009, while serving as President of SJG, Stephen J. Girsky received advisory fees of \$400,000 and expense reimbursement of approximately \$50,000 from Old GM for consulting services related to strategic alternatives for Saturn. The Saturn engagement began in early 2009 and was completed before Mr. Girsky was named to our Board. Under the agreement assumed as part of the 363 Sale, we were required to pay SJG a fee of \$1 million. From December 2009 to February 2010, Mr. Girsky served as Senior Advisor to the Office of the Chairman, for which he received salary stock grants valued at \$225,000 pursuant to our Salary Stock Plan and reimbursement of his living expenses in Detroit, Michigan and travel expenses to and from Detroit, Michigan.

Robert Hertzberg, husband of director Cynthia A. Telles, is a partner in the global law firm of Mayer Brown LLP, which has provided legal representation to GM and Old GM in connection with various matters for many years. GM anticipates that it will continue to engage Mayer Brown LLP to provide legal counsel from time to time as appropriate. In 2009, GM and Old GM collectively paid Mayer Brown LLP approximately \$1.3 million for legal services.



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In connection with the 363 Sale and our holding company reorganization, we entered into certain agreements and engaged in certain transactions with the UST, New VEBA, Canada Holdings and MLC. For additional information on those agreements and transactions, see the sections of this prospectus entitled “Business—Significant Transactions—363 Sale Transaction,” “Business—Significant Transactions—Issuances of Securities,” “Business—Significant Transactions—Agreements with the UST, EDC and New VEBA,” “Certain Stockholder Agreements,” “Description of Capital Stock—Description of the Warrants,” Note 2 to our audited consolidated financial statements and Note 2 to our unaudited condensed consolidated interim financial statements.

In connection with the closing of the 363 Sale, we and MLC entered into a Transition Services Agreement (TSA). Pursuant to the TSA, we provide MLC with specified transition services and support functions in connection with their operation and ultimate liquidation in bankruptcy, and MLC provides specified transition services and support functions to us. We and MLC are each required to pay to the other the applicable usage fees specified with respect to various types of services and functions under the TSA. The obligation to provide services and functions under the TSA will terminate on the applicable dates specified in the TSA with respect to each such service and function, the latest such date being December 31, 2013. During the six months ended June 30, 2010 and the year ended December 31, 2009, MLC paid \$1 million and \$2 million to us pursuant to the TSA.

In connection with the closing of the 363 Sale, we and MLC also entered into a Master Lease Agreement (Excluded Manufacturing Assets), dated as of July 10, 2009 (EMA Lease) and a Master Lease Agreement (Subdivision Properties), dated as of July 10, 2009 (Subdivision Lease). Under the EMA Lease, we lease from MLC various manufacturing facilities that were retained by MLC in the 363 Sale. The EMA Lease terminates with respect to each facility in accordance with the EMA Lease, the latest such date for any facility being June 30, 2014. Under the EMA Lease, we pay fixed base rent for each facility. In addition, we pay all operating costs associated with our use of the properties throughout the lease term with respect to each facility. During the six months ended June 30, 2010 and the year ended December 31, 2009, we paid \$8 million and \$13 million in rent to MLC pursuant to the EMA Lease. The current annual aggregate base rent under the EMA Lease is \$15 million.

Under the Subdivision Lease, we lease from MLC certain manufacturing facilities that we acquired from MLC in the 363 Sale (Subdivision Premises) but that could not be conveyed to us until they are subdivided from adjacent property that MLC retained. We pay annual rent of \$1 under the Subdivision Lease and are responsible for all operating costs relating to the Subdivision Premises. The term of the Subdivision Lease with respect to each separate Subdivision Premise terminates on the first to occur of July 31, 2029 or the date on which the respective Subdivision Premise is subdivided, at which time MLC will convey such Subdivision Premise to us for \$1.

## CONCURRENT OFFERING OF SERIES B PREFERRED STOCK

Concurrently with this offering of common stock, we plan to offer \_\_\_\_\_ shares of our \_\_\_\_\_ % Series B mandatory convertible junior preferred stock, and we have granted the underwriters of the offering of Series B preferred stock a 30-day option to purchase up to \_\_\_\_\_ additional shares of Series B preferred stock to cover over-allotments. There are currently no shares of Series B preferred stock outstanding. We cannot assure you that the offering of Series B preferred stock will be completed or, if completed, on what terms it will be completed. The closing of this offering is not conditioned upon the closing of the offering of Series B preferred stock, but the closing of our offering of Series B preferred stock is conditioned upon the closing of this offering.

The following summary of the terms of the Series B preferred stock is subject to, and qualified in its entirety by reference to, the provisions of the certificate of designations for the Series B preferred stock.

### Ranking

The Series B preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, ranks:

- senior to (i) our common stock and (ii) each other class of capital stock or series of preferred stock established after the first original issue date of the Series B preferred stock (which we refer to as the “issue date”) the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “junior stock”);
- on parity with any class of capital stock or series of preferred stock established after the issue date the terms of which expressly provide that such class or series will rank on a parity with the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “parity stock”);
- junior to (i) the Series A Preferred Stock and (ii) each class of capital stock or series of preferred stock established after the issue date the terms of which expressly provide that such class or series will rank senior to the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “senior stock”); and
- junior to our existing and future indebtedness.

In addition, the Series B preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries as well as the capital stock of our subsidiaries held by third parties.

### Dividends

Holders of shares of Series B preferred stock will be entitled to receive, when, as and if declared by our Board of Directors, or an authorized committee of our Board of Directors, out of funds legally available for payment, cumulative dividends at the rate per annum of \_\_\_\_\_ % on the liquidation preference of \$50 per share of Series B preferred stock (equivalent to \$ \_\_\_\_\_ per annum per share), payable in cash, by delivery of shares of our common stock or through any combination of cash and shares of our common stock, as determined by us in our sole discretion (subject to certain limitations). Dividends on the Series B preferred stock will be payable quarterly on \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of each year to and including the mandatory conversion date (as defined below), commencing \_\_\_\_\_, \_\_\_\_\_ at such annual rate, and shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the issue date of the Series B preferred stock, whether or not in any dividend period or periods there have been funds legally available for the payment of such dividends.

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Our ability to declare and pay cash dividends and make other distributions with respect to the Series B preferred stock is subject to restrictions in the event we fail to declare and pay (or set aside for payment) full dividends on the Series A Preferred Stock and may be limited by the terms of any indentures or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Delaware law.

### **Redemption**

The Series B preferred stock will not be redeemable.

### **Liquidation Preference**

In the event of our voluntary or involuntary liquidation, winding-up or dissolution, each holder of Series B preferred stock will be entitled to receive a liquidation preference in the amount of \$50 per share of the Series B preferred stock (the "liquidation preference"), plus an amount equal to accumulated and unpaid dividends on the shares to (but excluding) the date fixed for liquidation, winding-up or dissolution to be paid out of our assets available for distribution to our shareholders, after satisfaction of liabilities to our creditors and holders of any senior stock and before any payment or distribution is made to holders of junior stock (including our common stock). If, upon our voluntary or involuntary liquidation, winding-up or dissolution, the amounts payable with respect to the liquidation preference plus an amount equal to accumulated and unpaid dividends of the Series B preferred stock and all parity stock are not paid in full, the holders of the Series B preferred stock and any parity stock will share equally and ratably in any distribution of our assets in proportion to the liquidation preference and an amount equal to accumulated and unpaid dividends to which they are entitled. After payment of the full amount of the liquidation preference and an amount equal to accumulated and unpaid dividends to which they are entitled, the holders of the Series B preferred stock will have no right or claim to any of our remaining assets.

### **Voting Rights**

The holders of the Series B preferred stock do not have voting rights other than those described below, except as specifically required by Delaware law.

Whenever dividends on any shares of Series B preferred stock have not been declared and paid for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods, the holders of such shares of Series B preferred stock, voting together as a single class with holders of any and all other series of parity stock then outstanding, will be entitled to vote for the election of a total of two additional members of our Board of Directors, subject to certain limitations.

So long as any shares of Series B preferred stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series B preferred stock and all other series of voting preferred stock entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing or at a meeting:

- amend or alter the provisions of our Certificate of Incorporation or the certificate of designations for the shares of Series B preferred stock so as to authorize or create, or increase the authorized amount of, any specific class or series of stock ranking senior to the Series B preferred stock with respect to payment of dividends or the distribution of our assets upon our liquidation, dissolution or winding up; or
- amend, alter or repeal the provisions of our Certificate of Incorporation or the certificate of designations for the shares of Series B preferred stock so as to materially and adversely affect the special rights, preferences, privileges and voting powers of the shares of Series B preferred stock, taken as a whole; or

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- consummate a binding share exchange or reclassification involving the shares of Series B preferred stock or a merger or consolidation of us with another entity, unless in each case (i) shares of Series B preferred stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (ii) such shares of Series B preferred stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series B preferred stock, taken as a whole.

### **Mandatory Conversion**

Each share of the Series B preferred stock, unless previously converted, will automatically convert on \_\_\_\_\_, 2013 (the “mandatory conversion date”), into a number of shares of common stock equal to the conversion rate described below. If prior to the mandatory conversion date we have not declared all or any portion of the accumulated and unpaid dividends on the Series B preferred stock, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to the amount of accumulated and unpaid dividends that have not been declared (the “additional conversion amount”) divided by the greater of the floor price and the applicable market value (as defined below). To the extent that the additional conversion amount exceeds the product of the number of additional shares and the applicable market value, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata to the holders of the Series B preferred stock.

The conversion rate, which is the number of shares of common stock issuable upon conversion of each share of Series B preferred stock on the mandatory conversion date, will, subject to certain anti-dilution adjustments, be as follows:

- if the applicable market value of our common stock is greater than \$ \_\_\_\_\_, which we call the “threshold appreciation price,” then the conversion rate will be \_\_\_\_\_ shares of common stock per share of Series B preferred stock (the “minimum conversion rate”), which is equal to \$50 divided by the threshold appreciation price;
- if the applicable market value of our common stock is less than or equal to the threshold appreciation price but equal to or greater than \$ \_\_\_\_\_ (the “initial price,” which equals the price at which we initially offered our common stock to the public in this offering of our common stock), then the conversion rate will be equal to \$50 divided by the applicable market value of our common stock, which will be between \_\_\_\_\_ shares and \_\_\_\_\_ shares; or
- if the applicable market value of our common stock is less than the initial price, then the conversion rate will be \_\_\_\_\_ shares of common stock per share of Series B preferred stock (the “maximum conversion rate”), which is equal to \$50 divided by the initial price.

“Applicable market value” means the average of the closing prices per share of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date.

### **Conversion at the Option of the Holder**

Holders of the Series B preferred stock have the right to convert their shares of Series B preferred stock, in whole or in part, at any time prior to the mandatory conversion date, into shares of our common stock at the minimum conversion rate of \_\_\_\_\_ shares of common stock per share of Series B preferred stock, subject to certain anti-dilution adjustments.

### **Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount**

If we are the subject of certain cash acquisitions, on or prior to the mandatory conversion date, holders of the Series B preferred stock will have the right to (i) convert their shares of Series B preferred stock, in whole or in part, into shares of common stock at the cash acquisition conversion rate which will be based on the effective date of the cash acquisition and the price paid per share of our common stock in such transaction, (ii) with respect to such converted shares, receive a cash acquisition dividend make-whole amount based on the present value of remaining dividend payments on the Series B preferred stock and (iii) with respect to such converted shares, to the extent that, as of the effective date of the cash acquisition, we have not declared any or all of the accumulated and unpaid dividends on the Series B preferred stock as of such effective date, receive an adjustment in the conversion rate and, under certain circumstances, a cash payment.

### **Anti-dilution Adjustments**

The formula for determining the conversion rate on the mandatory conversion date and the number of shares of our common stock to be delivered upon an early conversion event may be adjusted if certain events occur, including if:

- We issue common stock to all holders of our common stock as a dividend or other distribution.
- We issue to all holders of our common stock rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans) entitling them, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase our shares of common stock at less than the current market price of our common stock.
- We subdivide or combine our common stock.
- We distribute to all holders of our common stock evidences of our indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets, excluding any dividend, distribution, rights or warrants referred to in the bullets above and any spin-off.
- We make a distribution consisting exclusively of cash to all holders of our common stock, subject to limited exceptions.
- We or any of our subsidiaries successfully complete a tender or exchange offer for our common stock (excluding any securities convertible or exchangeable for our common stock), where the cash and the value of any other consideration included in the payment per share of our common stock exceeds the current market price of our common stock.

## DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is based upon our Certificate of Incorporation, our Bylaws, the Warrant Agreements, the certificate of designations for the shares of Series A Preferred Stock, and applicable provisions of law, in each case as currently in effect. The following is a description of the material provisions regarding our capital stock contained in our Certificate of Incorporation, our Bylaws, the Warrant Agreements, and the certificate of designations for the Series A Preferred Stock and is qualified in its entirety by reference to the provisions of those documents. A description of the Stockholders Agreement dated as of October 15, 2009 among us, the UST, the New VEBA, Canada Holdings, and our previous legal entity prior to our October 2009 holding company reorganization (which is now a wholly-owned subsidiary of the Company), which includes among other things various voting agreements among the parties thereto, is contained within the section of this prospectus entitled “Certain Stockholder Agreements—Stockholders Agreement.”

Certain provisions of the DGCL, our Certificate of Incorporation, and our Bylaws summarized in the following paragraphs may have an anti-takeover effect. This may delay, defer, or prevent a tender offer or takeover attempt that a stockholder might consider in its best interests.

### Authorized Capital Stock

Our Certificate of Incorporation currently authorizes us to issue 3,500,000,000 shares of capital stock, consisting of:

- 2,500,000,000 shares of common stock, par value \$0.01 per share; and
- 1,000,000,000 shares of preferred stock, par value \$0.01 per share.

As of September 30, 2010, the following shares of capital stock and warrants to acquire shares of capital stock were issued and outstanding:

- 500,000,000 shares of common stock;
- 360,000,000 shares of Series A Preferred Stock; and
- Warrants for the purchase of up to 106,060,605 shares of common stock.

### Certain Provisions of Our Certificate of Incorporation and Bylaws

#### *Amendments to Our Certificate of Incorporation*

Under the DGCL, the affirmative vote of a majority of the outstanding shares entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote thereon is required to amend a corporation’s certificate of incorporation. Under the DGCL, the holders of the outstanding shares of a class of our capital stock shall be entitled to vote as a class upon a proposed amendment, whether or not entitled to vote thereon by the certificate of incorporation, if the amendment would:

- Increase or decrease the aggregate number of authorized shares of such class;
- Increase or decrease the par value of the shares of such class; or
- Alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely.

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If any proposed amendment would alter or change the powers, preferences, or special rights of one or more series of any class of our capital stock so as to affect them adversely, but shall not so affect the entire class, then only the shares of the series so affected by the amendment shall be considered a separate class for the purposes of this provision.

### ***Vacancies in the Board of Directors***

Our Bylaws provide that, subject to limitations, any vacancy occurring in our Board of Directors for any reason may be filled by a majority of the remaining members of our Board of Directors then in office, even if such majority is less than a quorum. Each director so elected shall hold office until the expiration of the term of the other directors. Each such director shall hold office until his or her successor is elected and qualified or until the earlier of his or her death, resignation, or removal.

### ***Special Meetings of Stockholders***

Under our Bylaws, special meetings of stockholders may be called at any time by the chairman of the Board of Directors or by a majority of the members of the Board of Directors. Our Bylaws further provide that the Board of Directors shall call a special meeting upon the written request of the record holders of at least 25% of the voting power of the outstanding shares of all classes of stock entitled to vote at such a meeting, subject to requirements and limitations set forth in our Bylaws.

Under the DGCL, written notice of any special meeting must be given not less than 10 nor more than 60 days before the date of the special meeting to each stockholder entitled to vote at such meeting.

### ***Requirements for Notice of Stockholder Director Nominations and Stockholder Business***

Following this offering, nominations for the election of directors may be made by the Board of Directors in accordance with the Stockholders Agreement or by any stockholder entitled to vote for the election of directors who complies with the applicable notice requirements.

Following this offering, if a stockholder wishes to bring any business before an annual or special meeting or nominate a person for election to our Board of Directors, our Bylaws contain certain procedures that must be followed for the advance timing required for delivery of stockholder notice of such business and the information that such notice must contain. The information that may be required in a stockholder notice includes general information regarding the stockholder, a description of the proposed business, and, with respect to nominations for the Board of Directors, certain specified information regarding the nominee(s). In addition to the information required in a stockholder notice described above, our Bylaws require under certain circumstances a representation that the stockholder is a holder of our voting stock and intends to appear in person or by proxy at the meeting to make the nomination or bring up the matter specified in the notice. For the timing of the stockholder notice, our Bylaws require that the notice must be received by our secretary:

- In the case of an annual meeting, not more than 180 days and not less than 120 days in advance of the annual meeting; and
- In the case of a special meeting, not more than 15 days after the day on which notice of the special meeting is first mailed to stockholders.

### ***Stockholder Action by Written Consent without a Meeting***

Our Certificate of Incorporation provides that, following this offering, no action that is required or permitted to be taken by our stockholders at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting except where such consent is signed by the holders of all shares of

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stock of the Company then outstanding and entitled to vote. Our Bylaws also contain notice and procedural requirements applicable to persons seeking to have the stockholders authorize or take corporate action by written consent without a meeting.

### **Certain Anti-Takeover Effects of Delaware Law**

Following this offering, we will be subject to Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years following the time that such person became an interested stockholder, unless:

- The business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the Board of Directors prior to the date the interested stockholder obtained such status;
- Upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- At or subsequent to such time the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A “business combination” is defined to include mergers, asset sales, and other transactions resulting in financial benefit to an “interested stockholder.” In general, an “interested stockholder” is a person who owns (or is an affiliate or associate of the corporation and, within the prior three years, did own) 15% or more of a corporation’s voting stock.

However, the restrictions contained in Section 203 will not apply if the business combination is with an interested stockholder who became an interested stockholder before the time that we have a class of voting stock that is either listed on a national securities exchange or held of record by more than 2,000 stockholders.

### **Description of Common Stock**

Our only class of common stock is our common stock, par value \$0.01 per share. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable.

#### ***Dividends***

The DGCL and our Certificate of Incorporation do not require our Board of Directors to declare dividends on our common stock. The declaration of any dividend on our common stock is a matter to be acted upon by our Board of Directors in its sole discretion. We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors.

The DGCL restricts the power of our Board of Directors to declare and pay dividends on our common stock. The amounts which may be declared and paid by our Board of Directors as dividends on our common stock are subject to the amount legally available for the payment of dividends on our common stock by us under the DGCL. In particular, under the DGCL, we can only pay dividends to the extent that we have surplus—the extent by which the fair market value of our net assets exceeds the amount of our capital—or to the extent of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, dividends on our common stock are subject to any preferential rights on any outstanding series of preferred stock authorized for issuance by our Board of Directors in accordance with our Certificate of Incorporation.



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### ***Voting Rights***

Our Certificate of Incorporation provides that, except as may otherwise be provided in a certificate of designations relating to any outstanding series of preferred stock or by applicable law, the holders of shares of common stock shall be entitled to one vote for each such share upon each matter presented to the stockholders and the common stock shall have the exclusive right to vote for the election of directors and for all other purposes. Our common stockholders do not possess cumulative voting rights.

Under our Bylaws in uncontested elections of directors, those nominees receiving a majority of the votes cast by holders of shares entitled to vote with respect to that director's election at the meeting shall be elected. A majority of votes cast means that the number of votes for a director must exceed 50% of the votes cast with respect to that director. Votes against will count as a vote cast with respect to a director, but abstentions will not count as a vote cast with respect to that director. In certain contested elections, the nominees who receive a plurality of votes cast by holders of shares entitled to vote in the election at a meeting shall be elected. Under our Bylaws, any other corporate action put to a stockholder vote shall be decided by the vote of the holders of a majority of the voting power of the share of stock entitled to vote thereon present in person or by proxy at the meeting, unless otherwise provided by applicable law.

### ***Liquidation Rights***

In the event of any liquidation, dissolution, or winding up of the Company, the holders of our common stock would be entitled to receive, after payment or provision for payment of all our debts and liabilities, all of our assets available for distribution. Holders of our preferred stock, if any such shares are then outstanding, may have a priority over the holders of common stock in the event of any liquidation or dissolution.

### ***Transfer Agent and Registrar***

Computershare Trust Company, N.A. is the transfer agent and registrar for our common stock.

### ***Listing***

We intend to apply to have our common stock listed on the New York Stock Exchange and the Toronto Stock Exchange.

### **Description of Preferred Stock**

Under our Certificate of Incorporation and the DGCL, our Board of Directors has the authority to issue shares of preferred stock from time to time in one or more series. Any certificate of designations establishing a series of preferred stock will describe the terms of the series of preferred stock, including:

- The designation of the series;
- The number of shares of the series;
- The amounts payable on and the preferences, if any, of shares of the series in respect of dividends and whether such dividends, if any, shall be cumulative or noncumulative;
- Dates at which dividends, if any, shall be payable;
- The redemption rights and price or prices, if any, for shares of the series;

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- The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series;
- The amounts payable on and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company;
- Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Company or any other corporation and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable, and all other terms and conditions upon which such conversion or exchange may be made;
- Restrictions on the issuance of shares of the same series or of any other class or series; and
- The voting rights, if any, of the holders of shares of the series.

Holders of our preferred stock will not be entitled to vote except as may otherwise be provided in the certificate of designations establishing a series of preferred stock and except as may otherwise be provided under applicable law.

### ***Description of Series A Preferred Stock***

The certificate of designations for the Series A Preferred Stock authorizes 360,000,000 shares of Series A Preferred Stock, all of which are outstanding as of September 30, 2010. There are no sinking fund provisions applicable to our Series A Preferred Stock. All outstanding shares of Series A Preferred Stock are fully paid and non-assessable.

### ***Ranking***

As described more fully below, the Series A Preferred Stock ranks senior with respect to liquidation preference and dividend rights to any “Junior Stock,” which means the common stock, any preferred stock other than the Series A Preferred Stock, and any other class or series of stock that we may issue.

### ***Liquidation Preference***

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company’s affairs, a holder of Series A Preferred Stock will be entitled to be paid, before any distribution or payment may be made to any holders of Junior Stock: (1) the liquidation preference amount of \$25.00 per share; and (2) the amount of any accrued and unpaid dividends, if any, whether or not declared, prior to such distribution or payment date.

### ***Dividends***

Holders of the Series A Preferred Stock are entitled to receive, on each share, if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors out of assets legally available, cumulative cash dividends with respect to each quarterly dividend period at a rate of 9.0% per annum on: (1) the liquidation preference amount of \$25.00 per share; and (2) the amount of accrued and unpaid dividends for any prior dividend periods on such share, if any. Unless all accrued and unpaid dividends on the Series A Preferred Stock are paid in full, no dividends or distributions may be paid on common stock or any other Junior Stock, and no shares of common stock or any other Junior Stock may be repurchased or redeemed by us (subject to certain exceptions that are specified in the certificate of designations for the Series A Preferred Stock). Dividends, if declared, will be payable on March 15, June 15, September 15 and December 15 of each year.

*Redemption*

We may not redeem the Series A Preferred Stock prior to December 31, 2014. On or after December 31, 2014, the Series A Preferred Stock may be redeemed, in whole or in part, for cash at a price per share equal to the \$25.00 per share liquidation amount, plus any accrued and unpaid dividends.

*Series A Preferred Stock Directors*

Whenever, at any time or times, dividends payable on the shares of Series A Preferred Stock have not been paid for an aggregate of six quarterly dividend periods or more, whether or not consecutive, the authorized number of our directors will automatically be increased by two, and the holders of the Series A Preferred Stock will have the right, voting as a class, to elect two directors to our Board of Directors to fill the newly created directorships at the next annual meeting of stockholders (or at a special meeting called for that purpose prior to the next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past dividend periods on all outstanding shares of Series A Preferred Stock have been declared and paid in full, at which time such right shall terminate with respect to the Series A Preferred Stock subject to revesting in the event of each and every subsequent payment failure of the character mentioned above. Upon any termination of the rights of the holders of shares of the Series A Preferred Stock as a class to vote for directors as described above, the preferred directors so elected to our Board of Directors shall cease to be qualified as directors and the term of their office shall terminate immediately.

*Class Voting Rights on Certain Matters*

The vote or consent of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% of the shares of the Series A Preferred Stock at the time outstanding, voting as a separate class, shall be necessary for effecting:

- Any amendment or alteration of the certificate of designations for the Series A Preferred Stock or our Certificate of Incorporation to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of our capital stock ranking senior to or pari passu with the Series A Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution, or winding up of the Company;
- Any amendment, alteration or repeal of any provision of the certificate of designations for the Series A Preferred Stock or our Certificate of Incorporation (subject to certain exceptions) so as to adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock; provided, however, that the vote of 100% of the shares of the Series A Preferred Stock at the time outstanding shall be necessary to: (1) reduce the \$25.00 per share liquidation preference amount; (2) reduce the applicable 9.0% dividend rate; (3) provide for the payment of dividends on the Series A Preferred Stock to be made in other than U.S. Dollars; (4) change any dividend payment date or the December 31, 2014 first optional redemption date; or (5) make dividends on the Series A Preferred Stock non-cumulative; or
- Any consummation of a binding share exchange or reclassification involving the Series A Preferred Stock, or of a merger or consolidation of us with or into another corporation or other entity, unless in each case: (1) the shares of the Series A Preferred Stock remain outstanding and are not amended in any respect or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent; and (2) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges, and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders

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thereof than the rights, preferences, privileges, and voting powers, and limitations and restrictions thereof, of the Series A Preferred Stock immediately prior to such consummation, taken as a whole; provided, however, that any increase in the amount of our authorized preferred stock, or the creation and issuance, or an increase in the authorized or issued amount of any other series of our preferred stock, or any securities convertible into or exchangeable or exercisable for any other series of our preferred stock, ranking junior to the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution, or winding up of the Company will not be deemed to adversely affect the rights, preferences, privileges, or voting powers, and shall not require the affirmative vote or consent of the holders of, outstanding shares of the Series A Preferred Stock.

### *Transfer Agent and Registrar*

Computershare Trust Company, N.A. is the transfer agent and registrar for our Series A Preferred Stock.

### **Description of the Warrants**

Pursuant to the Warrant Agreements, we issued two warrants, each to acquire 45,454,545 shares of common stock, to MLC and one warrant to acquire 15,151,515 shares of common stock to the New VEBA. The first of the MLC Warrants is exercisable at any time prior to July 10, 2016 at an exercise price of \$30.00 per share, and the second of the MLC Warrants is exercisable at any time prior to July 10, 2019 at an exercise price of \$55.00 per share. The New VEBA Warrant is exercisable at any time prior to December 31, 2015 at an exercise price of \$126.92 per share. The number of shares of common stock underlying each of the warrants and the per share exercise price thereof are subject to adjustment as a result of certain events specified in the Warrant Agreements, including stock splits, reverse stock splits, and stock dividends. U.S. Bank National Association is the warrant agent under each of the Warrant Agreements.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through the sale of our equity or equity-related securities in the future.

Upon the completion of this offering, we will have outstanding an aggregate of 500,000,000 shares of common stock. Of these shares, the \_\_\_\_\_ shares of common stock to be sold by the selling stockholders in the offering of common stock ( \_\_\_\_\_ shares if the underwriters in the offering of common stock exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by any of our “affiliates,” as that term is defined in Rule 144 under the Securities Act, generally may be sold in the public market only in compliance with Rule 144 as described below.

The remaining \_\_\_\_\_ outstanding shares of our common stock held by the UST, Canada Holdings, the New VEBA and MLC upon completion of this offering ( \_\_\_\_\_ shares if the underwriters in the offering of common stock exercise their over-allotment option in full) will be subject to lock-up arrangements, as described below. After the expiration of the applicable lock-up restrictions, these securities may be sold in the public market only if they are registered under the Securities Act or they qualify for an exemption from registration under the Securities Act, including an exemption pursuant to Rule 144. Our existing stockholders, including the UST, Canada Holdings, the New VEBA and MLC, may be interested in selling after this offering a large number of shares of our common stock and warrants to acquire our common stock. In addition to open market and other transactions, a sale by MLC could occur through a distribution by MLC to its numerous creditors and other stakeholders pursuant to a plan of reorganization confirmed by the Bankruptcy Court in the Chapter 11 Proceedings, who might then resell those shares and warrants.

Additional shares of common stock will be issuable upon conversion of the shares of Series B preferred stock issued in our offering of Series B preferred stock. All of such shares of common stock will be available for immediate resale in the public market upon conversion, except for any such shares issued to persons who are subject to the lock-up arrangements described below, which shares will be subject to the terms of such lock-up arrangements.

### Lock-up Arrangements

#### *Holdback Provisions in the Equity Registration Rights Agreement*

Under the terms of the Equity Registration Rights Agreement, each of the UST, Canada Holdings, the New VEBA and MLC are prohibited from selling any shares of common stock or securities convertible into or exchangeable or exercisable for common stock, including any sale pursuant to Rule 144, during the 60 day period beginning on the effective date of the registration statement for this offering. See the section of this prospectus entitled “Certain Stockholder Agreements—Equity Registration Rights Agreement” for further information about the Equity Registration Rights Agreement.

### Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, a person who is not one of our “affiliates” (as that term is defined in Rule 144) at any time during the three months preceding a sale, and who has owned the shares of our common stock proposed to be sold for at least six months, would be entitled to sell an unlimited number of such shares of our common stock provided current public information about us is available. Such non-affiliate, after owning the shares proposed to be sold for at least one year, would be entitled to sell an unlimited number of such shares of our common stock regardless of whether current public information about us is available.

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In general, under Rule 144 as in effect on the date of this prospectus, our affiliates who have owned the shares of our common stock proposed to be sold for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 5,000,000 shares immediately after this offering; and
- The average weekly trading volume of the common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

However, sales under Rule 144 by our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

### **Registration Rights**

Following the consummation of this offering, each of the UST, Canada Holdings, the New VEBA and MLC will have the right, subject to certain exceptions and conditions, to require us to register their shares of our common stock, warrants and Series A Preferred Stock under the Securities Act pursuant to the Equity Registration Rights Agreement, and they will have the right to participate in certain future registrations of securities by us. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of registration, except for shares purchased by affiliates. See the section of this prospectus entitled “Certain Stockholder Agreements—Equity Registration Rights Agreement” for further information about the Equity Registration Rights Agreement.

## MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion describes material U.S. federal income and estate tax consequences associated with the purchase, ownership, and disposition of our common stock as of the date of this prospectus by Non-U.S. Holders (as defined below). It is assumed in this discussion that a Non-U.S. Holder holds shares of our common stock as capital assets within the meaning of Section 1221 of the IRC (generally, property held for investment). This discussion does not address all aspects of U.S. federal income or estate taxation. Furthermore, the discussion below is based upon the provisions of the IRC, the existing and proposed Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as of the date of this prospectus, and all of which are subject to change or differing interpretation, possibly with retroactive effect. This discussion does not address any state, local, or foreign tax consequences, nor any federal tax consequences, other than federal income and estate tax consequences. Persons considering the purchase, ownership, or disposition of our common stock should consult their tax advisors concerning U.S. federal, state, local, foreign or other tax consequences in light of their particular situations.

A “U.S. Holder” of our common stock means a holder that is for U.S. federal income tax purposes:

- An individual citizen or resident of the United States;
- A corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- An estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust if it: (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A “Non-U.S. Holder” is a beneficial owner of our common stock (other than an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership purchasing common stock, we urge you to consult your tax advisor. Special rules may also apply to certain Non-U.S. Holders, such as:

- U.S. expatriates;
- “controlled foreign corporations”;
- “passive foreign investment companies”; and
- investors in pass-through entities that are subject to special treatment under the IRC.

Non-U.S. Holders are urged to consult their tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

**THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES FOR NON-U.S. HOLDERS RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK AND IS NOT TAX OR LEGAL ADVICE. PROSPECTIVE HOLDERS OF OUR COMMON STOCK SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, FOREIGN INCOME AND OTHER TAX LAWS) OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.**

## **Dividends**

In general, any distribution we make to a Non-U.S. Holder with respect to its shares of our common stock that constitutes a dividend for U.S. federal tax purposes will be subject to U.S. withholding tax at a rate of 30% of the gross amount, unless the Non-U.S. Holder is eligible for a reduced rate of withholding tax under an applicable treaty and the Non-U.S. Holder provides proper certification of its eligibility for such reduced rate. A distribution will constitute a dividend for U.S. federal tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the Non-U.S. Holder's shares of our common stock and, to the extent it exceeds the adjusted basis in the Non-U.S. Holder's shares of our common stock, as gain from the sale or exchange of such stock.

If you wish to claim the benefit of an applicable treaty for dividends, you will be required to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalties of perjury that you are not a U.S. person and that you are entitled to the benefits of the applicable treaty.

Dividends we pay that are effectively connected with your conduct of a trade or business within the United States or, if certain tax treaties apply, are attributable to your U.S. permanent establishment, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis in the same manner as if you were a U.S. resident, subject to other treatment under an applicable income tax treaty. Special certification and disclosure requirements, including the completion of Internal Revenue Service Form W-8ECI (or any successor form), must be satisfied for effectively connected income to be exempt from withholding. If you are a foreign corporation, any such effectively connected dividends received by you may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Special certification and other requirements apply to certain Non-U.S. Holders that are entities rather than individuals.

If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the Internal Revenue Service.

## **Sale or Exchange of Common Stock**

You generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of our common stock unless:

- The gain is effectively connected with your conduct of a trade or business in the United States and, if certain tax treaties apply, is attributable to your U.S. permanent establishment;
- If you are an individual and hold shares of our common stock as a capital asset, you are present in the United States for 183 days or more in the taxable year of the sale or other disposition, and certain other conditions are met; or
- We are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of our common stock and you are not eligible for any treaty exemption.

If you are an individual and are described in the first bullet above, you will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. resident. If you are an individual and are described in the second bullet above, you will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though you



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are not considered a resident of the United States). If you are a foreign corporation and are described in the first bullet above, you will be subject to tax on your gain under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. Holder and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits at a rate of 30% or at such lower rate as may be specified by an applicable income tax treaty.

We believe we are not and do not anticipate becoming a “U.S. real property holding corporation” for U.S. federal income tax purposes.

### **U.S. Federal Estate Tax**

Shares of our common stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of death will be includible in the individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

### **Information Reporting and Backup Withholding**

Under certain circumstances, Treasury Regulations require information reporting and backup withholding on certain payments on common stock.

U.S. backup withholding (currently at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends on common stock paid to a Non-U.S. Holder will generally be exempt from backup withholding, provided the Non-U.S. Holder meets applicable certification requirements, including providing a correct and properly executed Internal Revenue Service Form W-8BEN or otherwise establishes an exemption. We must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to that holder and the U.S. federal withholding tax withheld with respect to those dividends, regardless of whether withholding is reduced or eliminated by an applicable tax treaty. Copies of these information reports may also be made available under the provisions of an applicable treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder is a resident.

Under Treasury Regulations, payments of proceeds from the sale of our common stock effected through a foreign office of a broker to its customer generally are not subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, or a foreign partnership with significant United States ownership or engaged in a United States trade or business, then information reporting (but not backup withholding) will be required, unless the broker has in its records documentary evidence that the beneficial owner of the payment is a Non-U.S. Holder or is otherwise entitled to an exemption (and the broker has no knowledge or reason to know to the contrary), and other applicable certification requirements are met. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person. Information reporting and backup withholding generally will apply to payments of proceeds from the sale of our common stock effected through a United States office of any United States or foreign broker, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder, or otherwise establishes an exemption. The certification procedures required to claim a reduced rate of withholding under a treaty will satisfy the certification requirements necessary to avoid backup withholding as well.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder’s United States federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the Internal Revenue Service.

**New Withholding Legislation**

Newly enacted legislation imposes withholding taxes on certain types of payments made to certain non-U.S. entities. The legislation generally applies to payments made after December 31, 2012. Under this legislation, the failure to comply with certification, information reporting and other specified requirements (that are different from, and in addition to, the beneficial owner certification requirements described above) could result in a 30% withholding tax being imposed on payments of dividends on, and sales proceeds of, U.S. common stock to certain Non-U.S. Holders. Under certain circumstances, a Non-U.S. Holder of our common stock may be eligible for a refund or credit of such taxes. Investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

## UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and J.P. Morgan Securities LLC are acting as representatives, have severally agreed to purchase, and the selling stockholders have agreed to sell to them, severally, the number of shares of common stock indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. Incorporated	
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Goldman, Sachs & Co.	
RBC Capital Markets Corporation	
UBS Securities LLC	
<b>Total</b>	

We may add additional underwriters to the table above. Any such underwriters would be selected by us taking into account various criteria, including among other things their marketing and distribution capability, ownership and management diversity, and automotive industry expertise.

The underwriters are offering the shares of common stock subject to their receipt and acceptance of the shares from the selling stockholders, subject to prior sale and subject to their right to reject any order in whole or in part. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below. The underwriting agreement also provides that if one or more underwriters default, the purchase commitments of the non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ \_\_\_\_\_ a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives. Sales of shares of common stock outside of the United States may be made by affiliates of the underwriters.

The selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters purchase any additional shares of common stock, they will offer the additional shares on the same terms as the other shares of common stock that are the subject of this offering.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to the selling stockholders. These amounts are shown assuming both

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no exercise and full exercise of the underwriters' option to purchase up to an additional                      shares of common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by the selling stockholders	\$	\$	\$
Proceeds, before expenses, to selling stockholders	\$	\$	\$

We estimate that the total offering expenses payable by us for this offering and the offering of Series B preferred stock, exclusive of the underwriting discounts and commissions payable by us in the offering of Series B preferred stock, are approximately \$                      .

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We intend to apply for the listing of our common stock on the New York Stock Exchange under the trading symbol "GM" and the Toronto Stock Exchange under the trading symbol "                      ".

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions. The activities described above may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time if they are commenced.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Prior to this offering, there has been no public market for our common stock. The public offering price was determined by negotiations between us, the selling stockholders, and the representatives. Among the factors considered in determining the public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies

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engaged in activities similar to ours. We cannot assure you, however, that the price at which the shares of common stock will sell in the public market after this offering will not be lower than the public offering price or that an active trading market in the shares of our common stock will develop and continue after this offering.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and other services for us for which they received or will receive compensatory fees and expense reimbursements.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Directed Share Program**

At our request, the underwriters have reserved up to five percent of the shares of common stock to be sold by the selling stockholders and offered by this prospectus for sale, at the public offering price, to certain individuals residing in the United States and Canada at the time of this offering through a directed share program, including directors, hourly and salaried employees and retirees, and dealers of the Company and GMCL and U.S. ACDelco distributors. The number of shares of common stock available for sale to the general public will be reduced by the number of reserved shares sold to these individuals. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus.

### **Conflicts of Interest**

As of September 30, 2010, the UST owned approximately 3.6 billion shares of the common stock of Citigroup Inc., representing 12.4% ownership of the outstanding common stock of Citigroup Inc. As a result, Citigroup Global Markets, Inc. is an affiliate of the UST under Rule 2720 of the Conduct Rules of FINRA, and a “conflict of interest” is deemed to exist under Rule 2720. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 2720 of the FINRA Conduct Rules. In addition, in accordance with Rule 2720, Citigroup Global Markets, Inc. will not make sales to discretionary accounts without the prior written consent of the customer.

### **UST’s Guidance on Distribution of Shares**

The UST has informed us that mindful of its duty to maximize the return to taxpayers, its shareholder principles, and the complexity of the transaction, it requires us and the underwriters to use commercial best efforts to provide potential investors with the opportunity to purchase shares in accordance with the following guidelines:

- Maximize taxpayer returns—The UST expects that this offering will be executed in a manner that will use sound commercial practices to balance maximizing the price per share and the total proceeds to taxpayers while achieving a stable shareholder base, an active, liquid aftermarket, and broad interest in follow-on offerings to the extent practicable.

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- Access to all investors—The UST expects that potential investors will be sought across multiple geographies with a focus on North American investors, in line with what is typical in similar transactions.
- Broad distribution—The UST expects that a large and diverse group of institutional investors will be offered an opportunity to participate, with no single investor or group of investors receiving a disproportionate share or unusual treatment.
- Retail investors—The UST expects that interested retail purchasers will be given ample opportunity to participate, consistent with appropriate commercial practices aimed at maximizing the UST’s return and creating a stable trading market for the shares.
- U.S. Government involvement—Consistent with its articulated principles and prior practice, the UST will satisfy itself that the above principles are being adhered to but will not involve itself in decisions regarding allocation of shares to specific buyers.

## SELLING RESTRICTIONS

### Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a “sophisticated investor” under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia (Corporations Act);

(ii) a “sophisticated investor” under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or

(iii) a “professional investor” within the meaning of section 708(11)(a) or (b) of the Corporations Act,

and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the shares issued to you pursuant to this document for resale in Australia within 12 months of those shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### Austria

This document serves marketing purposes and constitutes neither an offer to sell nor a solicitation to buy any securities. There is no intention to make a public offer in Austria. Should a public offer be made in Austria, a prospectus prepared in accordance with the Austrian Capital Market Act (Capital Market Act) will be published.

The shares may only be offered in the Republic of Austria in compliance with the provisions of the Capital Market Act and any other laws applicable in the Republic of Austria governing the offer and sale of the shares in the Republic of Austria. The shares are not registered or otherwise authorized for public offer under the Capital Market Act or any other relevant securities legislation in Austria. The recipients of this prospectus and other selling materials in respect to the shares have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the shares may not be, and are not being, offered or advertised publicly or offered similarly under either the Capital Market Act or any other relevant securities legislation Austria. This offer may not be made to any other persons than the recipients to whom this document is personally addressed. This prospectus and other selling materials in respect to the shares may not be issued, circulated or passed on in Austria to any person except under circumstances neither constituting a public offer of, nor a public invitation to subscribe for, the shares. This prospectus has been issued to each prospective investor for its personal use only. Accordingly, recipients of this prospectus are advised that this prospectus and any other selling materials in respect to the shares shall not be passed on by them to any other person in Austria.

### Bahrain

THIS OFFER IS A PRIVATE PLACEMENT. IT IS NOT SUBJECT TO REGULATIONS OF THE CENTRAL BANK OF BAHRAIN THAT APPLY TO PUBLIC OFFERINGS OF SECURITIES, AND THE

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EXTENSIVE DISCLOSURE REQUIREMENTS AND OTHER PROTECTIONS THAT SUCH REGULATIONS CONTAIN. THIS PROSPECTUS IS THEREFORE INTENDED ONLY FOR “ACCREDITED INVESTORS.”

THE STOCK OF GENERAL MOTORS COMPANY OFFERED BY WAY OF THIS PRIVATE PLACEMENT MAY ONLY BE OFFERED IN MINIMUM SUBSCRIPTIONS OF US\$100,000 (OR THE EQUIVALENT IN OTHER CURRENCIES).

THE CENTRAL BANK OF BAHRAIN ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS PROSPECTUS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS OR DAMAGE HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE BOARD OF DIRECTORS AND THE MANAGEMENT OF GENERAL MOTORS COMPANY ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS, TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE RELIABILITY OF SUCH INFORMATION.

### **Belgium**

No action has been taken in Belgium to permit a public offer of the shares in accordance with the Belgian act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (Belgian Prospectus Act) and no securities may be offered or sold to persons in Belgium which are not qualified investors within the meaning of article 10 of the Belgian Prospectus Act or pursuant to another exemption available pursuant to article 3 of the Belgian Prospectus Act.

### **Bermuda**

#### NOTICE TO RESIDENTS OF BERMUDA

This prospectus and the securities offered hereby have not been, and will not be, registered under the laws and regulations of Bermuda, nor has any regulatory authority in Bermuda passed comment upon or approved the accuracy or adequacy of this prospectus.

### **Brazil**

For purposes of Brazilian law, this offer of securities is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon elsewhere or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Therefore, as this prospectus does not constitute or form part of any public offering to sell or solicitation of a public offering to buy any shares or assets, the offering and THE SHARES OFFERED HEREBY HAVE NOT BEEN, AND WILL NOT BE, AND MAY NOT BE OFFERED FOR SALE OR SOLD IN BRAZIL EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OR DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. DOCUMENTS RELATING TO THE SHARES, AS WELL AS THE INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC, AS A PUBLIC OFFERING IN BRAZIL OR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE SHARES TO THE PUBLIC IN BRAZIL.



## **Brunei**

### Notice to Residents of Brunei Darussalam

This document and the shares described herein is not an offer to sell or a solicitation of an offer to buy and/or to subscribe for any shares to the public or any member of the public in Brunei Darussalam but for information purposes only and directed solely to such persons as the law in Brunei Darussalam would regard as a person whose ordinary business or part thereof it is to buy or sell shares, whether as principal or agent. As such, this document and any other document, circular, notice or other material issued in connection therewith may not be distributed or redistributed to and may not be relied upon or used by the public or any member of the public in Brunei Darussalam. All offers, acceptances subscription, sales, and allotments of the shares or any part thereof shall be made outside Brunei Darussalam. This document has not been registered as a prospectus with the Registrar of Companies under the Companies Act, Cap. 39 of Brunei Darussalam and the shares have not been approved by Registrar of Companies or by any other government agency in Brunei Darussalam.

## **Cayman Islands**

THIS IS NOT AN OFFER TO THE MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR SHARES, AND APPLICATIONS ORIGINATING FROM THE CAYMAN ISLANDS WILL ONLY BE ACCEPTED FROM SOPHISTICATED PERSONS OR HIGH NET WORTH PERSONS, IN EACH CASE WITHIN THE MEANING OF THE CAYMAN ISLANDS SECURITIES INVESTMENT BUSINESS LAW (AS AMENDED).

## **Chile**

The shares are not registered in the Securities Registry (*Registro de Valores*) or subject to the control of the Chilean Securities and Exchange Commission (*Superintendencia de Valores y Seguros de Chile*). This prospectus and other offering materials relating to the offer of the shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

## **China**

This prospectus may not be circulated or distributed in the People’s Republic of China (China) and the shares may not be offered or sold, and will not offer or sell to any person for re-offering or resale directly or indirectly to any resident of China except pursuant to applicable laws and regulations of China. For the purpose of this paragraph, China does not include Taiwan and the special administrative regions of Hong Kong and Macau.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State it has not made and will not make an offer of shares to the public in that Member State, except that it may, with effect from and including such date, make an offer of shares to the public in that Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

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(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer;

(d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of shares to the public” in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

### **Finland**

This prospectus does not constitute a public offer or an advertisement of securities to the public in the Republic of Finland. The shares will not and may not be offered, sold, advertised or otherwise marketed in Finland under circumstances which would constitute a public offering of securities under Finnish law. Any offer or sale of the shares in Finland shall be made pursuant to a private placement exemption as defined under European Council Directive 2003/71/EC, Article 3(2) and the Finnish Securities Market Act (1989/495, as amended) and any regulation there under. This prospectus has not been approved by or notified to the Finnish Financial Supervisory Authority.

### **France**

This offering document has not been prepared in the context of a public offering of securities in France (*offre au public*) within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Articles 211-1 and seq. of the *Autorité des marchés financiers* (AMF) regulations and has therefore not been submitted to the AMF for prior approval or otherwise.

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this offering document nor any other offering material relating to the securities has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except only to persons licensed to provide the investment service of portfolio management for the account of third parties and/or to “qualified investors” (as defined in Article L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*) and/or to a limited circle of investors (as defined in Article L.411-2, D.411-4 of the French *Code monétaire et financier*) on the condition that no such offering document nor any other offering material relating to the securities shall be delivered by them to any person nor reproduced (in whole or in part). Such “qualified investors” are notified that they must act in that connection for their own account in accordance with the terms set out by Article L.411-2 of the French *Code monétaire et financier* and by Article 211-4 of the AMF Regulations and may not re-transfer, directly or indirectly, the securities in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L.412-1 and L.621-8 and seq. of the *French Code monétaire et financier*).

You are hereby notified that in connection with the purchase of these securities, you must act for your own account in accordance with the terms set out by Article L.411-2 of the French *Code monétaire et financier* and by Article 211-4 of the AMF Regulations and may not re-transfer, directly or indirectly, the securities in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 and seq. of the French *Code monétaire et financier*).

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### **Germany**

Any offer or solicitation of shares within Germany must be in full compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG*). The offer and solicitation of securities to the public in German requires the approval of the prospectus by the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*). This prospectus has not been and will not be submitted for approval to the BaFin. This prospectus does not constitute a public offer under the WpPG. This prospectus and any other document relating to the shares, as well as any information contained therein, must not be supplied to the public in Germany or used in connection with any offer for subscription of the shares to the public in Germany, any public marketing of the shares or any public solicitation for offers to subscribe for or otherwise acquire the shares. The prospectus and other offering materials relating to the offer of shares are strictly confidential and may not be distributed to any person or entity other than the designated recipients hereof.

### **Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to the shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made under that Ordinance.

### **WARNING**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

### **Hungary**

PURSUANT TO SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS, THIS DOCUMENT WAS PREPARED IN CONNECTION WITH A PRIVATE PLACEMENT IN HUNGARY.

### **Israel**

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only to, and is directed only at, investors listed in the first addendum, or the Addendum, to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, and entities with shareholders' equity in excess of NIS 250 million, each as defined in the Addendum (as it may be amended from time to time, collectively referred to as institutional investors). Institutional investors may be required to submit written confirmation that they fall within the scope of the Addendum. In addition, we may distribute and direct this document in Israel, at our sole discretion, to certain other exempt investors or to investors who do not qualify as institutional or exempt investors, provided that the number of such non-qualified investors in Israel shall be no greater than 35 in any 12-month period.

## **Italy**

The offering of the shares has not been registered with the *Commissione Nazionale per le Società e la Borsa* (CONSOB), in accordance with Italian securities legislation. Accordingly, the shares may not be offered or sold, and copies of this offering document or any other document relating to the shares may not be distributed in Italy except to Qualified Investors, as defined in Article 34-ter, subsection 1, paragraph b) of CONSOB Regulation no. 11971 of May 14, 1999, as amended (the Issuers' Regulation), or in any other circumstance where an express exemption to comply with public offering restrictions provided by Legislative Decree no. 58 of February 24, 1998 (the Consolidated Financial Act) or Issuers' Regulation applies, including those provided for under Article 100 of the Finance Law and Article 34-ter of the Issuers' Regulation, and provided, however, that any such offer or sale of the shares or distribution of copies of this offering document or any other document relating to the shares in Italy must (i) be made in accordance with all applicable Italian laws and regulations, (ii) be conducted in accordance with any relevant limitations or procedural requirements that CONSOB may impose upon the offer or sale of the shares, and (iii) be made only by (a) banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of Legislative Decree no. 385 of September 1, 1993, to the extent duly authorized to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Consolidated Financial Act and the relevant implementing regulations; or (b) foreign banks or financial institutions (the controlling shareholding of which is owned by one or more banks located in the same EU Member State) authorised to place and distribute securities in the Republic of Italy pursuant to Articles 15, 16 and 18 of the Banking Act, in each case acting in compliance with all applicable laws and regulations.

## **India**

This document has not been and will not be registered as a prospectus or a statement in lieu of prospectus with any registrar of companies in India. This document has not been and will not be reviewed or approved by any regulatory authority in India, including the Securities and Exchange Board of India, any registrar of companies in India or any stock exchange in India. This document and this offering of shares are not and should not be construed as an invitation, offer or sale of any securities to the public in India. Other than in compliance with the private placement exemptions under applicable laws and regulations in India, including the Companies Act, 1956, as amended, the shares have not been, and will not be, offered or sold to the public or any member of the public in India. This document is strictly personal to the recipient and neither this document nor the offering of the shares is calculated to result, directly or indirectly, in the shares becoming available for subscription or purchase by persons other than those receiving the invitation or offer.

## **Ireland**

### Notice to prospective investors in Ireland

This document does not comprise a prospectus for the purposes of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland or the Prospectus Rules issued by the Financial Regulator of Ireland in March 2006. This document is only being made available to certain prospective investors in Ireland (Prospective Irish Investors) on the understanding that any written or oral information contained herein or otherwise made available to them will be kept strictly confidential. The opportunity described in this document is personal to the addressees in Ireland. This document must not be copied, reproduced, distributed or passed by any Prospective Irish Investor to any other person without the consent of underwriters. By accepting this document, Prospective Irish Investors are deemed to undertake and warrant to the underwriters and General Motors Company that they will keep this prospectus confidential.

Prospective Irish Investors are recommended to seek their own independent financial advice in relation to the opportunity described in this document from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is duly authorized or exempted under the Investments Intermediaries Act 1995 of Ireland or the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland.

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### **Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law). Accordingly, no resident of Japan may participate in the offering of the shares and each underwriter has agreed that it will not offer or sell any shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Kuwait**

The shares have not been licensed for offering in Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the shares in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of the shares are being made in Kuwait, and no agreement relating to the sale of the shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the shares in Kuwait.

### **Luxembourg**

The shares may not be offered or sold in the Grand Duchy of Luxembourg, except for shares which are offered in circumstances that do not require the approval of a prospectus by the Luxembourg financial regulatory authority and the publication of such prospectus pursuant to the law of July 10, 2005 on prospectuses for securities. The shares are offered to a limited number of high net worth individual investors or to institutional investors, in all cases under circumstances designed to preclude a distribution that would be other than a private placement. This document may not be reproduced or used for any purposes, or furnished to any persons other than those to whom copies have been sent.

### **Mexico**

No actions, applications nor filings have been undertaken in Mexico, whether before the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or *CNBV*) nor the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, or *BMV*), in order to make a public offering in said territory, with or without price, through mass media and to indeterminate subjects to subscribe, acquire, sell or otherwise assign the shares, in any form or manner.

This document is not intended to be distributed through mass media to indeterminate subjects, nor to serve as an application for the registration of the shares before any securities registry or exchange in Mexico, nor as a prospectus for their public offering in said jurisdiction. No financial authority nor securities exchange in Mexico have reviewed or assessed the particulars of the shares or their offering, and in no case will they assert the goodness of the shares, the solvency of the issuer, nor the exactitude or veracity of the information contained herein, and will not validate acts.

You are solely responsible if you have procured this copy of this document yourself or came by it through your own means out of your own accord, regardless of the source. If you have received one such copy from either the issuer or the underwriter the shares are being offered to you under the private offering exceptions in the Securities Market Law (SML), for which you must be in one of the following situations:

- (a) You are either an institutional investor within the meaning of Article 2, Roman numeral XVII, of the SML and regarded as such pursuant to the laws of Mexico, or a qualified investor because pursuant to

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Article 2, Roman numeral XVI, of said statute you have the income, assets or qualitative characteristics provided for under Article 1, Roman numeral XIII of the General Provisions Applicable to Issuers of Securities and other Participants in the Securities Market, which require that you have maintained, in average over the past year, investments in securities (within the meaning of the SML) for an amount equal or greater than 1,500,000 Investment Units (*Unidades de Inversión, UDIs*), or in each of the last 2 years had a gross annual income equal to or greater than 500,000 such Investment Units;

(b) You are a member of a group of less than 100 individually identified people to whom the shares are being offered directly and personally; or

(c) You are an employee of the issuer and a beneficiary of a generally-applicable employee benefit plan or program of said issuer.

You may be further required to expressly reiterate that you fall into either of said exceptions, that you further understand that the private offering of shares has less documentary and information requirements than public offerings do, and to waive the right to claim on any lacking thereof.

### **Netherlands**

The shares may not, directly or indirectly, be offered or acquired in the Netherlands and this offering memorandum may not be circulated in the Netherlands, as part of an initial distribution or any time thereafter, other than to individuals or (legal) entities who or which qualify as qualified investors within the meaning of Article 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*) as amended from time to time.

### **Norway**

This offering document has not been approved or disapproved by, or registered with, the Norwegian Financial Supervisory Authority (Finanstilsynet) nor the Norwegian Registry of Business Enterprises, and the shares are marketed and sold in Norway on a private placement basis and under other applicable exceptions from the offering prospectus requirements as provided for pursuant to the Norwegian Securities Trading Act and the Norwegian Securities Trading Regulation.

### **Oman**

The information contained in this prospectus neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations of the Capital Market Law (issued by Decision No.1/2009). Additionally, this prospectus is not intended to lead to the conclusion of a contract for the sale or purchase of securities in Oman.

The recipient of this prospectus in Oman represents that it is a financial institution and is a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that its officers/employees have such experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

This prospectus has been sent at the request of the investor in Oman, and by receiving this prospectus, the person or entity to whom it has been issued and sent understands, acknowledges and agrees that this prospectus has not been approved by the CMA or any other regulatory body or authority in Oman, nor has any authorization, license or approval been received from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute the shares within Oman.

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No marketing, offering, selling or distribution of any financial or investment products or services has been or will be made from within Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. The distributor of the prospectus is neither a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in Oman. The distributor of the prospectus does not advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Nothing contained in this prospectus is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This prospectus is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

Any recipient of this prospectus and any purchaser of the shares pursuant to this prospectus shall not market, distribute, resell, or offer to resell the shares within Oman without complying with the requirements of applicable Omani law, nor copy or otherwise distribute this prospectus to others.

### **Portugal**

This document does not constitute an offer or an invitation by or on behalf of General Motors Company to subscribe or purchase any shares. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this presentation/marketing material and the marketing of the shares in certain jurisdictions may be restricted by law. Persons into whose possession this presentation/marketing material comes are required to inform themselves about and to observe any such restrictions.

No action has been taken or will be taken by General Motors Company that would permit a public offering of shares or the circulation or distribution of this presentation/marketing material or any material in relation to the Company or the shares, in any country or jurisdiction where action for that purpose is required.

Prospective investors should understand the risks of investing in the shares before they make their investment decision. They should make their own independent decision to invest in the shares and as to whether an investment in such shares are appropriate or proper for them based upon their own judgment and upon advice from such advisors as they consider necessary.

### **Russia**

Not for release, distribution or publication, directly or indirectly, into or in the Russian Federation. Information contained herein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in Russia or to or for the benefit of any Russian person or any person in the Russian Federation, and does not constitute an advertisement or offering of any securities in Russia within the meaning of Russian securities laws to any person other than a "qualified investor" (as defined in Russian securities laws). This information must not be passed on to third parties or otherwise be made publicly available in Russia. The shares have not been and will not be registered in Russia or admitted to public placement and/or public circulation in Russia. The shares are not intended for "offering", "placement" or "circulation" in Russia, except as permitted by Russian law (each as defined in Russian securities laws).

### **Singapore**

The offer or invitation which is the subject of this document is only allowed to be made to the persons set out herein. Moreover, this document is not a prospectus as defined in the Securities and Futures Act (Chapter 289) of Singapore (SFA) and accordingly, statutory liability under the SFA in relation to the content of the document will not apply.

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As this document has not been and will not be lodged with or registered as a document by the Monetary Authority of Singapore, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except:
  - (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
  - (2) where no consideration is given for the transfer; or
  - (3) by operation of law.

By accepting this document, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth above and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

### **South Korea**

The shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to the applicable laws and regulations of South Korea, including the Financial Investment Services and Capital Markets Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The shares have not been registered with the Financial Services Commission of South Korea for public offering in South Korea. Furthermore, the shares may not be re-sold to South Korean residents unless the purchaser of the shares complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with their purchase.

### **Spain**

This offer of shares of General Motors Company has not been and will not be registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores or CNMV*) and, therefore, no shares of General Motors Company may be offered, sold or distributed in any manner, nor may any resale of



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the shares be carried out in Spain except in circumstances which do not constitute a public offer of securities in Spain or are exempted from the obligation to publish a prospectus, as set forth in Spanish Securities Market Act (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and Royal Decree 1310/2005, of 4 November, and other applicable regulations, as amended from time to time, or otherwise without complying with all legal and regulatory requirements in relation thereto. Neither the prospectus nor any offering or advertising materials relating to the shares of General Motors Company have been or will be registered with the CNMV and therefore they are not intended for the public offer of the shares of General Motors Company in Spain.

### **Sweden**

THIS OFFERING DOCUMENT IS NOT A PROSPECTUS AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE PROSPECTUS REQUIREMENTS LAID DOWN IN THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (*LAG (1991:980) OM HANDEL MED FINANSIELLA INSTRUMENT*) NOR ANY OTHER SWEDISH ENACTMENT. NEITHER THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY NOR ANY OTHER SWEDISH REGULATORY BODY HAS EXAMINED, APPROVED OR REGISTERED THIS OFFERING DOCUMENT.

NO SHARES WILL BE OFFERED OR SOLD TO ANY INVESTOR IN SWEDEN EXCEPT IN CIRCUMSTANCES THAT WILL NOT RESULT IN A REQUIREMENT TO PREPARE A PROSPECTUS PURSUANT TO THE PROVISIONS OF THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT.

### **Switzerland**

This document does not constitute a prospectus within the meaning of Article 652a of the Swiss Code of Obligations. The shares of General Motors Company may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares may be disturbed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the shares of General Motors Company in Switzerland.

### **United Arab Emirates**

The Global Offering has not been approved or licensed by the Central Bank of the United Arab Emirates (UAE), Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority (DFSA), a regulatory authority of the Dubai International Financial Centre (DIFC). The Global Offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The shares may not be offered to the public in the UAE and/or any of the free zones.

The shares may be offered and issued only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned.

### **United Kingdom**

Each underwriter has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the shares in circumstances in which Section 21(1) of such Act does not apply to us and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any shares in, from or otherwise involving the United Kingdom.

## LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Robert C. Shrosbree, Esq., Attorney, GM Legal Staff, and certain other legal matters related to the securities will be passed upon for us by Jenner & Block LLP. Certain legal matters will be passed upon for the underwriters by Davis Polk & Wardwell LLP.

Davis Polk & Wardwell LLP acts as counsel to the Executive Compensation Committee of our Board of Directors and has acted as our counsel, and as counsel for certain of our subsidiaries, in various matters.

## EXPERTS

The consolidated financial statements of General Motors Company as of December 31, 2009 (Successor) and for the period July 10, 2009 through December 31, 2009 (Successor), and of General Motors Corporation as of December 31, 2008 (Predecessor), the period January 1, 2009 through July 9, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor), included in this Prospectus and the related financial statement schedule of General Motors Company included elsewhere in the registration statement, and the effectiveness of General Motors Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the registration statement which reports (1) express an unqualified opinion on the financial statements and financial statement schedule and include explanatory paragraphs relating to: (a) the Successor's acquisition of substantially all of the assets and assumption of certain of the liabilities of the Predecessor in accordance with the Amended and Restated Master Sale and Purchase Agreement pursuant to Section 363(b) of the Bankruptcy Code and the Bankruptcy Court sale order dated July 5, 2009 and the resulting application of fresh-start reporting, which resulted in a lack of comparability between the financial statements of the Successor and the Predecessor; (b) the Predecessor's adoption of new or revised accounting standards, and (c) a retrospective change in the Successor's reportable segments, and (2) express an adverse opinion on the effectiveness of General Motors Company's internal control over financial reporting because of a material weakness. Such financial statements and financial statement schedule have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Ally Financial Inc. (formerly GMAC Inc.) as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, included in the registration statement at Exhibit 99.1, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing in the registration statement at Exhibit 99.1. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the securities offered in this prospectus. This prospectus is a part of the registration statement and does not contain all of the information set forth in the registration statement. For further information about us and our securities, you should refer to the registration statement. Statements made in this prospectus as to the content of any contract, agreement, or other document filed as an exhibit to the registration statement are not necessarily complete. With respect to those statements, you should refer to the corresponding exhibit for a more complete description of the matter involved and read all statements in this prospectus in light of that exhibit. We have included or incorporated by reference copies of these documents as exhibits to our registration statement.

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We file annual, quarterly, and current reports and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov). Those filings are also available to the public on our corporate website at [www.gm.com](http://www.gm.com). The information we file with the SEC or contained on, or linked to through, our corporate website or any other website that we may maintain is not part of this prospectus or the registration statement of which this prospectus is a part. You may also read and copy, at the SEC's prescribed rates, any document we file with the SEC, including the registration statement (and its exhibits) of which this prospectus is a part, at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

General Motors Company, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Company and subsidiaries as of December 31, 2009 (Successor) and General Motors Corporation and subsidiaries as of December 31, 2008 (Predecessor), and the related Consolidated Statements of Operations, Cash Flows and Equity (Deficit) for the period July 10, 2009 through December 31, 2009 (Successor), the period January 1, 2009 through July 9, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor) (Successor and Predecessor collectively, the Company). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Company and subsidiaries at December 31, 2009 (Successor) and General Motors Corporation and subsidiaries at December 31, 2008 (Predecessor), and the results of their operations and their cash flows for the period July 10, 2009 through December 31, 2009 (Successor), the period January 1, 2009 through July 9, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, on July 10, 2009 the Successor completed the acquisition of substantially all of the assets and assumed certain of the liabilities of the Predecessor in accordance with the Amended and Restated Master Sale and Purchase Agreement pursuant to Section 363(b) of the Bankruptcy Code and the Bankruptcy Court sale order dated July 5, 2009. Accordingly, the accompanying consolidated financial statements have been prepared in accordance with Accounting Standards Codification (ASC) Topic 852, *Reorganizations*. The Successor applied fresh-start reporting and recognized the acquired net assets at fair value, resulting in a lack of comparability with the prior period financial statements of the Predecessor.

As discussed in Note 4 to the consolidated financial statements, the Predecessor adopted ASC Topic 820-10, *Fair Value Measurements and Disclosures*, effective January 1, 2008 and adopted amendments to ASC Topic 805, *Business Combinations*, effective January 1, 2009. In addition, on January 1, 2009, the Predecessor retrospectively adjusted the consolidated financial statements for all prior periods presented for the adoption of amendments to ASC Topic 810-10, *Consolidation*, which affect the reporting of noncontrolling interests in partially-owned consolidated subsidiaries, and for the adoption of ASC Topic 470-20, *Debt with Conversion and Other Options*.

As discussed in Notes 3 and 33 to the consolidated financial statements, the consolidated financial statements have been retrospectively adjusted to reflect a change in the Successor's reportable segments pursuant to ASC Topic 280, *Segment Reporting*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Successor's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 7, 2010 expressed an adverse opinion on the Successor's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

April 7, 2010 (August 18, 2010 as to the effect of the retrospective adjustment of reportable segments described in Notes 3 and 33)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

General Motors Company, its Directors, and Stockholders:

We have audited the internal control over financial reporting of General Motors Company and subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing in this Prospectus. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to ineffective controls over the period-end financial reporting process has been identified and included in management's assessment. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the Consolidated Balance Sheet of General Motors Company and subsidiaries as of December 31, 2009 (Successor) and the related Consolidated Statements of Operations, Cash Flows and Equity (Deficit) for the period July 10, 2009 through December 31, 2009 (Successor) and the period January 1, 2009 through July 9, 2009 (Predecessor). This report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying Consolidated Balance Sheet of General Motors Company and subsidiaries as of December 31, 2009 (Successor) and the related Consolidated Statements of Operations, Cash Flows and Equity (Deficit) for the period July 10, 2009 through

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December 31, 2009 (Successor) and the period January 1, 2009 through July 9, 2009 (Predecessor). Our report dated April 7, 2010 (August 18, 2010 as to the effect of the restropective adjustment of reportable segments described in Notes 3 and 33) expressed an unqualified opinion on those financial statements and included explanatory paragraphs relating to (a) the Successor's acquisition of substantially all of the assets and assumption of certain of the liabilities of the Predecessor in accordance with the Amended and Restated Master Sale and Purchase Agreement pursuant to Section 363(b) of the Bankruptcy Code and the Bankruptcy Court sale order dated July 5, 2009 and the resulting application of fresh-start reporting, which resulted in a lack of comparability between the financial statements of the Successor and Predecessor; (b) the Predecessor's adoption of new or revised accounting standards and (c) a retrospective change in the Successor's reportable segments.

/s/ DELOITTE & TOUCHE LLP

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Deloitte & Touche LLP

Detroit, Michigan

April 7, 2010

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share amounts)

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Net sales and revenue</b>				
Sales	\$ 57,329	\$ 46,787	\$ 147,732	\$ 177,594
Other revenue	145	328	1,247	2,390
Total net sales and revenue	<u>57,474</u>	<u>47,115</u>	<u>148,979</u>	<u>179,984</u>
<b>Costs and expenses</b>				
Cost of sales	56,381	55,814	149,257	165,573
Selling, general and administrative expense	6,006	6,161	14,253	14,412
Other expenses, net	15	1,235	6,699	4,308
Total costs and expenses	<u>62,402</u>	<u>63,210</u>	<u>170,209</u>	<u>184,293</u>
Operating loss	(4,928)	(16,095)	(21,230)	(4,309)
Equity in income (loss) of and disposition of interest in GMAC	—	1,380	(6,183)	(1,245)
Interest expense	(694)	(5,428)	(2,525)	(3,076)
Interest income and other non-operating income, net	440	852	424	2,284
Gain (loss) on extinguishment of debt	(101)	(1,088)	43	—
Reorganization gains, net (Note 2)	—	128,155	—	—
Income (loss) from continuing operations before income taxes and equity income	(5,283)	107,776	(29,471)	(6,346)
Income tax expense (benefit)	(1,000)	(1,166)	1,766	36,863
Equity income, net of tax	497	61	186	524
Income (loss) from continuing operations	(3,786)	109,003	(31,051)	(42,685)
<b>Discontinued operations (Note 5)</b>				
Income from discontinued operations, net of tax	—	—	—	256
Gain on sale of discontinued operations, net of tax	—	—	—	4,293
Income from discontinued operations	—	—	—	4,549
<b>Net income (loss)</b>	<u>(3,786)</u>	<u>109,003</u>	<u>(31,051)</u>	<u>(38,136)</u>
Less: Net (income) loss attributable to noncontrolling interests	(511)	115	108	(406)
<b>Net income (loss) attributable to stockholders</b>	<u>(4,297)</u>	<u>109,118</u>	<u>(30,943)</u>	<u>(38,542)</u>
Less: Cumulative dividends on preferred stock	131	—	—	—
<b>Net income (loss) attributable to common stockholders</b>	<u>\$ (4,428)</u>	<u>\$ 109,118</u>	<u>\$ (30,943)</u>	<u>\$ (38,542)</u>
<b>Earnings (loss) per share (Note 28)</b>				
<b>Basic</b>				
Income (loss) from continuing operations attributable to common stockholders	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (76.16)
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders	<u>\$ (10.73)</u>	<u>\$ 178.63</u>	<u>\$ (53.47)</u>	<u>\$ (68.12)</u>
Weighted-average common shares outstanding	413	611	579	566
<b>Diluted</b>				
Income (loss) from continuing operations attributable to common stockholders	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (76.16)
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders	<u>\$ (10.73)</u>	<u>\$ 178.55</u>	<u>\$ (53.47)</u>	<u>\$ (68.12)</u>
Weighted-average common shares outstanding	413	611	579	566
Cash dividends per common share	\$ —	\$ —	\$ 0.50	\$ 1.00
<b>Amounts attributable to common stockholders:</b>				
Income (loss) from continuing operations, net of tax	\$ (4,428)	\$ 109,118	\$ (30,943)	\$ (43,091)
Income from discontinued operations, net of tax	—	—	—	4,549
Net income (loss)	<u>\$ (4,428)</u>	<u>\$ 109,118</u>	<u>\$ (30,943)</u>	<u>\$ (38,542)</u>

Reference should be made to the notes to consolidated financial statements.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(In millions, except share amounts)

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,679	\$ 14,053
Marketable securities	134	141
Total cash, cash equivalents and marketable securities	22,813	14,194
Restricted cash and marketable securities	13,917	672
Accounts and notes receivable (net of allowance of \$250 and \$422)	7,518	7,918
Inventories	10,107	13,195
Assets held for sale	388	—
Equipment on operating leases, net	2,727	5,142
Other current assets and deferred income taxes	1,777	3,146
Total current assets	59,247	44,267
<b>Non-Current Assets</b>		
Restricted cash and marketable securities	1,489	1,917
Equity in net assets of nonconsolidated affiliates	7,936	2,146
Assets held for sale	530	—
Equipment on operating leases, net	3	442
Property, net	18,687	39,665
Goodwill	30,672	—
Intangible assets, net	14,547	265
Deferred income taxes	564	98
Prepaid pension	98	109
Other assets (Note 15)	2,522	2,130
Total non-current assets	77,048	46,772
<b>Total Assets</b>	<b>\$ 136,295</b>	<b>\$ 91,039</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable (principally trade)	\$ 18,725	\$ 22,259
Short-term debt and current portion of long-term debt	10,221	16,920
Liabilities held for sale	355	—
Postretirement benefits other than pensions	846	4,002
Accrued expenses	22,288	32,427
Total current liabilities	52,435	75,608
<b>Non-Current Liabilities</b>		
Long-term debt	5,562	29,018
Liabilities held for sale	270	—
Postretirement benefits other than pensions	8,708	28,919
Pensions	27,086	25,178
Other liabilities and deferred income taxes	13,279	17,392
Total non-current liabilities	54,905	100,507
<b>Total liabilities</b>	<b>107,340</b>	<b>176,115</b>
Commitments and contingencies (Note 21)		
Preferred stock, \$0.01 par value (1,000,000,000 shares authorized and 360,000,000 shares issued and outstanding at December 31, 2009) (Notes 2 and 19)	6,998	—
<b>Equity (Deficit)</b>		
<b>Old GM</b>		
Preferred stock, no par value (6,000,000 shares authorized, no shares issued and outstanding)	—	—
Preference stock, \$0.10 par value (100,000,000 shares authorized, no shares issued and outstanding)	—	—
Common stock, \$1 2/3 par value common stock (2,000,000,000 shares authorized, 800,937,541 shares issued and 610,483,231 shares outstanding at December 31, 2008)	—	1,017
<b>General Motors Company</b>		
Common stock, \$0.01 par value (2,500,000,000 shares authorized and 500,000,000 shares issued and outstanding at December 31, 2009) (Notes 2 and 19)	5	—
Capital surplus (principally additional paid-in capital)	24,050	16,489
Accumulated deficit	(4,394)	(70,727)
Accumulated other comprehensive income (loss)	1,588	(32,339)
Total stockholders' equity (deficit)	21,249	(85,560)
Noncontrolling interests	708	484
Total equity (deficit)	21,957	(85,076)
<b>Total Liabilities and Equity (Deficit)</b>	<b>\$ 136,295</b>	<b>\$ 91,039</b>

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In millions)**

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Cash flows from operating activities</b>				
Net income (loss)	\$ (3,786)	\$ 109,003	\$ (31,051)	\$ (38,136)
Income (loss) income from discontinued operations	—	—	—	4,549
Income (loss) from continuing operations	(3,786)	109,003	(31,051)	(42,685)
<b>Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) continuing operating activities</b>				
Depreciation, impairment charges and amortization expense	4,241	6,873	10,014	9,513
Goodwill impairment charges	—	—	610	—
Delphi charges	—	—	4,797	1,547
Foreign currency translation and transaction (gain) loss	755	1,077	(1,705)	661
Impairment charges related to investments in GMAC	270	—	8,100	—
Amortization of discount and issuance costs on debt issues	140	3,897	189	177
(Gain) loss related to Saab deconsolidation and bankruptcy filing	(59)	478	—	—
Undistributed earnings of nonconsolidated affiliates	(497)	1,036	(727)	293
OPEB expense	3,206	193	(2,115)	2,362
OPEB payments	(1,514)	(1,886)	(3,831)	(3,751)
VEBA withdrawals	—	9	1,355	1,694
Contributions to New VEBA	(252)	—	—	—
Pension expense	364	3,041	4,862	1,799
Pension contributions	(4,318)	(586)	(1,067)	(937)
Gain on extinguishment of U.S. term loan	—	(906)	—	—
Loss on extinguishment of UST GMAC Loan	—	1,994	—	—
Loss on extinguishment of other debt	101	—	—	—
Gain on disposition of GMAC Common Membership Interests	—	(2,477)	—	—
Cash payments related to reorganizations gains, net	—	(408)	—	—
Reorganization gains, net	—	(128,155)	—	—
Provisions for deferred taxes	(1,427)	(600)	1,163	36,717
Change in other investments and miscellaneous assets	292	596	(395)	651
Change in other operating assets and liabilities, net of acquisitions and disposals	3,372	(10,229)	94	(3,412)
Other	176	(1,253)	(2,358)	2,878
<b>Net cash provided by (used in) continuing operating activities</b>	<b>1,064</b>	<b>(18,303)</b>	<b>(12,065)</b>	<b>7,507</b>
Cash provided by discontinued operating activities	—	—	—	224
<b>Net cash provided by (used in) operating activities</b>	<b>1,064</b>	<b>(18,303)</b>	<b>(12,065)</b>	<b>7,731</b>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)**

(In millions)

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Cash flows from investing activities</b>				
Expenditures for property	(1,862)	(3,517)	(7,530)	(7,542)
Investments in marketable securities, acquisitions	(158)	(202)	(3,771)	(10,155)
Investments in marketable securities, liquidations	171	185	5,866	8,119
Investment in GMAC	—	(884)	—	(1,022)
Investment in stock warrants	(25)	—	—	—
Acquisition of companies, net of cash acquired	(2,127)	—	(1)	(46)
Increase in cash due to consolidation of CAMI	—	46	—	—
Decrease in cash due to deconsolidation of Saab in February 2009	—	(41)	—	—
Increase in cash due to consolidation of Saab in August 2009	222	—	—	—
Distributions from GMAC received on GMAC common stock	72	—	—	—
Operating leases, liquidations	564	1,307	3,610	3,165
Proceeds from sale of discontinued operations	—	—	—	5,354
Proceeds from sale of business units/equity investments	—	—	232	—
Proceeds from sale of real estate, plants, and equipment	67	38	347	332
Change in notes receivable	61	(23)	(430)	34
Change in restricted cash and marketable securities	5,171	(18,043)	(87)	23
<b>Net cash provided by (used in) continuing investing activities</b>	<b>2,156</b>	<b>(21,134)</b>	<b>(1,764)</b>	<b>(1,738)</b>
Cash used in discontinued investing activities	—	—	—	(22)
<b>Net cash provided by (used in) investing activities</b>	<b>2,156</b>	<b>(21,134)</b>	<b>(1,764)</b>	<b>(1,760)</b>
<b>Cash flows from financing activities</b>				
Net decrease in short-term debt	(352)	(2,364)	(4,100)	(5,749)
Proceeds from UST Loan Facility and UST GMAC Loan	—	16,645	4,000	—
Proceeds from funding by EDC	4,042	—	—	—
Proceeds from the Receivables Program	30	260	—	—
Proceeds from DIP Facility	—	33,300	—	—
Proceeds from EDC Loan Facility	—	2,407	—	—
Proceeds from issuance of other debt	1,365	345	5,928	2,131
Proceeds from German Facility	716	992	—	—
Payments on the UST Loans	(1,361)	—	—	—
Payments on Canadian Loan	(192)	—	—	—
Payments on Receivables Program	(140)	—	—	—
Payments on German Facility	(1,779)	—	—	—
Payments on other debt	(1,787)	(6,072)	(1,702)	(1,403)
Cash, cash equivalents and restricted cash retained by MLC	—	(1,216)	—	—
Payments to acquire noncontrolling interest	(100)	(5)	—	—
Fees paid for debt modification	—	(63)	—	—
Cash dividends paid to GM preferred stockholders	(97)	—	—	—
Cash dividends paid to Old GM common stockholders	—	—	(283)	(567)
<b>Net cash provided by (used in) continuing financing activities</b>	<b>345</b>	<b>44,229</b>	<b>3,843</b>	<b>(5,588)</b>
Cash provided by (used in) discontinued financing activities	—	—	—	(5)
<b>Net cash provided by (used in) financing activities</b>	<b>345</b>	<b>44,229</b>	<b>3,843</b>	<b>(5,593)</b>
Effect of exchange rate changes on cash and cash equivalents	492	168	(778)	316
Net increase (decrease) in cash and cash equivalents	4,057	4,960	(10,764)	694
Cash and cash equivalents reclassified as assets held for sale	(391)	—	—	—
Cash and cash equivalents at beginning of the year	19,013	14,053	24,817	24,123
<b>Cash and cash equivalents at end of the year</b>	<b>\$ 22,679</b>	<b>\$ 19,013</b>	<b>\$ 14,053</b>	<b>\$ 24,817</b>

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)**  
(In millions)

	Common Stockholders*			Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Comprehensive Income (Loss)	Total Equity (Deficit)
	Common Stock	Capital Surplus	Accumulated Equity (Deficit)				
<b>Balance at December 31, 2006, Predecessor</b>	\$ 943	\$ 15,946	\$ (29)	\$ (22,126)	\$ 1,190		\$ (4,076)
Net income (loss)	—	—	(38,542)	—	406	\$ (38,136)	(38,136)
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	998	29	1,027	
Cash flow hedging losses, net	—	—	—	(38)	(272)	(310)	
Unrealized loss on securities	—	—	—	(17)	—	(17)	
Defined benefit plans, net (Note 27)	—	—	—	6,043	—	6,043	
Other comprehensive income (loss)	—	—	—	6,986	(243)	6,743	6,743
Comprehensive income (loss)						<u>\$ (31,393)</u>	
Effects of accounting change regarding pension plans and OPEB plans measurement dates pursuant to ASC 715-20, net of tax	—	—	(425)	1,153	—		728
Cumulative effect of a change in accounting principle — adoption of ASC 740-10, net of tax	—	—	137	—	—		137
Stock options	—	55	—	—	—		55
Conversion of GMAC Preferred Membership Interests	—	27	—	—	—		27
Cash dividends paid to Old GM common stockholders	—	—	(567)	—	—		(567)
Cash dividends paid to noncontrolling interests	—	—	—	—	(88)		(88)
Dealership investments	—	—	—	—	(51)		(51)
Purchase of capped call option on Old GM common stock	—	(99)	—	—	—		(99)
Issuance of Series D debentures	—	171	—	—	—		171
Other	—	—	—	—	4		4
<b>Balance at December 31, 2007, Predecessor</b>	943	16,100	(39,426)	(13,987)	1,218		(35,152)
Net income (loss)	—	—	(30,943)	—	(108)	\$ (31,051)	(31,051)
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	(1,155)	(161)	(1,316)	
Cash flow hedging losses, net	—	—	—	(811)	(420)	(1,231)	
Unrealized loss on securities	—	—	—	(298)	—	(298)	
Defined benefit plans, net (Note 27)	—	—	—	(16,088)	—	(16,088)	
Other comprehensive income (loss)	—	—	—	(18,352)	(581)	(18,933)	(18,933)
Comprehensive income (loss)						<u>\$ (49,984)</u>	
Effects of GMAC adoption of ASC 820-10 and ASC 825-10	—	—	(76)	—	—		(76)
Stock options	—	32	1	—	—		33
Common stock issued for settlement of Series D debentures	74	357	—	—	—		431
Cash dividends paid to Old GM common stockholders	—	—	(283)	—	—		(283)
Cash dividends paid to noncontrolling interests	—	—	—	—	(46)		(46)
Other	—	—	—	—	1		1
<b>Balance December 31, 2008, Predecessor</b>	1,017	16,489	(70,727)	(32,339)	484		(85,076)
Net income (loss)	—	—	109,118	—	(115)	\$ 109,003	109,003
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	232	(85)	147	
Cash flow hedging gains, net	—	—	—	99	177	276	
Unrealized gain on securities	—	—	—	46	—	46	
Defined benefit plans, net (Note 27)	—	—	—	(3,408)	—	(3,408)	
Other comprehensive income (loss)	—	—	—	(3,031)	92	(2,939)	(2,939)
Comprehensive income (loss)						<u>\$ 106,064</u>	
Cash dividends paid to noncontrolling interests	—	—	—	—	(26)		(26)
Other	1	5	(1)	—	(27)		(22)
<b>Balance July 9, 2009, Predecessor</b>	1,018	16,494	38,390	(35,370)	408		20,940

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)**  
(In millions)

	Common Stockholders'				Noncontrolling Interests	Comprehensive Income (Loss)	Total Equity (Deficit)
	Common Stock	Capital Surplus	Accumulated Equity (Deficit)	Accumulated Other Comprehensive Income (Loss)			
<b>Balance July 9, 2009, Predecessor</b>	1,018	16,494	38,390	(35,370)	408		20,940
Fresh-start reporting adjustments:							
Elimination of predecessor common stock, capital surplus and accumulated deficit	(1,018)	(16,494)	(38,390)	—	—		(55,902)
Elimination of accumulated other comprehensive loss	—	—	—	35,370	—		35,370
Issuance of GM common stock	4	18,787	—	—	—		18,791
<b>Balance July 10, 2009 Successor</b>	4	18,787	—	—	408		19,199
Net income (loss)	—	—	(4,297)	—	511	\$ (3,786)	(3,786)
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	157	(33)	124	
Unrealized gain on derivatives	—	—	—	(1)	—	(1)	
Unrealized gain on securities	—	—	—	2	—	2	
Defined benefit plans, net (Note 27)	—	—	—	1,430	—	1,430	
Other comprehensive income (loss)	—	—	—	1,588	(33)	1,555	1,555
Comprehensive income (loss)						<u>\$ (2,231)</u>	
Common stock related to settlement of UAW hourly retiree medical plan	1	4,935	—	—	—		4,936
Common stock warrants related to settlement of UAW hourly retiree medical plan	—	220	—	—	—		220
Participation in GM Daewoo equity rights offering	—	108	—	—	(108)		—
Purchase of noncontrolling interest in CAMI	—	—	—	—	(100)		(100)
Cash dividends paid to GM preferred stockholders	—	—	(97)	—	—		(97)
Other	—	—	—	—	30		30
<b>Balance December 31, 2009, Successor</b>	<u>\$ 5</u>	<u>\$ 24,050</u>	<u>\$ (4,394)</u>	<u>\$ 1,588</u>	<u>\$ 708</u>		<u>\$ 21,957</u>

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

General Motors Company was formed by the United States Department of the Treasury (UST) in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company, which on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation (363 Sale) and changed its name to General Motors Company, is sometimes referred to in these consolidated financial statements for the periods on or subsequent to July 10, 2009 as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM,” and is the successor entity solely for accounting and financial reporting purposes (Successor). General Motors Corporation is sometimes referred to in these consolidated financial statements, for the periods on or before July 9, 2009, as “Old GM.” Prior to July 10, 2009 Old GM operated the business of the Company, and pursuant to the agreement with the SEC Staff, as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009 regarding GM filing requirements and those of MLC as subsequently defined, the accompanying consolidated financial statements include the financial statements and related information of Old GM as it is our predecessor entity solely for accounting and financial reporting purposes (Predecessor). On July 10, 2009 in connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Company, which is sometimes referred to in these consolidated financial statements for the periods on or after July 10, 2009 as “MLC.” MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities.

We develop, produce and market cars, trucks and parts worldwide. We analyze the results of our business through our three segments, which are GM North America (GMNA), GM Europe (GME), and General Motors International Operations (GMIO). Nonsegment operations are classified as Corporate. Corporate includes investments in GMAC, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements (as subsequently defined in Note 19) and a portfolio of automotive retail leases.

We also own a 16.6% equity interest in GMAC Inc. (GMAC), which is accounted for as a cost method investment because we cannot exercise significant influence over GMAC. GMAC provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential mortgage services, and automobile service contracts. On May 10, 2010 GMAC changed its name to Ally Financial, Inc.

**Note 2. Chapter 11 Proceedings and the 363 Sale**

**Background**

Over time as Old GM’s market share declined in North America, Old GM needed to continually restructure its business operations to reduce cost and excess capacity. In addition, legacy labor costs and obligations and capacity in its dealer network made Old GM less competitive than new entrants into the U.S. market. These factors continued to strain Old GM’s liquidity. In 2005 Old GM incurred significant losses from operations and from restructuring activities such as providing support to Delphi Corporation (Delphi) and other efforts intended to reduce operating costs. Old GM managed its liquidity during this time through a series of cost reduction initiatives, capital markets transactions and sales of assets. However, the global credit market crisis had a dramatic effect on Old GM and the automotive industry. In the second half of 2008, the increased turmoil in the mortgage and overall credit markets (particularly the lack of financing for buyers or lessees of vehicles), the continued reductions in U.S. housing values, the volatility in the price of oil, recessions in the United States and Western Europe and the slowdown of economic growth in the rest of the world created a substantially more difficult business environment. The ability to execute capital markets transactions or sales of assets was extremely limited, vehicle sales in North America and Western Europe contracted severely, and the pace of vehicle sales in the rest of the world slowed. Old GM’s liquidity position, as well as its operating performance, were negatively affected by these economic and industry conditions and by other financial and business factors, many of which were beyond its control.

As a result of these economic conditions and the rapid decline in sales in the three months ended December 31, 2008 Old GM determined that, despite the actions it had then taken to restructure its U.S. business, it would be unable to pay its obligations in the normal course of business in 2009 or service its debt in a timely fashion, which required the development of a new plan that depended on financial assistance from the U.S. government.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In December 2008 Old GM requested and received financial assistance from the U.S. government and entered into a loan and security agreement with the UST, which was subsequently amended (UST Loan Agreement). In early 2009 Old GM's business results and liquidity continued to deteriorate, and, as a result, Old GM obtained additional funding from the UST under the UST Loan Agreement. Old GM also received funding from Export Development Canada (EDC), a corporation wholly-owned by the government of Canada, under a loan and security agreement entered into in April 2009 (EDC Loan Facility).

As a condition to obtaining the loans under the UST Loan Agreement, Old GM was required to submit a Viability Plan in February 2009 that included specific actions intended to result in the following:

- Repayment of all loans, interest and expenses under the UST Loan Agreement, and all other funding provided by the U.S. government;
- Compliance with federal fuel efficiency and emissions requirements and commencement of domestic manufacturing of advanced technology vehicles;
- Achievement of a positive net present value, using reasonable assumptions and taking into account all existing and projected future costs;
- Rationalization of costs, capitalization and capacity with respect to its manufacturing workforce, suppliers and dealerships; and
- A product mix and cost structure that is competitive in the U.S. marketplace.

The UST Loan Agreement also required Old GM to, among other things, use its best efforts to achieve the following restructuring targets:

*Debt Reduction*

- Reduction of its outstanding unsecured public debt by not less than two-thirds through conversion of existing unsecured public debt into equity, debt and/or cash or by other appropriate means.

*Labor Modifications*

- Reduction of the total amount of compensation paid to its U.S. employees so that, by no later than December 31, 2009, the average of such total amount is competitive with the average total amount of such compensation paid to U.S. employees of certain foreign-owned, U.S. domiciled automakers (transplant automakers);
- Elimination of the payment of any compensation or benefits to U.S. employees who have been fired, laid-off, furloughed or idled, other than customary severance pay; and
- Application of work rules for U.S. employees in a manner that is competitive with the work rules for employees of transplant automakers.

*VEBA Modifications*

- Modification of its retiree healthcare obligations arising under the 2008 UAW Settlement Agreement under which responsibility for providing healthcare for International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) retirees, their spouses and dependents would permanently shift from Old GM to the New Plan funded by the UAW Retiree Medical Benefits Trust (New VEBA), such that payment or contribution of not less than one-half of the value of each future payment was to be made in the form of Old GM common stock, subject to certain limitations.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The UST Loan Agreement provided that if, by March 31, 2009 or a later date (not to exceed 30 days after March 31, 2009) as determined by the President's Designee (Certification Deadline), the President's Designee had not certified that Old GM had taken all steps necessary to achieve and sustain its long-term viability, international competitiveness and energy efficiency in accordance with the Viability Plan, then the loans and other obligations under the UST Loan Agreement were to become due and payable on the thirtieth day after the Certification Deadline.

On March 30, 2009 the President's Designee determined that the plan was not viable and required substantial revisions. In conjunction with the March 30, 2009 announcement, the administration announced that it would offer Old GM adequate working capital financing for a period of 60 days while it worked with Old GM to develop and implement a more accelerated and aggressive restructuring that would provide a sound long-term foundation. On March 31, 2009 Old GM and the UST agreed to postpone the Certification Deadline to June 1, 2009.

Old GM made further modifications to its Viability Plan in an attempt to satisfy the President's Designee's requirement that it undertake a substantially more accelerated and aggressive restructuring plan (Revised Viability Plan). The following is a summary of significant cost reduction and restructuring actions contemplated by the Revised Viability Plan, the most significant of which included reducing Old GM's indebtedness and VEBA obligations.

*Indebtedness and VEBA obligations*

In April 2009 Old GM commenced exchange offers for certain unsecured notes to reduce its unsecured debt in order to comply with the debt reduction condition of the UST Loan Agreement.

Old GM also commenced discussions with the UST regarding the terms of a potential restructuring of its debt obligations under the UST Loan Agreement, the UST GMAC Loan Agreement (as subsequently defined), and any other debt issued or owed to the UST in connection with those loan agreements pursuant to which the UST would exchange at least 50% of the total outstanding debt Old GM owed to it at June 1, 2009 for Old GM common stock.

In addition, Old GM commenced discussions with the UAW and the VEBA-settlement class representative regarding the terms of potential VEBA modifications.

*Other cost reduction and restructuring actions*

In addition to the efforts to reduce debt and modify the VEBA obligations, the Revised Viability Plan also contemplated the following cost reduction efforts:

- Extended shutdowns of certain North American manufacturing facilities in order to reduce dealer inventory;
- Refocus its resources on four core U.S. brands: Chevrolet, Cadillac, Buick and GMC;
- Acceleration of the resolution for Saab Automobile AB (Saab), HUMMER and Saturn and no planned future investment for Pontiac, which was to be phased out by the end of 2010;
- Acceleration of the reduction in U.S. nameplates to 34 by 2010;
- A reduction in the number of U.S. dealers from 6,246 in 2008 to 3,605 in 2010;
- A reduction in the total number of plants in the U.S. to 34 by the end of 2010 and 31 by 2012; and
- A reduction in the U.S. hourly employment levels from 61,000 in 2008 to 40,000 in 2010 as a result of the nameplate reductions, operational efficiencies and plant capacity reductions.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Old GM had previously announced that it would reduce salaried employment levels on a global basis by 10,000 during 2009 and had instituted several programs to effect reductions in salaried employment levels. Old GM had also negotiated a revised labor agreement with the Canadian Auto Workers Union (CAW) to reduce its hourly labor costs to approximately the level paid to the transplant automakers; however, such agreement was contingent upon receiving longer term financial support for its Canadian operations from the Canadian federal and Ontario provincial governments.

**Chapter 11 Proceedings**

Old GM was not able to complete the cost reduction and restructuring actions in its Revised Viability Plan, including the debt reductions and VEBA modifications, which resulted in extreme liquidity constraints. As a result, on June 1, 2009 Old GM and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the U.S. Bankruptcy Court for the Southern District of New York (Bankruptcy Court).

In connection with the Chapter 11 Proceedings, Old GM entered into a secured superpriority debtor-in-possession credit agreement with the UST and EDC (DIP Facility) and received additional funding commitments from EDC to support Old GM's Canadian operations.

The following table summarizes the total funding and funding commitments Old GM received from the U.S. and Canadian governments and the additional notes Old GM issued related thereto in the period December 31, 2008 through July 9, 2009 (dollars in millions):

<u>Description of Funding Commitment</u>	<u>Funding and Funding Commitments</u>	<u>Additional Notes Issued(a)</u>	<u>Total Obligation</u>
UST Loan Agreement (b)	\$ 19,761	\$ 1,172	\$ 20,933
EDC funding (c)	6,294	161	6,455
DIP Facility	33,300	2,221	35,521
Total	<u>\$ 59,355</u>	<u>\$ 3,554</u>	<u>\$ 62,909</u>

- (a) Old GM did not receive any proceeds from the issuance of these promissory notes, which were issued as additional compensation to the UST and EDC.
- (b) Includes debt of \$361 million, which the UST loaned to Old GM under the warranty program.
- (c) Includes approximately \$2.4 billion from the EDC Loan Facility received in the period January 1, 2009 through July 9, 2009 and funding commitments of CAD \$4.5 billion (equivalent to \$3.9 billion when entered into) that were immediately converted into our equity. This funding was received on July 15, 2009.

**363 Sale**

On July 10, 2009 we completed the acquisition of substantially all of the assets and assumed certain liabilities of Old GM and certain of its direct and indirect subsidiaries (collectively, the Sellers). The 363 Sale was consummated in accordance with the Amended and Restated Master Sale and Purchase Agreement, dated June 26, 2009, as amended, (Purchase Agreement) between us and the Sellers, and pursuant to the Bankruptcy Court's sale order dated July 5, 2009.

In connection with the 363 Sale, the purchase price paid to Old GM was comprised of:

- A credit bid in an amount equal to the total of: (1) debt of \$19.8 billion under Old GM's UST Loan Agreement, plus notes of \$1.2 billion issued as additional compensation for the UST Loan Agreement, plus interest on such debt Old GM owed as of the closing date of the 363 Sale; and (2) debt of \$33.3 billion under Old GM's DIP Facility, plus notes of \$2.2 billion issued as additional compensation for the DIP Facility, plus interest Old GM owed as of the closing date, less debt of \$8.2 billion owed under the DIP Facility;

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- The UST's return of the warrants Old GM previously issued to it;
- The issuance to MLC of 50 million shares (or 10%) of our common stock and warrants to acquire newly issued shares of our common stock initially exercisable for a total of 91 million shares of our common stock (or 15% on a fully diluted basis); and
- Our assumption of certain specified liabilities of Old GM (including debt of \$7.1 billion owed under the DIP Facility).

Under the Purchase Agreement, we are obligated to issue additional shares of our common stock to MLC (Adjustment Shares) in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares issued if estimated general unsecured claims total \$42.0 billion or more. We determined that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In that circumstance, we would be required to issue 2.9 million Adjustment Shares to MLC as an adjustment to the purchase price. At July 10, 2009 we accrued \$113 million in Other liabilities and deferred income taxes related to this contingent obligation.

***Agreements with the UST, UAW Retiree Medical Benefits Trust and Export Development Canada***

On July 10, 2009 we entered into the UST Credit Agreement and assumed debt of \$7.1 billion that Old GM incurred under its DIP Facility (UST Loans). Immediately after entering into the UST Credit Agreement, we made a partial prepayment, reducing the UST Loans principal balance to \$6.7 billion. We also entered into the VEBA Note Agreement and issued a note in the principal amount of \$2.5 billion (VEBA Notes) to the New VEBA. Through our wholly-owned subsidiary General Motors of Canada Limited (GMCL), we also entered into the amended and restated Canadian Loan Agreement with EDC, as a result of which GMCL has a CAD \$1.5 billion (equivalent to \$1.3 billion when entered into) term loan (Canadian Loan).

Refer to Note 18 for additional information on the UST Loans, VEBA Notes and the Canadian Loan.

***Issuance of Common Stock, Preferred Stock and Warrants***

On July 10, 2009 we issued the following securities to the UST, Canada GEN Investment Corporation (formerly 7176384 Canada Inc.), a corporation organized under the laws of Canada (Canada Holdings), the New VEBA and MLC:

*UST*

- 304.1 million shares of our common stock;
- 83.9 million shares of our Series A Fixed Rate Cumulative Perpetual Preferred Stock (Series A Preferred Stock);

*Canada Holdings*

- 58.4 million shares of our common stock;
- 16.1 million shares of Series A Preferred Stock;

*New VEBA*

- 87.5 million shares of our common stock;
- 260.0 million shares of Series A Preferred Stock;
- Warrant to acquire 15.2 million shares of our common stock;

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*MLC*

- 50.0 million shares of our common stock; and
- Two warrants, each to acquire 45.5 million shares of our common stock.

*Preferred Stock*

The shares of Series A Preferred Stock have a liquidation preference of \$25.00 per share and accrue cumulative dividends at 9.0% per annum (payable quarterly on March 15, June 15, September 15 and December 15) that are payable if, as and when declared by our Board of Directors. So long as any share of the Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on the Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. On or after December 31, 2014 we may redeem, in whole or in part, the shares of Series A Preferred Stock outstanding, at a redemption price per share equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions.

The Series A Preferred Stock is classified as temporary equity because one of the holders, the UST, owns a significant percentage of our common stock and therefore has, and may continue to have, the ability to exert control, through its power to vote for the election of our directors, over various matters, which could include compelling us to redeem the Series A Preferred Stock in 2014 or later. We believe that it is not probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect our directors at December 31, 2014 considering the government's stated intent with respect to its equity holdings in our company to dispose of its ownership interest as soon as practicable and considering provisions in the Stockholders Agreement we entered into with certain of our stockholders that provide a timeline under which the UST would use its reasonable best efforts to cause an initial public offering of our common stock to occur by July 10, 2010 unless we were already taking steps and proceeding with reasonable diligence to effect an initial public offering.

The Series A Preferred Stock will remain classified as temporary equity until the holders of the Series A Preferred Stock no longer own a majority of our common stock and therefore no longer have the ability to exert control, through the power to vote for the election of our directors, over various matters, including compelling us to redeem the Series A Preferred Stock when it becomes callable by us on and after December 31, 2014. The reclassification of the Series A Preferred Stock to permanent equity would occur upon the earlier of: (1) the holders of Series A Preferred Stock no longer owning a majority (greater than 50%) of our common stock; or (2) the UST no longer holding any Series A Preferred Stock, which would result in the remaining holders of Series A Preferred Stock, as a class, owning less than 50% of our common stock. Upon the occurrence of either of these two events, the existing carrying amount of the Series A Preferred Stock would be reclassified to permanent equity.

Our Series A Preferred Stock is recorded at a discount of \$2.0 billion. We are not accreting the Preferred Stock to its redemption amount of \$9.0 billion because we believe it is not probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect a majority of our directors in 2014. If it becomes probable that the UST or the holders of the Series A Preferred Stock, as a class, will continue to have this ability to elect a majority of our directors in 2014, then we would begin accreting to the redemption value from the date this condition becomes probable to December 31, 2014.

Regardless of whether we accrete the Series A Preferred Stock, upon a redemption or purchase of any or all Series A Preferred Stock, the difference, if any, between the recorded amount of the Series A Preferred Stock being redeemed or purchased and the consideration paid would be recorded as a charge to Net income attributable to common shareholders. If all of the Series A Preferred Stock were to be redeemed or purchased at its par value, the amount of the charge would be \$2.0 billion.

*Warrants*

The first tranche of warrants issued to MLC is exercisable at any time prior to July 10, 2016, with an exercise price of \$30.00 per share. The second tranche of warrants issued to MLC is exercisable at any time prior to July 10, 2019, with an exercise price of \$55.00 per share. The warrant issued to the New VEBA is exercisable at any time prior to December 31, 2015, with an exercise price of \$126.92 per share. The number of shares of our common stock underlying each of the warrants issued to MLC and the New VEBA and the per share exercise price are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

***Additional Modifications to Pension and Other Postretirement Plans Contingent upon the Emergence from Bankruptcy***

We modified the U.S. hourly pension plan, the U.S. executive retirement plan, the U.S. salaried life plan, the non-UAW hourly retiree medical plan and the U.S. hourly life plan. These modifications became effective upon the completion of the 363 Sale. The key modifications were:

- Elimination of the post 65 benefits and capping the pre 65 benefits in the non-UAW hourly retiree medical plan;
- Capping the life benefit for non-UAW retirees and future retirees at \$10,000 in the U.S. hourly life plan;
- Capping the life benefit for existing salaried retirees at \$10,000, reduced the retiree benefit for future salaried retirees and eliminated the executive benefit for the U.S. salaried life plan;
- Elimination of a portion of nonqualified benefits in the U.S. executive retirement plan; and
- Elimination of the flat monthly special lifetime benefit of \$66.70 that was to commence on January 1, 2010 for the U.S. hourly pension plan.

**Accounting for the Effects of the Chapter 11 Proceedings and the 363 Sale**

***Chapter 11 Proceedings***

Accounting Standards Codification (ASC) 852, "Reorganizations," (ASC 852) is applicable to entities operating under Chapter 11 of the Bankruptcy Code. ASC 852 generally does not affect the application of U.S. GAAP that we and Old GM followed to prepare the consolidated financial statements, but it does require specific disclosures for transactions and events that were directly related to the Chapter 11 Proceedings and transactions and events that resulted from ongoing operations.

Old GM prepared its consolidated financial statements in accordance with the guidance in ASC 852 in the period June 1, 2009 through July 9, 2009. Revenues, expenses, realized gains and losses, and provisions for losses directly related to the Chapter 11 Proceedings were recorded in Reorganization gains, net. Reorganization gains, net do not constitute an element of operating loss due to their nature and due to the requirement of ASC 852 that they be reported separately. Old GM's balance sheet prior to the 363 Sale distinguished prepetition liabilities subject to compromise from prepetition liabilities not subject to compromise and from postpetition liabilities. Cash amounts provided by or used in the Chapter 11 Proceedings are separately disclosed in the statement of cash flows.

***Application of Fresh-Start Reporting***

The Bankruptcy Court did not determine a reorganization value in connection with the 363 Sale. Reorganization value is defined as the value of our assets without liabilities. In order to apply fresh-start reporting, ASC 852 requires that total postpetition liabilities and allowed claims be in excess of reorganization value and prepetition stockholders receive less than 50.0% of our common stock. Based on our estimated reorganization value, we determined that on July 10, 2009 both the criteria of ASC 852 were met and, as a result, we applied fresh-start reporting.

Our reorganization value was determined using the sum of:

- Our discounted forecast of expected future cash flows from our business subsequent to the 363 Sale, discounted at rates reflecting perceived business and financial risks;
- The fair value of operating liabilities;
- The fair value of our non-operating assets, primarily our investments in nonconsolidated affiliates and cost method investments; and
- The amount of cash we maintained at July 10, 2009 that we determined to be in excess of the amount necessary to conduct our normal business activities.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The sum of the first, third and fourth bullet items equals our Enterprise value.

Our discounted forecast of expected future cash flows included:

- Forecasted cash flows for the six months ended December 31, 2009 and the years ending 2010 through 2014, for each of Old GM's former segments (refer to Note 3 for a discussion of our change in segments) and for certain subsidiaries that incorporated:
  - Industry seasonally adjusted annual rate (SAAR) of vehicle sales and our related market share as follows:
    - Worldwide — 59.1 million vehicles and market share of 11.9% based on vehicle sales volume in 2010 increasing to 81.0 million vehicles and market share of 12.2% in 2014;
    - North America — 14.2 million vehicles and market share of 17.8% based on vehicle sales volume in 2010 increasing to 19.8 million vehicles and decreasing market share of 17.6% in 2014;
    - Europe — 16.8 million vehicles and market share of 9.5% based on vehicle sales volume in 2010 increasing to 22.5 million vehicles and market share of 10.3% in 2014;
    - LAAM — 6.1 million vehicles and market share of 18.0% based on vehicle sales volume in 2010 increasing to 7.8 million vehicles and market share of 18.4% in 2014;
    - AP — 22.0 million vehicles and market share of 8.4% based on vehicle sales volume in 2010 increasing to 30.8 million vehicles and market share of 8.6% in 2014;
  - Projected product mix, which incorporates the 2010 introductions of the Chevrolet Volt, Chevrolet/Holden Cruze, Cadillac CTS Coupe, Opel/Vauxhall Meriva and Opel/Vauxhall Astra Station Wagon;
  - Projected changes in our cost structure due to restructuring initiatives that encompass reduction of hourly and salaried employment levels by approximately 18,000;
  - The terms of the 2009 Revised UAW Settlement Agreement, which released us from UAW retiree healthcare claims incurred after December 31, 2009;
  - Projected capital spending to support existing and future products, which range from \$4.9 billion in 2010 to \$6.0 billion in 2014; and
  - Anticipated changes in global market conditions.
- A terminal value, which was determined using a growth model that applied long-term growth rates ranging from 0.5% to 6.0% and a weighted average long-term growth rate of 2.6% to our projected cash flows beyond 2014. The long-term growth rates were based on our internal projections as well as industry growth prospects; and
- Discount rates that considered various factors including bond yields, risk premiums, and tax rates to determine a weighted-average cost of capital (WACC), which measures a company's cost of debt and equity weighted by the percentage of debt and equity in a company's target capital structure. We used discount rates ranging from 16.5% to 23.5% and a weighted-average rate of 22.8%.

To estimate the value of our investment in nonconsolidated affiliates we used multiple valuation techniques, but we primarily used discounted cash flow analyses. Our excess cash of \$33.8 billion, including Restricted cash and marketable securities of \$21.2 billion, represents cash in excess of the amount necessary to conduct our ongoing day-to-day business activities and to keep them running as a going concern. Refer to Note 14 for additional discussion of Restricted cash and marketable securities.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our estimate of reorganization value assumes the achievement of the future financial results contemplated in our forecasted cash flows, and there can be no assurance that we will realize that value. The estimates and assumptions used are subject to significant uncertainties, many of which are beyond our control, and there is no assurance that anticipated financial results will be achieved. Assumptions used in our discounted cash flow analysis that have the most significant effect on our estimated reorganization value include:

- Our estimated WACC;
- Our estimated long-term growth rates; and
- Our estimate of industry sales and our market share in each of Old GM's former segments.

The following table reconciles our enterprise value to our estimated reorganization value and the estimated fair value of our Equity (in millions except per share amounts):

	<u>Successor</u> <u>July 10, 2009</u>
Enterprise value	\$ 36,747
Plus: Fair value of operating liabilities (a)	80,832
Estimated reorganization value (fair value of assets) (b)	117,579
Adjustments to tax and employee benefit-related assets (c)	(6,074)
Goodwill (c)	30,464
Carrying amount of assets	<u>\$ 141,969</u>
Enterprise value	<u>\$ 36,747</u>
Less: Fair value of debt	(15,694)
Less: Fair value of warrants issued to MLC (additional paid-in-capital)	(2,405)
Less: Fair value of liability for Adjustment Shares	(113)
Less: Fair value of noncontrolling interests	(408)
Less: Fair value of Series A Preferred Stock (d)	(1,741)
Fair value of common equity (common stock and additional paid-in capital)	<u>\$ 16,386</u>
Common shares outstanding (d)	412.5
Per share value	<u>\$ 39.72</u>

- (a) Operating liabilities are our total liabilities excluding the liabilities listed in the reconciliation above of our enterprise value to the fair value of our common equity.
- (b) Reorganization value does not include assets with a carrying amount of \$1.8 billion and a fair value of \$2.0 billion at July 9, 2009 that MLC retained.
- (c) The application of fresh-start reporting resulted in the recognition of goodwill. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than at fair value and the difference between the U.S. GAAP and fair value amounts gives rise to goodwill, which is a residual. Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in goodwill. Our employee related obligations were recorded in accordance with ASC 712 and ASC 715, and deferred income taxes were recorded in accordance with ASC 740.
- (d) The 260 million shares of Series A Preferred Stock, 88 million shares of our common stock, and warrant to acquire 15.2 million shares of our common stock issued to the New VEBA on July 10, 2009 were not considered outstanding until the UAW retiree medical plan was settled on December 31, 2009. The fair value of these instruments was included in the liability recognized at July 10, 2009 for this plan. The common shares issued to the New VEBA are excluded from common shares outstanding at July 10, 2009. Refer to Note 19 for a discussion of the termination of our UAW hourly retiree medical plan and Mitigation Plan and the resulting payment terms to the New VEBA.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**Effect of 363 Sale Transaction and Application of Fresh-Start Reporting**

The following table summarizes the adjustments to Old GM's consolidated balance sheet as a result of the 363 Sale and the application of fresh-start reporting and presents our consolidated balance sheet at July 10, 2009 (dollars in millions):

	Predecessor July 9, 2009	Reorganization via 363 Sale Adjustments	Fresh-Start Reporting Adjustments	Successor after Reorganization via 363 Sale and Fresh- Start Reporting Adjustments July 10, 2009
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 19,054	\$ (41)	\$ —	\$ 19,013
Marketable securities	139	—	—	139
Total cash and marketable securities	19,193	(41)	—	19,152
Restricted cash and marketable securities	20,290	(1,175)	—	19,115
Accounts and notes receivable, net	8,396	3,859	(79)	12,176
Inventories	9,802	(140)	(66)	9,596
Equipment on operating leases, net	3,754	2	90	3,846
Other current assets and deferred income taxes	1,874	75	69	2,018
Total current assets	63,309	2,580	14	65,903
<b>Non-Current Assets</b>				
Restricted cash and marketable securities	1,401	(144)	—	1,257
Equity in net assets of nonconsolidated affiliates	1,972	4	3,822	5,798
Equipment on operating leases, net	23	—	3	26
Property, net	36,216	(137)	(17,579)	18,500
Goodwill	—	—	30,464	30,464
Intangible assets, net	210	—	15,864	16,074
Deferred income taxes	79	550	43	672
Prepaid pension	121	—	(24)	97
Other assets	1,244	(12)	1,946	3,178
Total non-current assets	41,266	261	34,539	76,066
<b>Total Assets</b>	<b>\$ 104,575</b>	<b>\$ 2,841</b>	<b>\$ 34,553</b>	<b>\$ 141,969</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>				
<b>Current Liabilities</b>				
Accounts payable (principally trade)	\$ 13,067	\$ (42)	\$ 42	\$ 13,067
Short-term debt and current portion of long-term debt	43,412	(30,179)	(56)	13,177
Postretirement benefits other than pensions	187	1,645	124	1,956
Accrued expenses	25,607	(81)	(1,132)	24,394
Total current liabilities	82,273	(28,657)	(1,022)	52,594
<b>Non-Current Liabilities</b>				
Long-term debt	4,982	(977)	(1,488)	2,517
Postretirement benefits other than pensions	3,954	14,137	310	18,401
Pensions	15,434	14,432	2,113	31,979
Liabilities subject to compromise	92,611	(92,611)	—	—
Other liabilities and deferred income taxes	14,449	278	811	15,538
Total non-current liabilities	131,430	(64,741)	1,746	68,435
<b>Total Liabilities</b>	<b>213,703</b>	<b>(93,398)</b>	<b>724</b>	<b>121,029</b>
Preferred stock	—	1,741	—	1,741
<b>Equity (Deficit)</b>				
<b>Old GM</b>				
Preferred stock	—	—	—	—
Preference stock	—	—	—	—
Common stock	1,018	—	(1,018)	—
Capital surplus (principally additional paid-in capital)	16,494	—	(16,494)	—
<b>General Motors Company</b>				
Common stock	—	4	—	4
Capital surplus (principally additional paid-in capital)	—	18,787	—	18,787
Retained earnings (Accumulated deficit)	(91,602)	63,492	28,110	—
Accumulated other comprehensive income (loss)	(35,370)	12,295	23,075	—
Total stockholders' equity (deficit)	(109,460)	94,578	33,673	18,791
Noncontrolling interests	332	(80)	156	408
Total equity (deficit)	(109,128)	94,498	33,829	19,199
<b>Total Liabilities and Equity (Deficit)</b>	<b>\$ 104,575</b>	<b>\$ 2,841</b>	<b>\$ 34,553</b>	<b>\$ 141,969</b>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**Reorganization Via 363 Sale Adjustments**

The following table summarizes the reorganization adjustments previously discussed including the liabilities that were extinguished or reclassified from liabilities subject to compromise as part of the 363 Sale (dollars in millions):

	UST(a)	Canada Holdings(b)	New VEBA(c)	Pension and OPEB(d)	MLC(e)	Other(f)	Total
Assets MLC retained, net	\$ —	\$ —	\$ —	\$ —	\$ 1,797	\$ —	\$ 1,797
Accounts payable (principally trade)	—	—	—	—	(42)	—	(42)
Short-term debt and current portion of long-term debt extinguished	(31,294)	(5,972)	—	—	(1,278)	—	(38,544)
Short-term debt and current portion of long-term debt assumed	7,073	1,292	—	—	—	—	8,365
Net reduction to short-term debt and current portion of long-term debt	(24,221)	(4,680)	—	—	(1,278)	—	(30,179)
Postretirement benefits other than pensions, current	—	—	1,409	236	—	—	1,645
Accrued expenses	(54)	—	—	219	(310)	64	(81)
Total current liabilities	(24,275)	(4,680)	1,409	455	(1,630)	64	(28,657)
Long-term debt extinguished	—	—	—	—	(977)	—	(977)
Postretirement benefits other than pensions, non-current	—	—	10,547	3,590	—	—	14,137
Pensions	—	—	—	14,432	—	—	14,432
Liabilities subject to compromise	(20,824)	—	(19,687)	(23,453)	(28,553)	(94)	(92,611)
Other liabilities and deferred income taxes	—	—	—	391	(184)	71	278
Total liabilities	(45,099)	(4,680)	(7,731)	(4,585)	(31,344)	41	(93,398)
Accumulated other comprehensive income balances relating to entities MLC retained	—	—	—	—	(21)	—	(21)
Additional EDC funding	—	(3,887)	—	—	—	—	(3,887)
Fair value of preferred stock issued	1,462	279	—	—	—	—	1,741
Fair value of common stock issued	12,076	2,324	—	—	1,986	—	16,386
Fair value of warrants	—	—	—	—	2,405	—	2,405
Release of valuation allowances and other tax adjustments	—	—	—	—	—	(751)	(751)
Reorganization gain	(31,561)	(5,964)	(7,731)	(4,585)	(25,177)	(710)	(75,728)
Amounts attributable to noncontrolling interests	—	—	—	—	(80)	—	(80)
Amounts recorded in Accumulated other comprehensive income as part of Reorganization via 363 Sale adjustments	—	—	7,731	4,585	—	—	12,316
Total retained earnings adjustment	<u>\$ (31,561)</u>	<u>\$ (5,964)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (25,257)</u>	<u>\$ (710)</u>	<u>\$ (63,492)</u>

(a) Liabilities owed to the UST under the UST Loan Agreement of \$20.6 billion, with accrued interest of \$251 million, and under the DIP Facility of \$30.9 billion with accrued interest of \$54 million and borrowings related to the warranty program of \$361 million were extinguished in connection with the 363 Sale through the assumption of the UST Loans of \$7.1 billion and the issuance of 304 million shares of our common stock with a fair value of \$12.1 billion and 84 million shares of Series A Preferred Stock with a fair value of \$1.5 billion.

(b) Liabilities owed to Canada Holdings under the EDC Loan Facility of \$2.6 billion and under the DIP Facility of \$3.4 billion were extinguished in connection with the 363 Sale through the assumption of the Canadian Loan of CAD \$1.5 billion (equivalent of \$1.3 billion when entered into) and the issuance of 58 million shares of our common stock with a fair value of \$2.3 billion and



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16 million shares of Series A Preferred Stock with a fair value of \$279 million. In addition, we recorded an increase in Accounts and notes receivable, net of \$3.9 billion at July 10, 2010 for amounts to be received from the EDC in exchange for the equity Canada Holdings received in connection with the 363 Sale.

- (c) As a result of modifications to the UAW hourly retiree medical plan that became effective upon the 363 Sale, we recorded a reorganization gain of \$7.7 billion that represented the difference between the carrying amount of our \$19.7 billion plan obligation at July 9, 2009 and the July 10, 2009 actuarially determined value of \$12.0 billion for our modified plan based on the revised terms of the 2009 Revised UAW Settlement Agreement. Our obligation to the UAW hourly retiree medical plan was settled on December 31, 2009. Prior to the December 31, 2009 settlement, the VEBA Notes, Series A Preferred Stock, common stock and warrants contributed to the New VEBA were not considered outstanding. Refer to Note 19 for additional information on the 2009 Revised UAW Settlement Agreement.
- (d) As a result of modifications to benefit plans that became effective upon the 363 Sale, we recorded a reorganization gain of \$4.6 billion, which represented the difference between the carrying amount of our obligations under certain plans at July 9, 2009, and our new actuarially determined obligations at July 10, 2009. Major changes include:
- For the non-UAW hourly retiree health care plan, we recorded a \$2.7 billion gain resulting from elimination of post 65 benefits and placing a cap on pre 65 benefits;
  - For retiree life insurance we recorded a \$923 million gain, resulting from capping benefits at \$10,000 for non-UAW hourly retirees and future retirees, capping benefits at \$10,000 for existing salaried retirees, reducing benefits for future salaried retirees, and elimination of executive benefits;
  - For the U.S. supplemental executive retirement plan, we recorded a \$221 million gain from the elimination of a portion of nonqualified benefits; and
  - For the U.S. hourly defined benefit pension plan, we recorded a \$675 million gain, representing the net of a \$3.3 billion obligation decrease resulting from the elimination of the flat monthly special lifetime benefit that was to commence on January 1, 2010, offset by an obligation increase of \$2.6 billion from a discount rate decrease from 6.25% to 5.83% and other assumption changes.
- (e) Represents the net liabilities MLC retained in connection with the 363 Sale, primarily consisting of Old GM's unsecured debt and amounts owed to the UST under the DIP Facility of \$1.2 billion. These net liabilities were settled in exchange for assets retained by MLC with a carrying amount of \$1.8 billion and a fair value of \$2.0 billion, 50 million shares of our common stock with a fair value of \$2.0 billion, warrants to acquire an additional 91 million shares of our common stock with a fair value of \$2.4 billion and the right to contingently receive the Adjustment Shares. We increased Other liabilities and deferred income taxes to reflect the estimated fair value of \$113 million for our obligation to issue the Adjustment Shares to MLC.

The following table summarizes the carrying amount of the assets MLC retained (dollars in millions):

	<u>Predecessor</u> <u>Carrying amount at</u> <u>July 9, 2009</u>
Cash and cash equivalents	\$ 41
Restricted cash and marketable securities, current	1,175
Accounts and notes receivable, net	28
Inventories	140
Equipment on operating leases, net	(2)
Other current assets and deferred income taxes	46
Restricted cash and marketable securities, non-current	144
Equity in net assets of nonconsolidated affiliates	(4)
Property, net	137
Deferred income taxes	80
Other assets, non-current	12
Total assets	<u>\$ 1,797</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (f) We assumed \$94 million of certain employee benefit obligations that were included in Liabilities subject to compromise that are now included in Accrued expenses (\$64 million) and Other liabilities (\$30 million). These primarily relate to postemployment benefits not modified as a part of the 363 Sale. In addition, in connection with the 363 Sale, we concluded that it was more likely than not that certain net deferred tax assets, primarily in Brazil, will be realized. Therefore, we reversed the existing valuation allowances related to such deferred tax assets resulting in an increase of \$121 million in Other current assets and an increase of \$630 million in Deferred income taxes, non-current. To record other tax effects of the 363 Sale, we recorded an increase to Other liabilities of \$41 million. We recorded a net reorganization gain of \$710 million in Income tax expense (benefit) as a result of these adjustments.

*Fresh-Start Reporting Adjustments*

In applying fresh-start reporting at July 10, 2009, which generally follows the provisions of ASC 805, "Business Combinations" (ASC 805), we recorded the assets acquired and the liabilities assumed from Old GM at fair value except for deferred income taxes and certain liabilities associated with employee benefits. These adjustments are final and no determinations of fair value are considered provisional. The significant assumptions related to the valuations of our assets and liabilities recorded in connection with fresh-start reporting are subsequently discussed.

*Accounts and notes receivable*

We recorded Accounts and notes receivable at their fair value of \$12.2 billion, which resulted in a decrease of \$79 million.

*Inventory*

We recorded Inventory at its fair value of \$9.6 billion, which was determined as follows:

- Finished goods were determined based on the estimated selling price of finished goods on hand less costs to sell including disposal and holding period costs, and a reasonable profit margin on the selling and disposal effort for each specific category of finished goods being evaluated. Finished goods primarily include new vehicles, off-lease and company vehicles and service parts and accessories;
- Work in process was determined based on the estimated selling price once completed less total costs to complete the manufacturing process, costs to sell including disposal and holding period costs, a reasonable profit margin on the remaining manufacturing, selling and disposal effort; and
- Raw materials were determined based on current replacement cost.

Compared to amounts recorded by Old GM, finished goods increased by \$622 million, including elimination of Old GM's LIFO reserve of \$1.1 billion, work in process decreased by \$555 million, raw materials decreased by \$39 million and sundry items with nominal individual value decreased by \$94 million.

*Equipment on Operating Leases, current and non-current*

We recorded Equipment on operating leases, current and non-current at its fair value of \$3.9 billion, which was determined as follows: (1) automotive leases to daily rental car companies were determined based on the market value of comparable vehicles; and (2) automotive retail leases were determined by discounting the expected future cash flows generated by the automotive retail leases including the estimated residual value of the vehicles when sold. Equipment on operating leases, current and non-current increased from that recorded by Old GM by \$93 million as a result of our determination of fair value.

*Other Current Assets and Deferred Income Taxes*

We recorded Other current assets which included prepaid assets and other current assets at their fair value of \$1.5 billion and deferred income taxes of \$487 million. These amounts are \$69 million higher than the amounts recorded by Old GM.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Equity in Net Assets of Nonconsolidated Affiliates*

We recorded Equity in net assets of nonconsolidated affiliates at its fair value of \$5.8 billion. Fair value of these investments was determined using discounted cash flow analyses, which included the following assumptions and estimates:

- Forecasted cash flows for the seven months ended December 31, 2009 and the years ending 2010 through 2013, which incorporated projected sales volumes, product mixes, projected capital spending to support existing and future products, research and development of new products and technologies and anticipated changes in local market conditions;
- A terminal value, which was calculated by assuming a maintainable level of after-tax debt-free cash flow and multiplying it by a capitalization factor that reflected the investor's WACC adjusted for the estimated long-term perpetual growth rate;
- A discount rate of 13.4% that considered various factors including risk premiums and tax rates to determine the investor's WACC given the assumed capital structure of comparable companies; and
- The fair value of investment property and investments in affiliates was determined using market comparables.

Equity in net assets of nonconsolidated affiliates was higher than Old GM's by \$3.8 billion as a result of our determination of fair value.

*Property*

We recorded Property, which includes land, buildings and land improvements, machinery and equipment, construction in progress and special tools, at its fair value of \$18.5 billion. Fair value was based on the highest and best use of specific properties. To determine fair value we considered and applied three approaches:

- The market or sales comparison approach which relies upon recent sales or offerings of similar assets on the market to arrive at a probable selling price. Certain adjustments were made to reconcile differences in attributes between the comparable sales and the appraised assets. This method was utilized for certain assets related to land, buildings and land improvements and information technology.
- The cost approach which considers the amount required to construct or purchase a new asset of equal utility at current prices, with adjustments in value for physical deterioration, functional obsolescence and economic obsolescence. This method was primarily utilized for certain assets related to land, buildings and land improvements, leasehold interests, and the majority of our machinery and equipment and tooling. Economic obsolescence represents a loss in value due to unfavorable external conditions such as the economics of our industry and was a factor in establishing fair value. Our machinery, equipment and special tools amounts, determined under the cost approach, were adjusted for economic obsolescence. Due to the downturn in the automotive industry, significant excess capacity exists and the application of the cost approach generally requires the replacement cost of an asset to be adjusted for physical deterioration, and functional and economic obsolescence. We estimated economic obsolescence as the difference between the discounted cash flows expected to be realized from our utilization of the assets as a group, compared to the initial estimate of value from the cost approach method. We did not reduce any fixed asset below its liquidation in place value as a result of economic obsolescence; however the effects of economic obsolescence caused some of our fixed assets to be recorded at their liquidation in place values.
- The income approach which considers value in relation to the present worth of future benefits derived from ownership, usually measured through the capitalization of a specific level of income which can be derived from the subject asset. This method assumed fair value could not exceed the present value of the cash flows the assets generate discounted at a risk related rate of return commensurate with the level of risk inherent in the subject asset. This method was used to value certain assets related to buildings and improvements, leasehold interest, machinery and equipment and tooling.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the components of Property as a result of the application of fresh-start reporting at July 10, 2009 and Property, net at July 9, 2009:

	<u>Successor</u> <u>July 10,</u> <u>2009</u>	<u>Predecessor</u> <u>July 9,</u> <u>2009</u>
Land	\$ 2,524	\$ 1,040
Buildings and land improvements, net	3,731	8,490
Machinery and equipment, net	5,915	13,597
Construction in progress	1,838	2,307
Real estate, plants, and equipment, net	14,008	25,434
Special tools, net	4,492	10,782
Total property, net	<u>\$18,500</u>	<u>\$ 36,216</u>

*Goodwill*

We recorded Goodwill of \$30.5 billion upon application of fresh-start reporting. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value and the difference between the U.S. GAAP and fair value amounts gives rise to goodwill, which is a residual. Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in goodwill. Our employee benefit related accounts were recorded in accordance with ASC 712 and ASC 715 and deferred income taxes were recorded in accordance with ASC 740. There was no goodwill on an economic basis based on the fair value of our equity, liabilities and identifiable assets. None of the goodwill from this transaction is deductible for tax purposes.

*Intangible assets*

We recorded Intangible assets of \$16.1 billion at their fair values. The following is a summary of the approaches used to determine the fair value of our significant intangible assets:

- We recorded \$7.9 billion for the fair value of technology. The relief from royalty method was used to calculate the \$7.7 billion fair value of developed technology. The significant assumptions used included:
  - Forecasted revenue for each technology category by Old GM's former segments;
  - Royalty rates based on licensing arrangements for similar technologies and obsolescence factors by technology category;
  - Discount rates ranging from 24.0% to 26.0% based on our WACC and adjusted for perceived business risks related to these developed technologies; and
  - Estimated economic lives, which ranged from 7 to twenty years.
- The excess earnings method was used to determine the fair value of in-process research and development of \$175 million. The significant assumptions used in this approach included:
  - Forecasted revenue for certain technologies not yet proven to be commercially feasible;
  - The probability and cost of obtaining commercial feasibility;
  - Discount rates ranging from 4.2% (when the probability of obtaining commercial feasibility was considered elsewhere in the model) to 36.0%; and
  - Estimated economic lives ranging from approximately 10 to 20 years.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- The relief from royalty method was also used to calculate the fair value of brand names of \$5.5 billion. The significant assumptions used in this method included:
  - Forecasted revenue for each brand name by Old GM's former segments;
  - Royalty rates based on licensing arrangements for the use of brands and trademarks in the automotive industry and related industries;
  - Discount rates ranging from 22.8% to 27.0% based on our WACC and adjusted for perceived business risks related to these intangible assets; and
  - Indefinite economic lives for our ongoing brands.
- Our most significant brands included Buick, Cadillac, Chevrolet, GMC, Opel/Vauxhall and OnStar. We also recorded defensive intangible assets associated with brands we eliminated, which included Pontiac, Saturn and Oldsmobile.
- A cost approach was used to calculate the fair value of our dealer networks and customer relationships of \$2.1 billion. The estimated fair value of our dealer networks of \$1.6 billion was determined by multiplying our estimated costs to recreate our dealer networks by our estimate of an optimal number of dealers. An income approach was used to calculate the fair value of our customer relationships of \$508 million. The significant assumptions used in this approach included:
  - Forecasted revenue;
  - Customer retention rates;
  - Profit margins; and
  - A discount rate of 20.8% based on an appropriate WACC and adjusted for perceived business risks related to these customer relationships.
- We recorded other intangible assets of \$560 million primarily related to existing contracts, including leasehold improvements, that were favorable relative to available market terms.

The following table summarizes the components of our intangible assets and their weighted-average amortization periods.

	<u>Weighted-Average Amortization Period (years)</u>	<u>Recorded Value</u>
Technology and related intellectual property	5	\$ 7,889
Brands	38	5,476
Dealer network and customer relationships	21	2,149
Favorable contracts	28	543
Other intangible assets	3	17
Total intangible assets		<u>\$ 16,074</u>

*Deferred Income Taxes, non-current*

We recorded Deferred income taxes, non-current of \$672 million which was an increase of \$43 million compared to that recorded by Old GM.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Other Assets, non-current*

We recorded Other assets, non-current of \$3.2 billion. Other assets, non-current differed from Old GM's primarily related to: (1) an increase of \$1.3 billion and \$629 million in the value of our investments in GMAC common stock and preferred stock; (2) an increase of \$175 million in the value of our investment in Saab; partially offset by (3) an elimination of \$191 million for certain prepaid rent balances and other adjustments.

We calculated the fair value of our investment in GMAC common stock of \$1.3 billion using a market multiple sum-of-the-parts methodology, a market approach. This approach considered the average price/tangible book value multiples of companies deemed comparable to each of GMAC's Auto Finance, Commercial Finance and Insurance operations in determining the fair value of each of these operations, which were then aggregated to determine GMAC's overall fair value. The significant inputs used in our fair value analysis were as follows:

- GMAC's June 30, 2009 financial statements, as well as the financial statements of comparable companies in the Auto Finance, Commercial Finance and Insurance industries;
- Expected performance of GMAC, as well as our view on its ability to access capital markets; and
- The value of GMAC's mortgage operations, taking into consideration the continuing challenges in the housing markets and mortgage industry, and its need for additional liquidity to maintain business operations.

We calculated the fair value of our investment in GMAC preferred stock of \$665 million using a discounted cash flow approach. The present value of the cash flows was determined using assumptions regarding the expected receipt of dividends on GMAC preferred stock and the expected call date. The discount rate of 16.9% was determined based on yields of similar GMAC securities.

*Accounts Payable*

We recorded Accounts payable at its fair value of \$13.1 billion.

*Debt*

We recorded short-term debt, current portion of long-term debt and long-term debt at their total fair value of \$15.7 billion, which was calculated using a discounted cash flow methodology using our implied credit rating of CCC for most of our debt instruments (our credit rating was not observable as a result of the Chapter 11 Proceedings), adjusted where appropriate for any security interests. For the UST Loans and the Canadian Loan, carrying amount was determined to approximate fair value because these loans were fully collateralized by the restricted cash placed in escrow and were entered into on July 10, 2009 at market terms. Short-term debt, current portion of long-term debt and long-term debt decreased \$1.5 billion as a result of our calculation of fair value. Refer to Note 14 for additional information on the escrow arrangement.

*Pensions, Postretirement Benefits Other than Pensions, current and non-current, and Prepaid Pensions*

We recorded Pensions of \$32.0 billion and Prepaid pensions of \$97 million, which includes the actuarial measurement of those benefit plans that were not modified in connection with the 363 Sale. As a result of these actuarial measurements, our recorded value was \$2.1 billion higher than Old GM's for Pensions and Prepaid pensions for those plans not modified in connection with the 363 Sale. When the pension plans were measured at July 10, 2009, the weighted-average return on assets was 8.5% and 8.0% for U.S. and Non-U.S. plans. The weighted-average discount rate utilized to measure the plans at July 10, 2009 was 5.9% and 5.8% for U.S. and Non-U.S. plans.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

We also recorded Postretirement benefits other than pensions, current and non-current of \$20.4 billion, which is an increase of \$434 million compared to the amounts recorded by Old GM for those plans not modified in connection with the 363 Sale. When the other non-UAW postretirement benefit plans were measured at July 10, 2009, the weighted average discount rate used was 6.0% and 5.5% for the U.S. and Non-U.S. plans. For the U.S. there are no significant uncapped healthcare plans remaining at December 31, 2009, and therefore, the healthcare cost trend rate does not have a significant effect on our U.S. plans. For Non-U.S. plans the initial healthcare cost trend used was 5.4% and the ultimate healthcare cost trend rate was 3.3% with 8 years to the ultimate trend rate.

*Accrued Expenses, Other Liabilities, and Deferred Income Taxes, current and non-current*

We recorded Accrued expenses of \$24.4 billion and Other liabilities and deferred income taxes of \$15.5 billion. Accrued expenses and Other liabilities differed from those of Old GM primarily relating to:

- \$1.2 billion less in deferred revenue, the fair value of which was determined based on our remaining performance obligations considering future costs associated with these obligations;
- \$349 million decrease in warranty liability, the fair value of which was determined by discounting the forecasted future cash flows based on historical claims experience using rates ranging from 1.4% in 2009 to 4.3% in 2017;
- A decrease of \$179 million to lease-related obligations;
- A decrease of \$162 million related to certain customer deposits;
- \$582 million increase in deferred income taxes; and
- \$980 million of recorded unfavorable contractual obligations, primarily related to the Delphi-GM Settlement Agreements. The fair value of the unfavorable contractual obligations was determined by discounting forecasted cash flows representing the unfavorable portions of contractual obligations at our implied credit rating. Refer to Note 21 for further information on the Delphi-GM Settlement Agreements.

*Equity (Deficit) and Preferred Stock*

The changes to Equity (Deficit) reflect our recapitalization, the elimination of Old GM's historical equity, the issuance of our common stock, preferred stock and warrants to the UST, Canada Holdings and MLC at fair value, and the application of fresh-start reporting.

*Noncontrolling Interests*

We recorded the fair value of our Noncontrolling interests at \$408 million which was \$156 million higher than Old GM.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**363 Sale and Fresh-Start Reporting Adjustments**

The following table summarizes Old GM's Reorganization gains, net, arising from the 363 Sale and fresh-start reporting that primarily resulted from the adjustments previously discussed (dollars in millions):

	<u>Predecessor</u> <u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>
Change in net assets resulting from the application of fresh-start reporting	\$ 33,829
Fair value of New GM's Series A Preferred Stock, common shares and warrants issued in 363 Sale	20,532
Gain from the conversion of debt owed to UST to equity	31,561
Gain from the conversion of debt owed to EDC to equity	5,964
Gain from the modification and measurement of our VEBA obligation	7,731
Gain from the modification and measurement of other employee benefit plans	4,585
Gain from the settlement of net liabilities retained by MLC via the 363 Sale	25,177
Income tax benefit for release of valuation allowances and other tax adjustments	710
Other 363 Sale adjustments	(21)
Total adjustment from 363 Sale Transaction and fresh-start reporting	130,068
Adjustment recorded to Income tax benefit for release of valuation allowances and other tax adjustments	(710)
Other losses, net	(1,203)
Total Reorganization gains, net	<u>\$ 128,155</u>

Other losses, net of \$1.2 billion primarily relate to costs incurred during our Chapter 11 Proceedings, including:

- Losses of \$958 million on extinguishments of debt resulting from Old GM's repayment of its secured revolving credit facility, its U.S. term loan, and its secured credit facility;
- Losses of \$398 million on contract rejections, settlements of claims and other lease terminations;
- Professional fees of \$38 million; and
- Gain of \$247 million related to the release of Accumulated other comprehensive income (loss) associated with previously designated derivative financial instruments.

**Note 3. Basis of Presentation****Principles of Consolidation**

Our consolidated financial statements include our accounts and those of our subsidiaries that we control due to ownership of a majority voting interest. In addition, we continually evaluate our involvement with variable interest entities (VIEs) to determine whether we have variable interests and are the primary beneficiary of the VIE. When this criteria is met, we are required to consolidate the VIE. Our share of earnings or losses of nonconsolidated affiliates is included in our consolidated operating results using the equity method of accounting when we are able to exercise significant influence over the operating and financial decisions of the affiliate. We use the cost method of accounting if we are not able to exercise significant influence over the operating and financial decisions of the affiliate. All intercompany balances and transactions have been eliminated in consolidation. Old GM utilized the same principles of consolidation in its consolidated financial statements.

**Use of Estimates in the Preparation of the Financial Statements**

The consolidated financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reported amounts of revenue and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

**Discontinued Operations and Assets Held for Sale**

Amounts presented as discontinued operations represent the disposal of components of our business that have operations and cash flows that are clearly distinguished, operationally and for financial reporting purposes, from the rest of our businesses and where we do not have significant continuing involvement. In 2007 we sold the commercial and military operations of our Allison business that focused on a market segment separate from our core automotive business. We concluded that the cash flows associated with the Allison business were clearly distinguishable and our continuing involvement with Allison was not significant. Our sale of Saab in February 2010 and the cessation of production of our Pontiac, Saturn and HUMMER brands did not qualify as discontinued operations. We have significant continuing involvement with Saab through ongoing commercial relationships; primarily supply contracts and licensing arrangements. Saab, Pontiac, Saturn and HUMMER were brands that did not have largely independent cash flows separate from our ongoing operations because of the sharing of engineering, product platforms, and production facilities with our other brands.

Upon committing to and commencing of activities to sell a long-lived asset group, the assets and liabilities of the group are presented separately in the consolidated balance sheets as Assets held for sale and Liabilities held for sale once it is determined that the sale is probable and an appropriate level of authorization committing to the sale has been received. We require the receipt of Board approval, along with any other substantive governmental and regulatory approval requirements, prior to classifying assets and liabilities as held for sale.

**Correction of Presentation in Consolidated Financial Statements**

Subsequent to the filing of our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K) we identified several items that had not been properly classified in the Consolidated Statement of Cash Flows for the period July 10, 2009 through December 31, 2009 (Successor). Although we do not consider the effects of these errors to be material, we have corrected our Consolidated Statement of Cash Flows to properly reflect these items. These errors, which primarily relate to reclassifications within the respective sections of the Consolidated Statement of Cash Flows, had a net effect on Net cash provided by operating activities of \$93 million, Net cash provided by investing activities of \$144 million, and Net cash provided by financing activities of (\$197) million. The originally reported and corrected amounts are summarized in the following table (dollars in millions):

	Originally Reported	Adjustments	As Corrected
<b>Cash flows from operating activities</b>			
Change in other investments and miscellaneous assets	\$ 303	\$ (11)	\$ 292
Change in other operating assets and liabilities, net of acquisitions and disposals	2,605	767	3,372
Other	839	(663)	176
<b>Net cash provided by (used in) operating activities</b>	<b>971</b>	<b>93</b>	<b>1,064</b>
<b>Cash flows from investing activities</b>			
Expenditures for property	(1,914)	52	(1,862)
Change in notes receivable	(31)	92	61
<b>Net cash provided by (used in) investing activities</b>	<b>2,012</b>	<b>144</b>	<b>2,156</b>
<b>Cash flows from financing activities</b>			
Net decrease in short-term debt	(909)	557	(352)
Proceeds from issuance of other debt	873	492	1,365
Payments on other debt	(541)	(1,246)	(1,787)
<b>Net cash provided by (used in) financing activities</b>	<b>542</b>	<b>(197)</b>	<b>345</b>
Effect of exchange rate changes on cash and cash equivalents	532	(40)	492
Cash and cash equivalents at beginning of the year	19,013		19,013
<b>Cash and cash equivalents at end of the year</b>	<b>\$ 22,679</b>	<b>\$ —</b>	<b>\$ 22,679</b>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In addition, we have corrected certain amounts disclosed in the notes to the consolidated financial statements included in our 2009 Form 10-K. Although we do not consider the effects of these disclosure errors to be material, we have corrected the amounts in the notes to the consolidated financial statements. Originally reported and corrected amounts are included in the affected notes to the consolidated financial statements which follow.

**Change in Segments**

Old GM's operations included four segments consisting of GMNA, GME, GM Latin America/Africa/Middle-East and GM Asia Pacific. In order to streamline our business and speed our decision making processes, we have revised our operational structure, combining Old GM's Latin America/Africa/Middle East and Asia Pacific segments into one segment, GMIO. We have revised the segment presentation for all periods presented.

In the three months ended June 30, 2010 we changed our managerial reporting structure so that certain entities geographically located within Russia and Uzbekistan were transferred from our GME segment to our GMIO segment. We have revised the segment presentation for all periods presented.

**Note 4. Significant Accounting Policies**

In connection with our application of fresh-start reporting, we established a set of accounting policies which, unless otherwise indicated, utilized the accounting policies of our predecessor entity, Old GM.

**Revenue Recognition**

Net sales and revenue are primarily comprised of revenue generated from the sale of vehicles. Vehicle sales are recorded when title and risks and rewards of ownership have passed, which is generally when a vehicle is released to the carrier responsible for transporting it to a dealer and when collectability is reasonably assured. Provisions for recurring dealer and customer sales and leasing incentives, consisting of allowances and rebates, are recorded as reductions to Net sales and revenue at the time of vehicle sales. All other incentives, allowances, and rebates related to vehicles previously sold are recorded as reductions to Net sales and revenue when announced.

Vehicle sales to daily rental car companies with guaranteed repurchase obligations are accounted for as operating leases. Estimated lease revenue is recorded ratably over the term of the lease based on the difference between net sales proceeds and the guaranteed repurchase amount. The difference between the cost of the vehicle and estimated residual value is depreciated on a straight-line basis over the estimated term of the lease agreement.

Sales of parts and accessories to GM dealers are recorded when the goods arrive at the dealership and when collectability is reasonably assured. Sales of aftermarket products and powertrain components are recorded when title and risks and rewards of ownership have passed, which is generally when the product is released to the carrier responsible for transporting them to the customer and when collectability is reasonably assured.

Revenue from OnStar, comprised of customer subscriptions related to comprehensive in-vehicle security, communications and diagnostic systems in our vehicles, is deferred and recorded on a straight-line basis over the subscription period. A one-year OnStar subscription is offered as part of the sale or lease of a new vehicle. The fair value of the subscription is recorded as deferred revenue when a vehicle is sold, and amortized over the one-year subscription period. Prepaid minutes for the Hands-Free Calling system are deferred and recorded on a straight-line basis over the life of the contract.

Payments received from banks for credit card programs in which there is a redemption liability are recorded on a straight-line basis over the estimated period of time the customer will accumulate and redeem their rebate points. This time period is estimated to be 60 months for the majority of the credit card programs. This redemption period is reviewed periodically to determine if it remains

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

appropriate. The redemption liability anticipated to be paid to the dealer is estimated and accrued at the time specific vehicles are sold to the dealer. The redemption cost is classified as a reduction of Net sales and revenue.

**Inventory**

Inventories are stated at the lower of cost or market (LCM). In connection with fresh-start reporting, we elected to use the FIFO costing method for all inventories previously accounted for by Old GM using the LIFO costing method. Old GM determined cost using the LIFO costing method for 21% of its inventories at December 31, 2008 and used the FIFO costing method or average cost method for all other inventories.

Inventory is analyzed and the carrying amount is adjusted downward if it is determined to be carried above market. Market, which represents selling price less cost to sell, considers general market and economic conditions, periodic reviews of current profitability of vehicles, and the effect of current incentive offers at the balance sheet date. Off-lease and other vehicles are compared to current auction sales proceeds less disposal and warranty costs. Productive material, work in process, supplies and service parts are reviewed to determine if inventory quantities are in excess of forecasted usage, or if they have become obsolete. If the estimated market value is less than cost, as determined by the inventory costing methodology, the carrying amount of the affected inventory is reduced to market value.

**Advertising**

Advertising costs of \$2.1 billion in the period July 10, 2009 through December 31, 2009, \$1.5 billion in the period January 1, 2009 through July 9, 2009, \$5.3 billion in the year ended 2008 and \$5.5 billion in the year ended 2007 were expensed as incurred.

**Research and Development Expenditures**

Research and development expenditures of \$3.0 billion in the period July 10, 2009 through December 31, 2009, \$3.0 billion in the period January 1, 2009 through July 9, 2009, \$8.0 billion in the year ended 2008 and \$8.1 billion in the year ended 2007 were expensed as incurred.

**Property, net**

Property, plants and equipment, including internal use software, is recorded at cost. Major improvements that extend the useful life or add functionality of property are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. We depreciate all assets using the straight-line method. Leasehold improvements are amortized over the period of lease or the life of the asset, whichever is shorter. For assets placed in service before January 2001, Old GM used accelerated depreciation methods. For assets placed in service after January 2001, Old GM used the straight-line method. Upon retirement or disposition of property, plants and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in earnings. Impairment charges related to Property, net are recorded in Cost of sales. Refer to Notes 11 and 25 for additional information on property and impairments.

**Special Tools**

Special tools represent product-specific powertrain and non-powertrain related tools, dies, molds and other items used in the manufacturing process of vehicles. Expenditures for special tools are capitalized. In connection with our application of fresh-start reporting, we began amortizing all non-powertrain special tools using an accelerated amortization method. Powertrain special tools are amortized over their estimated useful lives using the straight-line method. Old GM amortized all special tools using the straight-line method over their estimated useful lives. Refer to Note 11 for additional information on special tools.

**Goodwill**

Goodwill arises from the application of fresh-start reporting and other business acquisitions. Goodwill is tested for impairment for all reporting units on an annual basis during the fourth quarter, or more frequently, if events occur or circumstances change that would

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

warrant such a review. An impairment charge is recorded for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values of reporting units are established using a discounted cash flow method. Our reporting units are GMNA, GME, and various reporting units within the GMIO segment. Where available and as appropriate, comparative market multiples are used to corroborate the results of the discounted cash flow method. Refer to Note 25 for additional information on goodwill impairments.

**Intangible Assets, net**

Intangible assets, excluding Goodwill, primarily include brand names (including defensive intangibles associated with discontinued brands), technology and intellectual property, customer relationships, dealer network and favorable contracts.

All intangible assets are amortized on a straight-line or an accelerated method of amortization over their estimated useful lives. An accelerated amortization method reflecting the pattern in which the asset will be consumed is utilized if that pattern can be reliably determined. If that pattern cannot be reliably determined, a straight-line amortization method is used. In selecting a useful life, we consider the period of expected cash flows and underlying data used to measure the fair value of the intangible assets.

Amortization of developed technology and intellectual property is recorded in Cost of sales. Amortization of brand names, customer relationships and our dealer network is recorded in Selling, general and administrative expense. Refer to Notes 2 and 13 for additional information on intangible assets.

**Valuation of Long-Lived Assets**

When events and circumstances warrant, the carrying amount of long-lived assets and finite-lived intangible assets to be held and used in the business are evaluated for impairment. If the carrying amount of a long-lived asset group is considered impaired, a loss is recorded based on the amount by which the carrying amount exceeds the fair value for the asset group to be held and used. Product-specific long-lived asset groups are tested for impairment at the platform level. Non-product specific long-lived assets are generally tested for impairment on a regional basis in GMNA and GME and tested at our various reporting units within our GMIO segment. Assets classified as held for sale are recorded at the lower of carrying amount or fair value less cost to sell. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of other than by sale are considered held for use until disposition. Product-specific assets may become impaired as a result of declines in profitability due to changes in volume, pricing or costs.

We tested certain long-lived assets for impairment in the period July 10, 2009 through December 31, 2009 and Old GM tested certain long-lived assets for impairment in the period January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007. Based on the results of the analyses, long-lived asset impairment charges were recorded. Refer to Note 25 for additional information on impairments.

**Valuation of Cost and Equity Method Investments**

When events and circumstances warrant, investments accounted for under the cost or equity method of accounting are evaluated for impairment. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other than temporary. In determining if a decline is other than temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered. Impairment charges related to equity method investments are recorded in Equity income, net of tax. Impairment charges related to cost method investments are recorded in Interest income and other non-operating income, net.

**Equipment on Operating Leases, net**

Equipment on operating leases, net is reported at cost, less accumulated depreciation and net of origination fees or costs. Estimated income from operating lease assets, which includes lease origination fees, net of lease origination costs, is recorded as operating lease

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

revenue on a straight-line basis over the term of the lease agreement. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over the term of the lease agreement.

We have and Old GM had significant investments in vehicles in operating lease portfolios, which are comprised of vehicle leases to retail customers with lease terms of up to 48 months and vehicles leased to rental car companies with lease terms that average 11 months or less. We and Old GM was exposed to changes in the residual values of those assets. The residual values represent estimates of the values of the assets at the end of the lease contracts and are determined based on the lower of forecasted or current auction proceeds in the United States and Canada and forecasted auction proceeds outside of the United States and Canada when there is a reliable basis to make such a determination. Realization of the residual values is dependent on the future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, the adequacy of the estimate of the residual value is evaluated and adjustments may be made to the extent the expected value of the vehicle at lease termination changes. Adjustments may be in the form of revisions to the depreciation rate or recognition of an impairment charge. Impairment is determined to exist if the undiscounted expected future cash flows, which include estimated residual values, are lower than the carrying amount of the asset. If the carrying amount is considered impaired, an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value. Fair value is determined primarily using the anticipated cash flows, including estimated residual values.

When a lease vehicle is returned the asset is reclassified from Equipment on operating leases, net to Inventory at the lower of cost or estimated selling price, less costs to sell.

Impairment charges related to Equipment on operating leases, net are recorded in Cost of sales. Refer to Notes 25 and 30 for additional information on impairments and operating lease arrangements with GMAC.

**Foreign Currency Transactions and Translation**

The assets and liabilities of foreign subsidiaries, using the local currency as their functional currency, are translated to U.S. Dollars based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in Other comprehensive income (loss). The assets and liabilities of foreign subsidiaries which do not use the local currency as their functional currency are remeasured from their local currency to their functional currency, and then translated to U.S. Dollars. Revenues and expenses are translated into U.S. Dollars using the average exchange rates prevailing for each period presented.

Gains and losses arising from foreign currency transactions, which include the effects of remeasurements discussed previously, are recorded in Cost of sales. The effects of foreign currency transactions were a loss of \$755 million in the period July 10, 2009 through December 31, 2009, a loss of \$1.1 billion in the period January 1, 2009 through July 9, 2009, a gain of \$1.7 billion in the year ended 2008 and a loss of \$661 million in the year ended 2007.

**Policy and Warranty**

The estimated costs related to policy and product warranties are accrued at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of claims of each vehicle line or each model year of the vehicle line. Revisions are made when necessary, based on changes in these factors. Trends of claims are actively studied and actions are taken to improve vehicle quality and minimize claims.

**Recall Campaigns**

The estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated.

**Environmental Costs**

A liability for environmental remediation costs is recorded when a loss is probable and can be reasonably estimated. For environmental sites where there are potentially multiple responsible parties, a liability for the allocable share of the costs related to

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

involvement with the site is recorded, as well as an allocable share of costs related to insolvent parties or unidentified shares, neither of which are reduced for possible recoveries from insurance carriers. For environmental sites where we and Old GM are the only potentially responsible parties, a liability is recorded for the total estimated costs of remediation before consideration of recovery from insurers or other third parties. The process of estimating environmental remediation liabilities is complex and dependent primarily on the nature and extent of historical information and physical data relating to a contaminated site, the complexity of the site, the uncertainty as to what remediation and technology will be required, and the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites.

There is an established process to develop environmental liabilities that is used globally. This process consists of a number of phases that begins with visual site inspections and an examination of historical site records. Once a potential problem is identified, physical sampling of the site, which may include analysis of ground water and soil borings, is performed. The evidence obtained is then evaluated and if necessary, a remediation strategy is developed and submitted to the appropriate regulatory body for approval. The final phase of this process involves the commencement of remediation activities according to the approved plan.

When applicable, estimated liabilities for costs relating to ongoing operating, maintenance, and monitoring at environmental sites where remediation has commenced are recorded. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information obtained. In future periods, new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change our estimates.

#### Cash Equivalents

Cash equivalents are defined as short-term, highly-liquid investments with original maturities of 90 days or less.

#### Fair Value Measurements

A three-level valuation hierarchy is used for fair value measurements. The three-level valuation hierarchy is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for *identical* instruments in active markets;
- Level 2 — Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3 — Instruments whose significant inputs are *unobservable*.

Financial instruments are transferred in and/or out of Level 3 in the valuation hierarchy based upon the significance of the unobservable inputs to the overall fair value measurement. Level 3 financial instruments typically include, in addition to the unobservable inputs, observable components that are validated to external sources.

#### Marketable Securities

We classify marketable securities as available-for-sale or trading. Various factors, including turnover of holdings and investment guidelines, are considered in determining the classification of investments. Available-for-sale securities are recorded at fair value, with unrealized gains and losses reported, net of related income taxes, in Accumulated other comprehensive income (loss) until realized. Trading securities are recorded at fair value. We determine realized gains and losses for all securities using the specific identification method.

Old GM classified marketable securities as available-for-sale, except for certain mortgage-related securities, that were classified as held-to-maturity. Held-to-maturity securities were recorded at amortized cost.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Securities are classified in Level 1 of the valuation hierarchy when quoted prices in an active market for identical securities are available. If quoted market prices are not available, fair values of securities are determined using prices from a pricing vendor, pricing models, quoted prices of securities with similar characteristics or discounted cash flow models and are generally classified in Level 2 of the valuation hierarchy. Our pricing vendor utilizes industry-standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. U.S. government and agency securities, certificates of deposit, commercial paper, and corporate debt securities are classified in Level 2 of the valuation hierarchy. Securities are classified in Level 3 of the valuation hierarchy in certain cases where there are unobservable inputs to the valuation in the marketplace.

Annually, we conduct a review of our pricing vendor. This review includes discussion and analysis of the inputs used by the pricing vendor to provide prices for the types of securities we hold.

An evaluation is made monthly to determine if unrealized losses related to non-trading investments in debt and equity securities are other than temporary. Factors considered in determining whether a loss on a debt security is other than temporary include: (1) the length of time and extent to which the fair value has been below cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent to sell or likelihood to be forced to sell the security before any anticipated recovery. Prior to April 1, 2009 Old GM considered its ability and intent to hold the investment for a sufficient period of time to allow for any anticipated recovery. Factors considered in determining whether a loss on an equity security is other than temporary include the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and the ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If losses are determined to be other than temporary, the loss is recorded and the investment carrying amount is adjusted to a revised fair value.

**Derivative Instruments**

We are party to a variety of foreign currency exchange rate, interest rate and commodity derivative contracts entered into in connection with the management of exposure to fluctuations in foreign currency exchange rates, interest rates and certain commodity prices. These financial exposures are managed in accordance with corporate policies and procedures and a risk management control system is used to assist in monitoring hedging programs, derivative positions and hedging strategies. Hedging documentation includes hedging objectives, practices and procedures and the related accounting treatment. Derivatives that received hedge accounting treatment prior to October 1, 2008 were evaluated for effectiveness at the time they were designated as well as throughout the hedging period. We do not hold derivative financial instruments for speculative purposes.

All derivatives are recorded at fair value in the consolidated balance sheets. Internal models are used to value a majority of derivatives. The models use, as their basis, readily observable market inputs, such as time value, forward interest rates, volatility factors, and current and forward market prices for commodities and foreign currency exchange rates. In Level 2 of the valuation hierarchy, we include foreign currency derivatives, commodity derivatives, interest rate swaps, cross currency swaps and warrants. Derivative contracts that are valued based upon models with significant unobservable market inputs, primarily estimated forward and prepayment rates, are classified in Level 3 of the valuation hierarchy. In Level 3 of the valuation hierarchy, we include warrants issued to the UST, certain foreign currency derivatives, certain long-dated commodity derivatives and interest rate swaps with notional amounts that fluctuated over time.

The valuation of derivative liabilities takes into account our nonperformance risk. For the periods presented after June 1, 2009, our nonperformance risk was not observable through the credit default swap market, and an analysis of comparable industrial companies was used to determine the appropriate credit spread which would be applied to us by market participants. In these periods, all derivatives whose fair values contained a significant credit adjustment based on our nonperformance risk were classified in Level 3 of the valuation hierarchy.

We recorded the earnings effect resulting from the change in fair value of all derivative instruments not receiving hedge accounting in Interest income and other non-operating income, net.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Prior to October 1, 2008 Old GM recorded effective changes in fair value of derivatives designated as cash flow hedges in net unrealized gains (losses) on derivatives within a separate component of Accumulated other comprehensive income (loss). Amounts were reclassified from Accumulated other comprehensive income (loss) when the underlying hedged item affected earnings. All ineffective changes in fair value were recorded in earnings. Prior to October 1, 2008 changes in fair value of derivatives designated as fair value hedges were recorded in earnings offset by changes in fair value of the hedged item to the extent the derivative was effective as a hedge. Changes in fair value of derivatives not designated as hedging instruments were recorded in earnings. The earnings effect resulting from the change in fair value of derivative instruments was recorded in the same line item in the consolidated statements of operations as the underlying exposure being hedged.

As part of Old GM's quarterly tests for hedge effectiveness in the three months ended December 31, 2008, Old GM was unable to conclude that its cash flow and fair value hedging relationships continued to be highly effective. Therefore, Old GM discontinued the application of hedge accounting for derivative instruments used in cash flow and fair value hedging relationships. Accordingly, all derivatives were recorded at fair value in the consolidated balance sheets and subsequent changes in fair value of derivatives were recorded in earnings. Certain releases of deferred gains and losses arising from previously designated cash flow and fair value hedges were also recorded in earnings by Old GM. The earnings effect resulting from the change in fair value of derivative instruments was recorded in the same line item in the consolidated statements of operations as the underlying exposure being hedged.

The cash flows from derivative instruments receiving hedge accounting treatment are classified in the same categories as the hedged items in the consolidated statement of cash flows.

Refer to Note 20 for additional information related to derivative transactions.

**Income Taxes**

The liability method is used in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, using the statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recorded in the results of operations in the period that includes the enactment date under the law.

Deferred income tax assets are evaluated quarterly to determine if valuation allowances are required or should be adjusted. All available evidence, both positive and negative using a more likely than not standard, is considered to determine if valuation allowances should be established against deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, previous experience with tax attributes expiring unused and tax planning alternatives. In making such judgments, significant weight is given to evidence that can be objectively verified.

The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income in the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The following possible sources of taxable income have been considered when assessing the realization of deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

Income tax expense (benefit) for the year is allocated between continuing operations and other categories of income such as Discontinued operations or Other comprehensive income (loss). In periods in which there is a pre-tax loss from continuing operations



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

and pre-tax income in another income category, the tax benefit allocated to continuing operations is determined by taking into account the pre-tax income of other categories.

We record interest and penalties on uncertain tax positions in Income tax expense (benefit). Old GM recorded interest income on uncertain tax positions in Interest income and Other non-operating income, net, interest expense in Interest expense and penalties in Selling, general and administrative expense.

**Pension and Other Postretirement Plans**

***Attribution, Methods and Assumptions***

The cost of benefits provided by defined benefit pension plans is recorded in the period employees provide service. The cost of pension plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be: (1) the duration of the applicable collective bargaining agreement specific to the plan; (2) expected future working lifetime; or (3) the life expectancy of the plan participants.

The cost of medical, dental, legal service and life insurance benefits provided through postretirement benefit plans is recorded in the period employees provide service. The cost of postretirement plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be the average expected future working lifetime to full eligibility or the average life expectancy of the plan participants.

U.S. salaried retiree medical plan amendments on or after July 2008 are amortized over the period to full eligibility and actuarial gains and losses are amortized over the average remaining years of future service.

Actuarial (gains) losses and new prior service costs (credits) for the U.S. hourly healthcare plans are currently amortized over a time period corresponding with the average life expectancy of the plan participants.

An expected return on plan asset methodology is utilized to calculate future pension expense for certain significant funded benefit plans. A market-related value of plan assets methodology is also utilized that averages gains and losses on the plan assets over a period of years to determine future pension expense. The methodology recognizes 60.0% of the difference between the fair value of assets and the expected calculated value in the first year and 10.0% of that difference over each of the next four years.

The discount rate assumption is established for each of the retirement-related U.S. benefit plans at their respective measurement dates. We use a cash flow matching approach, also called a spot rate yield curve approach, that uses projected cash flows matched to spot rates along a zero coupon yield curve to determine the present value of cash flows to calculate a single equivalent discount rate. Old GM established a discount rate assumption to reflect the yield of a hypothetical portfolio of high quality, fixed-income debt instruments that would produce cash flows sufficient in timing and amount to satisfy projected future benefits.

The discount rate assumption is established for each of the retirement-related non-U.S. benefit plans at their respective measurement dates utilizing published indices with adjustments made to reflect the underlying duration of expected benefit payments.

***Plan Asset Valuation***

Due to the lack of timely available market information for certain investments and the inherent uncertainty of valuation, reported fair values may differ from fair values that would have been used had timely available market information been available.

**Cash equivalents and other short-term investments**

Money market funds and other similar short-term investment funds are valued using the net asset value (“NAV”) per share as provided by the investment sponsor or third party administrator. Prices for short-term debt securities are received from independent

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

pricing services or from dealers who make markets in such securities. Independent pricing services utilize matrix pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices. Cash equivalents and other short-term investments are generally categorized as Level 2 in the fair value hierarchy.

Common and preferred stock

Equity securities for which market quotations are readily available are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the fair value hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the last quoted bid price or may be valued using the last available price and are typically categorized as Level 2 in the fair value hierarchy. Level 3 securities are typically thinly traded, delisted, or privately issued securities or other issues that are priced by a dealer or pricing service using inputs such as aged (stale) pricing, and/or other qualitative factors. Additionally, management may consider other security attributes such as liquidity and market activity in assessing the observability of inputs used by pricing services or dealers, which may affect placement in the fair value hierarchy.

Government and agency debt securities and corporate debt securities

U.S. government and government agency obligations, foreign government and government agency obligations, municipal securities, supranational obligations, corporate bonds, bank notes, floating rate notes, and preferred securities, are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize matrix pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices and are generally categorized as Level 2 in the fair value hierarchy. Securities categorized as Level 3 are typically priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of yield and credit spread assumptions. Additionally, management may consider other security attributes such as liquidity, market activity, price level, credit ratings and geo-political risk, in assessing the observability of inputs used by pricing services or dealers, which may affect placement in the fair value hierarchy.

Agency and non-agency mortgage and other asset-backed securities

U.S. and foreign government agency mortgage and asset-backed securities, non-agency collateralized mortgage obligations, commercial mortgage securities, residential mortgage securities and other asset-backed securities are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize matrix pricing which considers prepayment speed assumptions, attributes of the collateral, yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices and are generally categorized as Level 2 in the fair value hierarchy. Securities categorized as Level 3 are typically priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs primarily consist of prepayment curves, discount rates, default assumptions and recovery rates. Additionally, management may consider other security attributes such as liquidity, market activity, price level, credit ratings and geo-political risk, in assessing the observability of inputs used by pricing services or dealers, which may affect placement in the fair value hierarchy.

Investment funds, Private equity and debt investments, and Real estate assets

Exchange traded funds and real estate investment trusts, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the fair value hierarchy. Other funds, direct investments, and certain special purpose entities (e.g., limited partnerships, limited liability companies), for which market quotations are not readily available, are valued using the NAV per share (or its equivalent) provided by the investment sponsor or third party administrator. In certain instances, such as if it is concluded a reported NAV does not reflect fair value or is not as of the financial reporting measurement date, management will

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

consider whether an adjustment to the NAV is necessary to ensure the valuation accurately reflects fair value. Generally, in determining whether an adjustment to the reported NAV is required, management will review material factors that could affect valuation, such as changes to the composition or performance of the underlying investment portfolio, overall market conditions and other economic factors that may possibly have a favorable or unfavorable effect on the reported NAV between the NAV calculation date and the financial reporting measurement date and make any adjustments as deemed necessary. Funds and special purpose entities for which market quotations are not readily available are typically categorized as Level 3 in the fair value hierarchy due to the inherent restrictions on redemptions that may affect our ability to sell the investment at its NAV in the near term. Investment funds that do not have significant redemption restrictions are typically Level 2 in the fair value hierarchy.

Derivatives

Exchange traded derivatives, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the fair value hierarchy. Over-the-counter (OTC) derivatives are typically valued through independent pricing services and are generally categorized as Level 2 in the fair value hierarchy. Derivatives categorized as Level 3 are typically priced by dealers and pricing services that use proprietary pricing models which incorporate unobservable inputs. These inputs include extrapolated or model derived assumptions such as volatilities and yield and credit spread assumptions.

**Early Retirement Programs**

An early retirement program was offered to certain German employees that allows these employees to transition from employment into retirement before their legal retirement age. Eligible employees who elect to participate in this pre-retirement leave program work full time in half of the pre-retirement period, the active period, and then do not work for the remaining half, the inactive period, and receive 50.0% of their salary in this pre-retirement period. These employees also receive a bonus equal to 35.0% of their annual net pay at the beginning of the pre-retirement period. Contributions were required to be made into the government pension program for participants in the pre-retirement period, and participants are entitled to a government subsidy if certain conditions are met. The bonus and additional contributions into the government pension plan were recognized over the period from when the employee signed the program contract until the end of the employee's active service period.

**Extended Disability Benefits**

Estimated extended disability benefits are accrued ratably over the employee's active service period using measurement provisions similar to those used to measure our other postemployment benefits (OPEB) obligations. The liability is comprised of the future obligations for income replacement, healthcare costs and life insurance premiums for employees currently disabled and those in the active workforce who may become disabled. Future disabilities are estimated in the current workforce using actuarial methods based on historical experience. We record actuarial gains and losses immediately in earnings. Old GM amortized net actuarial gains and losses over the remaining duration of the obligation.

**Labor Force**

On a worldwide basis, we have and Old GM had a concentration of the workforce working under the guidelines of unionized collective bargaining agreements. The current labor contract with the UAW is effective for a four-year term that began in October 2007 and expires in September 2011. The contract included a \$3,000 lump sum payment in the year ended 2007 and performance bonuses of 3.0%, 4.0% and 3.0% of wages in the years ended 2008, 2009 and 2010 for each UAW employee. These payments are amortized over the 12-month period following the respective payment dates. Active UAW employees and current retirees and surviving spouses were also granted pension benefit increases. In February 2009 Old GM and the UAW agreed to suspend the 2009 and 2010 performance bonus payments.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Job Security Programs**

In May 2009 Old GM and the UAW entered into an agreement that suspended the Job Opportunity Bank (JOBS) Program, modified the Supplemental Unemployment Benefit (SUB) program and added the Transitional Support Program (TSP). These job security programs provide employee reduced wages and continued coverage under certain employee benefit programs depending on the employee's classification as well as the number of years of service that the employee has accrued. A similar tiered benefit is provided to CAW employees. We recognize a liability for these SUB/TSP benefits over the expected service period of employees, based on our best estimate of the probable liability at the measurement date.

Prior to the implementation of the modified job security programs, costs for postemployment benefits to hourly employees idled on an other than temporary basis were accrued based on our best estimate of the wage, benefit and other costs to be incurred, and costs related to the temporary idling of employees were generally expensed as incurred.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Stock Incentive Plans**

***GM***

We measure and record compensation expense for all share-based payment awards based on the award's estimated fair value. We intend to grant awards to our employees through the 2009 Long Term Incentive Plan and have granted and will continue to grant awards under the GM Salary Stock Plan. Our policy is to record compensation expense over the applicable vesting period of an award.

The fair value of awards granted is based on the estimated fair value of our common stock. Since there currently is no observable publicly traded price for our common stock, we estimate the value of our common stock based on a discounted cash flow model. Refer to Note 29 for additional information.

Salary stock awards granted are fully vested and nonforfeitable upon grant, therefore compensation cost is recorded on the date of grant.

***Old GM***

All of Old GM's awards for the period January 1, 2009 through July 9, 2009, and the years ended 2008 and 2007 were accounted for at fair value, and compensation expense was recorded based on the award's estimated fair value. No share-based compensation expense was recorded for the top 25 most highly compensated employees in the year ended 2009, in compliance with the Loan and Security Agreement with the UST.

Stock options granted were measured on the date of grant using the Black-Scholes option-pricing model to determine fair value. Compensation expense was recorded on a graded vesting schedule. Old GM issued treasury shares upon exercise of employee stock options.

Option awards contingent on performance and market conditions were measured on the date of grant using a Monte-Carlo simulation model to determine fair value. Vesting was contingent upon a one-year service period and multiple performance and market requirements and was recorded on a graded vesting schedule over a weighted average derived service period.

Market condition based cash-settled awards were granted to participants based on a minimum percentile ranking of Old GM's total stockholder return compared to all other companies in the S&P 500 for the same performance period. The fair value of each market condition based cash-settled award was estimated on the date of grant, and for each subsequent reporting period, remeasured using a Monte-Carlo simulation model that used multiple input variables.

Cash restricted stock units were granted to certain of Old GM's global executives that provided cash equal to the value of underlying restricted share units at predetermined vesting dates. Compensation expense was recorded on a straight-line basis over the requisite service period for each separately vesting portion of the award. The fair value of each cash-settled award was remeasured at the end of each reporting period and the liability and related expense adjusted based on the new fair value of Old GM's common stock.

All outstanding Old GM awards remained with Old GM and they were not replaced by us in the 363 Sale.

**Recently Adopted Accounting Principles**

***Accounting for Uncertainty in Income Taxes***

In January 2007 Old GM adopted the provisions of ASC 740-10, "Income Taxes," related to uncertain tax positions. ASC 740 requires that the tax effect(s) of a position be recorded only if it is more likely than not to be sustained based solely on its technical

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

merits at the reporting date. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits of the tax position are recorded. With the adoption of ASC 740, companies were required to adjust their financial statements to reflect only those tax positions that are more likely than not to be sustained. Upon adoption, Old GM recorded a decrease to Accumulated deficit of \$137 million as a cumulative effect of a change in accounting principle with a corresponding decrease to the liability for uncertain tax positions.

***Fair Value Measurements***

In January 2009 Old GM adopted ASC 820-10, “Fair Value Measurements and Disclosures” for nonfinancial assets and nonfinancial liabilities that are recorded or disclosed at fair value in the financial statements on a nonrecurring basis. ASC 820-10 provides a consistent definition of fair value that focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over company-specific inputs. The effect of Old GM’s adoption of ASC 820-10 in January 2009 for nonfinancial assets and nonfinancial liabilities was not material and no adjustment to Accumulated deficit was required.

In April 2009 the Financial Accounting Standards Board (FASB) provided additional application and disclosure guidance regarding fair value measurements and impairments of debt securities. ASC 320-10, “Investments — Debt and Equity Securities,” was amended and modified the other than temporary impairment guidance for debt securities and the presentation and disclosure requirements for all other than temporary impairments. ASC 820-10 was further amended and provides guidelines for consistently determining fair value measurements when the volume and level of activity for an asset or liability has significantly decreased, and provides guidance on identifying circumstances that indicate that a transaction is not orderly. ASC 825-10, “Financial Instruments” was also amended to expand fair value disclosures to interim reporting periods for certain financial instruments not recorded at fair value in the statement of financial position. Old GM adopted these standards in June 2009. The adoption of these standards did not have a material effect on the consolidated financial statements.

In September 2009 the FASB issued Accounting Standards Update (ASU) 2009-12, “Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),” which permits a reporting entity to utilize, without adjustment, the NAV provided by a third party investee as a practical expedient to measure the fair value of certain investments. We adopted this standard in December 2009. ASU 2009-12 did not have a material effect on the consolidated financial statements.

In October 2009 we adopted ASU 2009-5, “Measuring Liabilities at Fair Value.” ASU 2009-5 provides additional guidance for the fair value measurement of liabilities. The adoption did not have a material effect on our consolidated financial statements.

In December 2009 we adopted disclosure updates to ASC 715-20, “Employers’ Disclosures about Postretirement Benefit Plan Assets,” that requires the following additional disclosures about plan assets for a defined benefit or postretirement plan: (1) narrative providing greater insight as to investment policies and strategies; (2) the fair value of pension plan assets by major category; (3) inputs and valuation techniques used to develop fair value measurement; and (4) discussion of concentration of risk. Refer to Note 19 for additional information on the adoption of this guidance.

***Business Combinations***

In January 2009 Old GM adopted the revised ASC 805, “Business Combinations,” which retained the underlying concepts of existing standards that all business combinations be accounted for at fair value under the acquisition method of accounting. However, ASC 805 changes the method of applying the acquisition method in a number of significant aspects. It requires that: (1) for all business combinations, the acquirer record all assets and liabilities of the acquired business, including goodwill, generally at their fair values; (2) certain pre-acquisition contingent assets and liabilities acquired be recorded at their fair values on the acquisition date; (3) contingent consideration be recorded at its fair value on the acquisition date and, for certain arrangements, changes in fair value be recorded in earnings until settled; (4) acquisition-related transaction and restructuring costs be expensed rather than treated as part of the cost of the acquisition and included in the amount recorded for assets acquired; (5) in step acquisitions, previous equity interests in an acquiree held prior to obtaining control be remeasured to their acquisition-date fair values, with any gain or loss recorded in

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earnings; and (6) when making adjustments to finalize initial accounting, companies revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they had been recorded on the acquisition date. ASC 805 amended ASC 740, such that adjustments made to valuation allowances on deferred tax assets and acquired tax contingencies associated with acquisitions that closed prior to the effective date of ASC 805 should also apply the provisions of this standard. This standard applies to all business combinations entered into on or after January 1, 2009. In connection with the application of fresh-start reporting, we applied the guidance in this standard.

In January 2009 Old GM also adopted other amendments to ASC 805, related to the initial recognition and measurement, subsequent measurement and disclosures for assets and liabilities arising from contingencies in business combinations. In connection with our application of fresh-start reporting, we applied this guidance when measuring contingent assets and liabilities.

In January 2009 Old GM adopted amendments to ASC 350, “Intangibles — Goodwill and Other,” and ASC 805 which clarified the accounting for defensive intangible assets. In connection with our application of fresh-start reporting, we applied this guidance when measuring and recording defensive intangible assets (e.g., Pontiac and Saturn brands).

In January 2009 Old GM also adopted amendments to ASC 275, “Risks and Uncertainties,” and ASC 350 which provided new guidance for the determination of the useful life of intangible assets. The new guidance amended the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset. In connection with our application of fresh-start reporting, we applied this guidance in selecting estimated useful lives for intangible assets.

***Noncontrolling Interests in Consolidated Financial Statements***

In January 2009 Old GM adopted certain amendments to ASC 810-10, “Consolidation,” that govern the accounting for and reporting of noncontrolling interests in partially-owned consolidated subsidiaries and the loss of control of subsidiaries. Also, this standard requires that: (1) noncontrolling interest, previously referred to as minority interest, be reported as part of equity in the consolidated financial statements; (2) losses be allocated to a noncontrolling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest; (3) changes in ownership interests be treated as equity transactions if control is maintained; (4) changes in ownership interests resulting in gain or loss be recorded in earnings if control is gained or lost; and (5) in a business combination, a noncontrolling interest’s share of net assets acquired be recorded at fair value, including its share of goodwill. The provisions of this standard were prospective upon adoption, except for the presentation and disclosure requirements. The presentation and disclosure requirements have been applied retrospectively for all periods presented. Accordingly, prior period amounts have been adjusted to apply the new method of accounting.

***Accounting for Convertible Debt Instruments***

In January 2009 Old GM adopted ASC 470-20, “Debt with Conversion and Other Options,” which requires issuers of convertible debt securities within its scope to separate these securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs are allocated between the debt and equity components. ASC 470-20 requires that convertible debt within its scope reflect a company’s nonconvertible debt borrowing rate when interest expense is recorded. The provisions of ASC 470-20 have been applied retrospectively upon adoption, and prior period amounts have been adjusted to apply the new method of accounting. As a result of the adoption of ASC 470-20, Interest expense increased and Net income attributable to common stockholders decreased by \$50 million in the period January 1, 2009 through July 9, 2009. Net Income attributable to common stockholders, per share, basic and diluted decreased by \$0.08 in the period January 1, 2009 through July 9, 2009. Effective July 10, 2009 MLC retained Old GM’s convertible debt. As a result, there was no effect on Interest expense, Net loss attributable to common stockholders, and Net loss attributable to common stockholders, per share, basic and diluted in the period July 10, 2009 through December 31, 2009 upon the adoption of ASC 470-20.

***Accounting Standards Not Yet Adopted***

In June 2009 the FASB issued certain amendments to ASC 860-10, “Transfers and Servicing.” ASC 860-10 eliminates the concept of a qualifying special-purpose entity (SPE), establishes a new definition of participating interest that must be met for transfers of

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portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer of financial assets to be accounted for as a sale, and changes the amount that can be recorded as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. This statement is effective for financial asset transfers occurring after the beginning of a reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. The adoption of this standard will not have a material affect on the consolidated financial statements.

In June 2009 the FASB issued an amendment to ASC 810-10. This amendment requires an enterprise to qualitatively assess the determination of the primary beneficiary of a VIE based on whether the enterprise: (1) has the power to direct the activities of a VIE that most significantly effect the entity's economic performance; and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810-10, as amended, requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. This statement is effective as of the beginning of a reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. Retrospective application is optional. We are currently evaluating the effects, if any, that ASC 810-10 will have on the consolidated financial statements.

In September 2009 the FASB issued ASU 2009-13, "Multiple-Deliverable Revenue Arrangements." ASU 2009-13 addresses the unit of accounting for multiple-element arrangements. In addition, ASU 2009-13 revises the method by which consideration is allocated among the units of accounting. Specifically, the overall consideration is allocated to each deliverable by establishing a selling price for individual deliverables based on a hierarchy of evidence, involving vendor-specific objective evidence, other third party evidence of the selling price, or the reporting entity's best estimate of the selling price of individual deliverables in the arrangement. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently evaluating the effects, if any, that ASU 2009-13 will have on the consolidated financial statements.

**Note 5. Acquisition and Disposal of Businesses**

**Sale of India Operations**

In December 2009 we and SAIC Motor Hong Kong Investment Limited (SAIC) entered into a joint venture (HKJV) to invest in automotive projects outside of markets in China, initially focusing on markets in India. On February 1, 2010 HKJV purchased certain of our operations in India (India Operations), part of our GMIO segment, in exchange for a promissory note due in 2013, the value of which is contingent on the India Operation's earnings before interest and taxes in the years ending 2010 through 2012.

As a result of the sale agreement, the India Operation's assets and liabilities were classified as held for sale at December 31, 2009 and were determined to be non-current because we received a promissory note in exchange for the India Operations that will not convert to cash within one year. The India Operation's total assets of \$530 million primarily included cash and cash equivalents, accounts receivable, inventory, and real estate, plants and equipment. Its total liabilities of \$270 million primarily included accounts payable and other accrued liabilities.

**Acquisition of Delphi Businesses**

In July 2009 we entered into the Delphi Master Disposition Agreement (DMDA) with Delphi Corporation (Delphi) and other parties. Under the DMDA, we agreed to acquire Delphi's global steering business (Nexteer), which supplies us and other Original Equipment Manufacturers (OEMs) with steering systems and columns, and four domestic facilities that manufacture a variety of automotive components, primarily sold to us. In addition, we and several third party investors who held the Delphi Tranche DIP facilities (collectively the Investors) agreed to acquire substantially all of Delphi's remaining assets through DIP HOLDCO, LLP, subsequently named Delphi Automotive LLP (New Delphi). Certain excluded assets and liabilities have been retained by a Delphi entity (DPH) to be sold or liquidated. In connection with the DMDA, we agreed to pay or assume Delphi obligations of \$1.0 billion related to Delphi's senior DIP credit facility, including certain outstanding derivative instruments, its junior DIP credit facility, and



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other Delphi obligations, including certain administrative claims. At the closing of the transactions contemplated by the DMDA, we waived administrative claims associated with the advance agreements with Delphi, the payment terms acceleration agreement with Delphi, and the claims associated with previously transferred pension costs for hourly employees. Refer to Note 21 for additional information on the DMDA.

We agreed to acquire, prior to the consummation of the transactions contemplated by the DMDA, all Class A Membership Interests in New Delphi for a cash contribution of \$1.7 billion with the Investors acquiring Class B Membership Interests and the PBGC receiving Class C Membership Interests. We and the Investors also agreed to establish: (1) a secured delayed draw term loan facility for New Delphi, with us and the Investors each committing to provide loans of up to \$500 million; and (2) a note of \$41 million to be funded at closing by the Investors. In addition, the DMDA settled outstanding claims and assessments against and from MLC, us and Delphi, including the settlement of commitments under the MRA (as defined in Note 21) with limited exceptions, and establishes an ongoing commercial relationship with New Delphi. We also agreed to continue all existing Delphi supply agreements and purchase orders for GMNA to the end of the related product program, and New Delphi agreed to provide us with access rights designed to allow us to operate specific sites on defined triggering events to provide us with protection of supply.

In October 2009 we consummated the transactions contemplated by the DMDA. The terms of the DMDA provided a means for Delphi to emerge from bankruptcy and to effectively serve its customers by focusing on its core business. The DMDA also enabled us to access essential components and steering technologies through the businesses we acquired.

We funded the acquisitions, transaction related costs and settlements of certain pre-existing arrangements through net cash payments of \$2.7 billion and assumption of liabilities and wind-down obligations of \$120 million. Additionally, we waived our rights to \$550 million and \$300 million previously advanced to Delphi under the advance agreements and the payment terms acceleration agreement and our rights to claims associated with previously transferred pension costs for hourly employees. Of these amounts, we contributed \$1.7 billion to New Delphi and paid the Pension Benefit Guarantee Corporation (PBGC) \$70 million.

The terms of the DMDA resulted in the settlement of certain obligations related to various commitments accrued as of the transaction date under the Delphi-GM Settlement Agreements. A settlement loss of \$127 million was recorded upon consummation of the DMDA. Additional net charges of \$49 million were recorded in the three months ended December 31, 2009 associated with the DMDA. Refer to Note 21 for additional information on the Delphi-GM Settlement Agreements.

The following table summarizes the consideration provided under the DMDA and the allocation to its various elements based on their estimated fair values (dollars in millions):

	<u>Successor October 6, 2009</u>
Net cash paid	\$ 2,656
Waived advance agreements, payment terms acceleration agreement and other administrative claims (a)	966
Wind-down obligations and assumed liabilities	120
Total consideration provided	<u>\$ 3,742</u>
Fair value of Nexteer and four facilities	\$ 287
Fair value of Class A Membership Interests in New Delphi	1,912
Separately acquired assets of Delphi	41
Settlement of obligation to PBGC	387
Settlement of other obligations to Delphi	1,066
Expenses of the transaction	49
Allocation of fair value to DMDA elements	<u>\$ 3,742</u>

(a) Previously advanced amounts of \$850 million and value of other administrative claims of \$116 million.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Class A Membership Interests in New Delphi are accounted for using the equity method of accounting. Refer to Note 10 for additional information on our Membership Interests in New Delphi.

The following table summarizes the amounts allocated to the fair value of the assets acquired and liabilities assumed of Nexteer and the four domestic facilities, which are included in the results of our GMNA segment (dollars in millions):

	<u>Successor</u> <u>October 6,</u> <u>2009</u>
Cash and cash equivalents	\$ 40
Accounts and notes receivable, net	541
Inventories	245
Other current assets and deferred income taxes	28
Property, net	202
Deferred income taxes	39
Other assets	3
Goodwill (a)	61
Accounts payable (principally trade)	(316)
Short-term debt and current portion of long-term debt	(67)
Accrued expenses	(101)
Long-term debt	(10)
Other liabilities and deferred income taxes	(364)
Noncontrolling interests	(14)
Fair value of Nexteer and four domestic facilities	<u>\$ 287</u>

(a) Goodwill of \$61 million arises from the difference between the economic value of long-term employee related liabilities and their recorded amounts at the time of acquisition and deferred taxes. Goodwill deductible for tax purposes is \$646 million. The difference between book goodwill and tax goodwill results from different allocations for tax purposes than that utilized for book purposes.

Nexteer and the four domestic facilities had revenue of \$3.7 billion in the year ended December 31, 2008 of which 68% was related to sales to Old GM. Furthermore, through the terms of the MRA, we provided Delphi labor cost subsidies and production cash burn support to many of the facilities acquired. Refer to Note 21 for additional information on the MRA. Since we and Old GM accounted for a significant portion of Nexteer's and the four domestic facilities' sales and because we were providing subsidies to Delphi related to these facilities, the acquisition of these businesses will not have a significant effect on our financial results as the costs associated with these facilities have historically been reflected as inventory costs and recorded in Cost of sales. Additionally, we did not provide pro forma financial information because we do not believe this information would be material given the intercompany nature of Nexteer and the four domestic facilities sales activity.

In January 2010 we announced that we intend to pursue a sale of Nexteer.

**Saab Bankruptcy and Sale**

In February 2009 Saab, part of the GME segment, filed for protection under the reorganization laws of Sweden in order to reorganize itself into a stand-alone entity. Old GM determined that the reorganization proceeding resulted in a loss of the elements of control necessary for consolidation and therefore Old GM deconsolidated Saab in February 2009. Old GM recorded a loss of \$824 million in Other expenses related to the deconsolidation. The loss reflects the remeasurement of Old GM's net investment in Saab to its estimated fair value of \$0, costs associated with commitments and obligations to suppliers and others, and a commitment to

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provide up to \$150 million of DIP financing. We acquired Old GM's investment in Saab in connection with the 363 Sale. In August 2009 Saab exited its reorganization proceeding, and we regained the elements of control and consolidated Saab at an insignificant net book value.

At September 30, 2009 we had obtained approval from our Board of Directors, met other necessary criteria to classify Saab's assets and liabilities as held for sale and had identified Koenigsegg Group AB as a potential buyer. In November 2009 the proposed sale of Saab was terminated at the discretion of the buyer. Subsequent to the conclusion of negotiations with Koenigsegg Group AB, our Board of Directors received expressions of interest in Saab from potential buyers including Spyker Cars NV. In February 2010 we completed the sale of Saab to Spyker Cars NV. As part of the agreement, Saab and Spyker Cars NV will operate under the Spyker Cars NV umbrella and Spyker Cars NV will assume responsibility for Saab operations. Previously announced wind-down activities of Saab operations have ended.

Saab's assets and liabilities are classified as held for sale at December 31, 2009. Saab's total assets of \$388 million include cash and cash equivalents, inventory and receivables, and its total liabilities of \$355 million include accounts payable, warranty and pension obligations and other liabilities.

**Sale of Allison Transmission Business**

In August 2007 Old GM completed the sale of the commercial and military operations of its Allison business, formerly a division of Old GM's Powertrain Operations. The negotiated purchase price of \$5.6 billion in cash plus assumed liabilities was paid at closing. The purchase price was subject to adjustment based on the amount of Allison's net working capital and debt on the closing date, which resulted in an adjusted purchase price of \$5.4 billion. A gain on the sale of Allison in the amount of \$5.3 billion, \$4.3 billion after-tax, inclusive of the final purchase price adjustments, was recorded in the year ended 2007. Allison designs and manufactures commercial and military automatic transmissions and is a global provider of commercial vehicle automatic transmissions for on-highway vehicles, including trucks, specialty vehicles, buses and recreational vehicles, off-highway and military vehicles, as well as hybrid propulsion systems for transit buses. Old GM retained the Powertrain Operations' facility near Baltimore, Maryland which manufactures automatic transmissions primarily for trucks and hybrid propulsion systems.

The results of operations and cash flows of Allison have been reported in the consolidated financial statements as Discontinued operations in the year ended 2007. Historically, Allison was reported within GMNA.

The following table summarizes the results of discontinued operations (dollars in millions):

	<u>Predecessor Year Ended December 31, 2007</u>
Net sales	\$ 1,225
Income from discontinued operations before income taxes	\$ 404
Income tax provision	\$ 148
Income from discontinued operations, net of tax	\$ 256
Gain on sale of discontinued operations, net of tax	\$ 4,293

As part of the transaction, Old GM entered into an agreement, which we assumed in the 363 Sale, with the buyers of Allison whereby Old GM may provide the new parent company of Allison with contingent financing of up to \$100 million. Such financing would be made available if, during a defined period of time, Allison was not in compliance with its financial maintenance covenant under a separate credit agreement. Old GM's financing would be contingent on the stockholders of the new parent company of Allison committing to provide an equivalent amount of funding to Allison, either in the form of equity or a loan, and, if a loan, such loan would be granted on the same terms as Old GM's loan to the new parent company of Allison. At December 31, 2009 we have not provided financing pursuant to this agreement. This commitment expires on December 31, 2010. Additionally, both parties have entered into non-compete arrangements for a term of 10 years in the United States and for a term of five years in Europe.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 6. Marketable Securities**

The following tables summarize information regarding investments in marketable securities (dollars in millions):

	Successor		
	December 31, 2009		
	Unrealized Gains	Unrealized Losses	Fair Value
Trading securities:			
Equity	\$ 4	\$ 2	\$ 32
United States government and agencies	1	—	17
Mortgage-and asset-backed	—	2	22
Foreign government	1	—	24
Corporate debt	1	1	29
Total trading securities	<u>\$ 7</u>	<u>\$ 5</u>	<u>\$124</u>

	Successor				Predecessor			
	December 31, 2009				December 31, 2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:								
Equity	\$ —	\$ —	\$ —	\$ —	\$ 24	\$ —	\$ —	\$ 24
United States government and agencies	2	—	—	2	4	—	—	4
Mortgage-and asset-backed	—	—	—	—	65	1	—	66
Certificates of deposit	8	—	—	8	11	—	—	11
Foreign government	—	—	—	—	19	—	—	19
Corporate debt	—	—	—	—	17	—	—	17
Total available-for-sale securities	<u>\$10</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10</u>	<u>\$140</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$141</u>

We and Old GM maintained \$79 million of the above securities as compensating balances to support letters of credit of \$66 million at December 31, 2009 and 2008. We and Old GM had access to these securities in the normal course of business; however the letters of credit may be withdrawn if the minimum collateral balance is not maintained.

In addition to the securities previously discussed, securities of \$11.2 billion and \$4.0 billion with original maturity dates within 90 days of the acquisition date were classified as cash equivalents at December 31, 2009 and 2008 and securities of \$14.2 billion were classified as Restricted cash and marketable securities at December 31, 2009.

The following table summarizes proceeds from and realized gains and losses on disposals of investments in marketable securities classified as available-for-sale (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Sales proceeds	\$ 3	\$ 185	\$ 4,001	\$ 955
Realized gains	\$ —	\$ 3	\$ 44	\$ 10
Realized losses	\$ —	\$ 10	\$ 88	\$ 4

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the fair value of investments classified as available-for-sale securities by contractual maturity at December 31, 2009 (dollars in millions):

	Successor	
	Amortized Cost	Fair Value
<b>Contractual Maturities of Debt Securities</b>		
Due in one year or less	\$ 8	\$ 8
Due after one year through five years	2	2
Due after five years through ten years	—	—
Due after ten years	—	—
Total contractual maturities of debt securities	<u>\$ 10</u>	<u>\$ 10</u>

Refer to Note 25 for the amounts recorded as a result of other than temporary impairments on debt and equity securities.

**Note 7. Securitizations**

Receivables are generated from sales of vehicles through the dealer network, as well as from service parts and powertrain sales. Certain of these receivables are sold to wholly-owned bankruptcy-remote SPEs. The SPEs are separate legal entities that assume the risks and rewards of ownership of the receivables.

On-balance sheet securitization programs are entered into in which certain trade accounts receivable related to vehicle sales are isolated in wholly-owned bankruptcy-remote SPEs, which in turn pledge the receivables to lending institutions. The receivables pledged are not recorded separately from other trade accounts receivable but are recorded in Accounts and notes receivable, net. Borrowings are recorded in Short-term debt and current portion of long-term debt.

Certain trade accounts receivable related to vehicle sales to dealers primarily in the Middle East were pledged as collateral under an on-balance sheet securitization program. The amount of receivables pledged under this program was \$504 million at December 31, 2008. The outstanding borrowing under this program was \$395 million at December 31, 2008. This facility matured in April 2009 and was fully paid.

In September 2008 Old GM entered into a one-year revolving on-balance sheet securitization program related to vehicle sales to dealers in the United States. This program provided financing of up to \$197 million. The program replaced an off-balance sheet trade accounts receivable securitization facility that expired in September 2008. The outstanding borrowing under this program was \$140 million at December 31, 2008. The program was terminated in connection with the Chapter 11 Proceedings in June 2009; outstanding amounts were fully paid and lenders' liens on the receivables were released.

Trade receivable securitization programs are utilized in Europe. The banks and factoring companies had a beneficial interest of \$8 million and \$11 million in the participating pool of trade receivables at December 31, 2009 and December 31, 2008.

**Securitizations of Vehicles Subject to Automotive Retail Leases**

In connection with the 363 Sale, we acquired vehicles subject to automotive retail leases and assumed the outstanding secured debt previously held by two of Old GM's bankruptcy-remote SPEs. These entities issued secured debt collateralized by vehicles subject to automotive retail leases. The secured debt has recourse solely to the vehicles subject to automotive retail leases and related assets. The outstanding secured debt was \$19.8 million and \$1.2 billion at December 31, 2009 and 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 8. Inventories**

The following table summarizes the components of inventory (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
Productive material, work in process and supplies	\$ 4,201	\$ 4,849
Finished product, including service parts	5,906	9,579
Total inventories	10,107	14,428
Less LIFO allowance	—	(1,233)
Total inventories, net	<u>\$ 10,107</u>	<u>\$ 13,195</u>

The following table summarizes adjustments recorded to inventories as a result of LCM analyses (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>	<u>Predecessor</u>		
		<u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
LCM adjustments on inventories (a)	\$ 168	\$ 103	\$ 336	\$ 249

(a) Amounts represent LCM adjustments related to company vehicles and vehicles returned from lease awaiting sale at auction.

In the period January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007 Old GM's U.S. LIFO eligible inventory quantities were reduced. These reductions resulted in liquidations of LIFO inventory quantities, which were carried at lower costs prevailing in prior years as compared with the cost of purchases in the period January 1, 2009 through July 9, 2009, and in the years ended 2008 and 2007. These liquidations decreased Old GM's Cost of sales by \$5 million in the period January 1, 2009 through July 9, 2009 and by \$355 million and \$100 million in the years ended 2008 and 2007.

**Note 9. Equipment on Operating Leases, net**

Equipment on operating leases, net is comprised of vehicle sales to daily rental car companies and to retail customers.

The following table summarizes information related to Equipment on operating leases, net and the related accumulated depreciation (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
<b>Current</b>		
Equipment on operating leases	\$ 3,070	\$ 6,737
Less accumulated depreciation	(343)	(1,595)
Equipment on operating leases, net	<u>\$ 2,727</u>	<u>\$ 5,142</u>
<b>Noncurrent</b>		
Equipment on operating leases	\$ 3	\$ 674
Less accumulated depreciation	—	(232)
Equipment on operating leases, net	<u>\$ 3</u>	<u>\$ 442</u>

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The following table summarizes depreciation expense related to Equipment on operating leases, net (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Years Ended December 31, 2008	Years Ended December 31, 2007
Depreciation expense	\$ 437	\$ 338	\$ 1,575	\$ 2,350

Refer to Note 25 for additional information on impairments related to Equipment on operating leases, net.

We are to receive minimum rental payments for Equipment on operating leases, net of \$33 million in 2010 and \$0 thereafter. The minimum rental payments on vehicle sales to daily rental car companies are paid at lease inception.

**Note 10. Equity in Net Assets of Nonconsolidated Affiliates**

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used, due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

The following table summarizes information regarding equity in income (loss) of and disposition of interest in nonconsolidated affiliates (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
GMAC (a)	\$ —	\$ (1,097)	\$ 916	\$ (1,245)
Gain on conversion of UST GMAC Loan (b)	—	2,477	—	—
GMAC Common Membership Interest impairment charges (a)	—	—	(7,099)	—
Total equity in income (loss) of and disposition of interest in GMAC (a)	—	1,380	(6,183)	(1,245)
Other significant nonconsolidated affiliates (c)	466	298	312	430
New United Motor Manufacturing, Inc. (50%) (d)	—	(243)	(118)	(5)
Others	31	6	(8)	99
Total equity in income (loss) of and disposition of interest in nonconsolidated affiliates	<u>\$ 497</u>	<u>\$ 1,441</u>	<u>\$ (5,997)</u>	<u>\$ (721)</u>

(a) GMAC converted its status to a C corporation effective June 30, 2009. At that date, Old GM began to account for its investment in GMAC using the cost method rather than the equity method as Old GM could not exercise significant influence over GMAC. Prior to converting to a C corporation, Old GM's investment in GMAC was accounted for in a manner similar to an investment in a limited partnership and the equity method was applied because Old GM's influence was more than minor. In connection with GMAC's conversion into a C corporation, each unit of each class of GMAC Membership Interests was converted into shares of capital stock of GMAC with substantially the same rights and preferences as such Membership Interests.

(b) In May 2009 the UST exercised its option to convert the outstanding amounts owed on the UST GMAC Loan into shares of GMAC's Class B Common Membership Interests.

(c) Includes Shanghai General Motors Co., Ltd. (SGM) (50%), SAIC-GM-Wuling Automobile Co., Ltd. (SGMW) (34%).

(d) New United Motor Manufacturing (NUMMI) (50%) was retained by MLC as part of the 363 Sale.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Investment in SGM**

On July 10, 2009 our investments in SGM and its subsidiaries were adjusted to their fair values. Our investment in SGM was increased by fresh-start reporting adjustments of \$3.5 billion. This fair value adjustment of \$3.5 billion was allocated as follows: (1) goodwill of \$2.9 billion; (2) intangible assets of \$0.6 billion; and (3) property of \$38 million. The increase in basis related to intangible assets is being amortized on a straight-line basis over the remaining useful lives of the assets ranging from seven to 25 years, with amortization expense of \$24 million per year. The increase in basis related to property is being depreciated on a straight-line basis over the remaining useful lives of the assets ranging from three to 14 years, with depreciation expense of \$5 million per year.

**Investment in New Delphi**

In October 2009 we agreed to acquire, prior to the consummation of the transactions contemplated by the DMDA, all Class A Membership Interests in New Delphi. The New Delphi operating agreement contains specific “waterfall” provisions for the allocation of distributions among the Class A, Class B and Class C Membership Interests of New Delphi at varying percentages based on cumulative amounts of distributions. Once the cumulative amount distributed by New Delphi exceeds \$7.0 billion, our Class A Membership Interests will represent 35% of New Delphi with the Class B Membership Interests representing the remaining 65% of New Delphi’s equity. Our Class A Membership Interests entitles us to 49.12% of the first \$1.0 billion of cumulative distributions and 57.78% of the next \$1.0 billion of cumulative distributions. Additional distribution percentages are applied to specified distribution levels until the cumulative of \$7.0 billion has been distributed. New Delphi does not expect to pay any cash distributions for the foreseeable future. Refer to Note 5 for additional information on New Delphi and the DMDA.

**Investment in GMAC**

As part of the approval process for GMAC to obtain Bank Holding Company status in December 2008, Old GM agreed to reduce its ownership in GMAC to less than 10.0% of the voting and total equity of GMAC by December 24, 2011. At December 31, 2009 our equity ownership in GMAC was 16.6% as subsequently discussed.

In December 2008 Old GM and FIM Holdings, an assignee of Cerberus ResCap Financing LLC, entered into a subscription agreement with GMAC under which each agreed to purchase additional Common Membership Interests in GMAC, and the UST committed to provide Old GM with additional funding in order to purchase the additional interests. In January 2009 Old GM entered into the UST GMAC Loan Agreement pursuant to which it borrowed \$884 million (UST GMAC Loan) and utilized those funds to purchase 190,921 Class B Common Membership Interests of GMAC. The UST GMAC Loan was scheduled to mature in January 2012 and bore interest, payable quarterly, at the same rate of interest as the UST Loans. The UST GMAC Loan was secured by Old GM’s Common and Preferred Membership Interests in GMAC. As part of this loan agreement, the UST had the option to convert outstanding amounts into a maximum of 190,921 shares of GMAC’s Class B Common Membership Interests on a pro rata basis.

In May 2009 the UST exercised this option, the outstanding principal and interest under the UST GMAC Loan was extinguished, and Old GM recorded a net gain of \$483 million. The net gain was comprised of a gain on the disposition of GMAC Common Membership Interests of \$2.5 billion recorded in Equity in income (loss) of and disposition of interest in GMAC and a loss on extinguishment of the UST GMAC Loan of \$2.0 billion recorded in Gain (loss) on extinguishment of debt. After the exchange, Old GM’s ownership was reduced to 24.5% of GMAC’s Common Membership Interests.

GMAC converted its status to a C corporation effective June 30, 2009. At that date, Old GM began to account for its investment in GMAC using the cost method rather than the equity method as Old GM could not exercise significant influence over GMAC. Prior to converting to a C corporation, our investment in GMAC was accounted for in a manner similar to an investment in a limited partnership and the equity method was applied because our influence was more than minor. In connection with GMAC’s conversion into a C corporation, each unit of each class of GMAC Membership Interests was converted into shares of capital stock of GMAC with substantially the same rights and preferences as such Membership Interests. On July 10, 2009 we acquired the investments in GMAC’s common and preferred stocks in connection with the 363 Sale.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In December 2009 the UST made a capital contribution to GMAC of \$3.8 billion consisting of the purchase of trust preferred securities of \$2.5 billion and mandatory convertible preferred securities of \$1.3 billion. The UST also exchanged all of its existing GMAC non-convertible preferred stock for newly issued mandatory convertible preferred securities valued at \$5.3 billion. In addition the UST converted mandatory convertible preferred securities valued at \$3.0 billion into GMAC common stock. These actions resulted in the dilution of our investment in GMAC common stock from 24.5% to 16.6%, of which 6.7% is held directly and 9.9% is held in an independent trust. Pursuant to previous commitments to reduce influence over and ownership in GMAC, the trustee, who is independent of us, has the sole authority to vote and is required to dispose of our 9.9% ownership in GMAC common stock held in the trust by December 24, 2011.

The following tables summarize financial information of GMAC for the periods GMAC was accounted for as an equity method investee (dollars in millions):

	Six Months Ended	Years Ended	
	June 30, 2009 (unaudited)	December 31, 2008	December 31, 2007
<b>Consolidated Statements of Income</b>			
Total financing revenue and other interest income	\$ 7,450	\$18,918	\$22,741
Interest expense	\$ 4,269	\$11,297	\$14,406
Depreciation expense on operating lease assets	\$ 2,409	\$ 5,478	\$ 4,552
Gain on extinguishment of debt	\$ 657	\$12,628	\$ 563
Total other revenue	\$ 2,453	\$14,510	\$ 5,964
Total noninterest expense	\$ 4,809	\$ 8,649	\$ 8,486
Income (loss) before income tax expense (benefit)	\$ (3,588)	\$ 3,376	\$ (1,806)
Income tax expense (benefit)	\$ 990	\$ (60)	\$ 395
Net income (loss)	\$ (4,578)	\$ 1,868	\$ (2,332)
Net income (loss) available to members	\$ (4,933)	\$ 1,868	\$ (2,524)
<b>Condensed Consolidated Balance Sheets</b>			
Loans held for sale		\$ 11,440	\$ 7,919
Total finance receivables and loans, net		\$ 87,520	\$ 98,295
Investment in operating leases, net		\$ 21,597	\$ 26,390
Other assets		\$ 22,932	\$ 26,922
Total assets		\$181,248	\$ 189,476
Total debt		\$105,175	\$ 126,321
Accrued expenses and other liabilities		\$ 41,363	\$ 32,533
Total liabilities		\$155,202	\$ 167,622
Senior preferred interests		\$ 12,500	\$ 5,000
Preferred interests		\$ 1,287	\$ 1,287
Total equity		\$ 26,046	\$ 21,854

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**GMAC — Preferred and Common Membership Interests**

The following tables summarize the activity with respect to the investment in GMAC Common and Preferred Membership Interests for the periods GMAC was accounted for as an equity method investee (dollars in millions):

	Predecessor	
	GMAC Common Membership Interests	GMAC Preferred Membership Interests
Balance at January 1, 2008	\$ 7,079	\$ 1,044
Old GM's proportionate share of GMAC's income	916	—
Conversion of GMAC Participation Agreement to Common Membership Interests	362	—
Impairment charges	(7,099)	(1,001)
Other, primarily accumulated other comprehensive loss	(767)	—
Balance at December 31, 2008	491	43
Old GM's proportionate share of GMAC's losses (a)	(1,130)	(7)
Investment in GMAC Common Membership Interests	884	—
Gain on disposition of GMAC Common Membership Interests (b)	2,477	—
Conversion of GMAC Common Membership Interests (b)	(2,885)	—
Other, primarily accumulated other comprehensive loss	163	—
Balance at June 30, 2009	<u>\$ —</u>	<u>\$ 36</u>

- (a) Due to impairment charges and Old GM's proportionate shares of GMAC's losses, the carrying amount of Old GM's investments in GMAC Common Membership Interest was reduced to \$0. Old GM recorded its proportionate share of GMAC's remaining losses to its investment in GMAC Preferred Membership Interests.
- (b) Due to the exercise of the UST's option to convert the UST GMAC Loan into GMAC Common Membership Interests, in connection with the UST GMAC Loan conversion, Old GM recorded a gain of \$2.5 billion on disposition of GMAC Common Membership Interests and a \$2.0 billion loss on extinguishment based on the carrying amount of the UST GMAC Loan and accrued interest of \$0.9 billion.

**Investment in Nonconsolidated Affiliates**

The following tables summarize information regarding significant nonconsolidated affiliates (dollars in millions):

	Successor December 31, 2009	Predecessor December 31, 2008
Carrying amount of investment in SGM and affiliates	\$ 4,937	\$ 1,076
Carrying amount of investment in New Delphi	1,908	—
Carrying amount of investment in SGMW	579	158
Carrying amount of investments in significant affiliates	7,424	1,234
Carrying amount of GMAC Common Membership Interests	—	491
All other investments in affiliates	512	421
Total equity in net assets of nonconsolidated affiliates	<u>\$ 7,936</u>	<u>\$ 2,146</u>
Total assets of significant affiliates (a)	\$ 20,639	\$ 6,555
Total liabilities of significant affiliates (a)	\$ 11,812	\$ 3,802

- (a) Total assets and liabilities of significant affiliates exclude GMAC as previously discussed.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transactions with Nonconsolidated Affiliates

Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and parts, and we purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. The following tables summarize the effects of transactions with nonconsolidated affiliates which are not eliminated in consolidation (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Results of Operations</b>				
Sales	\$ 560	\$ 596	\$ 1,076	\$ 793
Cost of sales	\$ 1,137	\$ 737	\$ 3,815	\$ 3,850
Selling, general and administrative expense	\$ (19)	\$ (19)	\$ 62	\$ 81
Interest expense	\$ —	\$ —	\$ —	\$ 1
Interest income and other non-operating income, net	\$ 14	\$ (9)	\$ 231	\$ 816

	Successor	Predecessor
	December 31, 2009	December 31, 2008
<b>Financial Position</b>		
Accounts and notes receivable, net	\$ 594	\$ 394
Accounts payable (principally trade)	\$ 396	\$ 112

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Cash Flows</b>				
Operating	\$ 77	\$ 546	\$ (1,014)	\$ (1,837)
Investing	\$ (67)	\$ —	\$ 370	\$ 254
Financing	\$ —	\$ —	\$ —	\$ 1

**Note 11. Property, net**

The following table summarizes the components of Property, net (dollars in millions):

	Successor		Predecessor	
	Estimated Useful Lives (Years)	December 31, 2009	Estimated Useful Lives (Years)	December 31, 2008
Land	—	\$ 2,602	—	\$ 1,162
Buildings and land improvements	2-40	4,292	2-40	18,974
Machinery and equipment	3-30	6,686	3-30	49,529
Construction in progress	—	1,649	—	2,938
Real estate, plants, and equipment		15,229		72,603
Less accumulated depreciation		(1,285)		(43,712)
Real estate, plants, and equipment, net		13,944		28,891
Special tools, net	1-13	4,743	1-10	10,774
Total property, net		\$ 18,687		\$ 39,665

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the amount of net capitalized software and capitalized interest included in Property, net (dollars in millions):

	Successor December 31, 2009	Predecessor December 31, 2008
Capitalized software in use	\$ 263	\$ 537
Capitalized software in the process of being developed	\$ 81	\$ 175
Capitalized interest	\$ 26	\$ 576

The following table summarizes depreciation, impairment charges and amortization expense related to Property, net, recorded in Cost of sales, Selling, general and administrative expense and Other expenses, net (dollars in millions):

	Successor July 10, 2009 Through December 31, 2009	Predecessor		
		January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Depreciation and impairment of long-lived assets	\$ 1,355	\$ 4,352	\$ 4,863	\$ 3,846
Amortization and impairment of special tools	865	2,139	3,493	3,243
Total depreciation, impairment charges and amortization expense	<u>\$ 2,220</u>	<u>\$ 6,491</u>	<u>\$ 8,356</u>	<u>\$ 7,089</u>
Capitalized software amortization expense (a)	\$ 132	\$ 136	\$ 209	\$ 192
Capitalized interest amortization expense (a)	\$ —	\$ 46	\$ 77	\$ 48

(a) Included in Total depreciation, impairment charges and amortization expense.

Old GM initiated restructuring plans prior to the 363 Sale to reduce the total number of powertrain, stamping and assembly plants and to eliminate certain brands and nameplates. In addition, MLC retained certain assets that we did not acquire in connection with the 363 Sale and were deemed not to have a useful life beyond July 9, 2009. As a result, Old GM recorded incremental depreciation and amortization on certain of these assets as they were expected to be utilized over a shorter period of time than their previously estimated useful lives. We record incremental depreciation and amortization for changes in useful lives subsequent to the initial determination. In the period July 10, 2009 through December 31, 2009 we recorded incremental depreciation and amortization of approximately \$20 million. Old GM recorded incremental depreciation and amortization of approximately \$2.8 billion, \$0.8 billion and \$0.2 billion in the period January 1, 2009 through July 9, 2009 and the years ended 2008 and 2007.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 12. Goodwill**

The following table summarizes the changes in the carrying amounts of Goodwill (dollars in millions):

	Successor			Total
	GMNA	GME	GMIO	
Balance at July 10, 2009 (a)	\$26,348	\$3,262	\$ 854	\$30,464
Goodwill acquired	61	—	—	61
Effect of foreign currency translation on goodwill	—	73	87	160
Goodwill included in Assets held for sale	—	—	(13)	(13)
Balance at December 31, 2009	26,409	3,335	928	30,672
Accumulated impairment charges	—	—	—	—
Goodwill	<u>\$26,409</u>	<u>\$3,335</u>	<u>\$ 928</u>	<u>\$30,672</u>

	Predecessor			Total
	GMNA	GME	GMIO	
Balance at January 1, 2008	\$ 173	\$ 563	\$ —	\$ 736
Accumulated impairment charges	—	—	—	—
Goodwill	173	563	—	736
Effect of foreign currency translation on goodwill	(19)	(107)	—	(126)
Impairment charges (b)	(154)	(456)	—	(610)
Balance at December 31, 2008	154	456	—	610
Accumulated impairment charges	(154)	(456)	—	(610)
Goodwill	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (a) We recorded Goodwill of \$30.5 billion upon application of fresh-start reporting. If all identifiable assets and liabilities had been recorded at fair value upon application of fresh-start reporting, no goodwill would have resulted. However, when applying fresh-start reporting, certain accounts, primarily employee benefit plan and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value and the difference between the U.S. GAAP and fair value amounts gave rise to goodwill, which is a residual. Our employee benefit related accounts were recorded in accordance with ASC 712, "Compensation — Nonretirement Postemployment Benefits" and ASC 715, "Compensation — Retirement Benefits" and deferred income taxes were recorded in accordance with ASC 740, "Income Taxes." Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in Goodwill. These valuation allowances were due in part to Old GM's history of recurring operating losses, and our projections at the 363 Sale date of continued near-term operating losses in certain jurisdictions. While the 363 Sale constituted a significant restructuring that eliminated many operating and financing costs, Old GM had undertaken significant restructurings in the past that failed to return certain jurisdictions to profitability. At the 363 Sale date, we concluded that there was significant uncertainty as to whether the recent restructuring actions would return these jurisdictions to sustained profitability, thereby necessitating the establishment of a valuation allowance against certain deferred tax assets. None of the goodwill from this transaction is deductible for tax purposes.
- (b) Goodwill impairment charges of \$154 million and \$456 million were recorded at GMNA and GME in the year ended 2008 related to sharply reduced forecasts of automotive sales in the near- and medium-term. Refer to Note 25 for additional information on Old GM's impairment charges related to Goodwill in 2008. We had no goodwill during the period January 1, 2009 to July 9, 2009.

In the three months ended December 31, 2009 we performed our annual goodwill impairment analysis of our reporting units as of October 1, 2009, which resulted in no goodwill impairment charges. In addition, during the three months ended December 31, 2009, we determined that certain additional events and circumstances related to certain reporting units had changed such that interim

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

goodwill impairment tests were necessary as of December 31, 2009. For our GME reporting unit, these changes related to our decision to retain sole ownership of our GME reporting unit and the additional restructuring actions necessary and expected higher overhead costs due to decisions to delay or cancel certain previously planned facility closures. For other identified reporting units in GMIO, the changes related to deterioration in expected future operating results from those anticipated in our annual impairment analysis. The results of this testing indicated that goodwill was not impaired for any of the reporting units tested.

Refer to Note 25 for additional information on goodwill impairments in prior periods.

**Note 13. Intangible Assets, net**

The following table summarizes the components of amortizable intangible assets (dollars in millions):

	Successor				Predecessor			
	December 31, 2009				December 31, 2008			
	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and intellectual property (a)	4	\$ 7,916	\$ 1,460	\$ 6,456	8	\$ 598	\$ 333	\$ 265
Brands	38	5,508	72	5,436	—	—	—	—
Dealer network and customer relationships	21	2,205	67	2,138	—	—	—	—
Favorable contracts	24	542	39	503	—	—	—	—
Other	3	17	3	14	—	—	—	—
Total amortizable intangible assets	20	<u>\$16,188</u>	<u>\$ 1,641</u>	<u>\$14,547</u>	8	<u>\$ 598</u>	<u>\$ 333</u>	<u>\$ 265</u>

(a) Technology and intellectual property includes nonamortizing in-process research and development of \$175 million at December 31, 2009.

The following table summarizes the amortization expense related to intangible assets (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Amortization expense related to intangible assets (a)	\$ 1,584	\$ 44	\$ 83	\$ 74

(a) Amortization expense in the period July 10, 2009 through December 31, 2009 includes an impairment charge of \$21 million related to technology and intellectual property. Refer to Note 25 for additional information on the impairment charge.

The following table summarizes estimated amortization expense related to intangible assets in each of the next five years (dollars in millions):

	Estimated Amortization Expense
2010	\$ 2,550
2011	\$ 1,785
2012	\$ 1,560
2013	\$ 1,227
2014	\$ 610

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 14. Restricted Cash and Marketable Securities**

Cash subject to contractual restrictions and not readily available is classified as Restricted cash and marketable securities. Funds held in the UST Credit Agreement and Canadian Health Care Trust (HCT) escrow accounts are invested in government securities and money market funds in accordance with the terms of the escrow agreements. The following table summarizes the components of Restricted cash and marketable securities (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
<b>Current</b>		
UST Credit Agreement (a)	\$ 12,475	\$ —
Canadian Health Care Trust (b)	955	—
Receivables Program (c)	187	—
Securitization trusts	191	450
Pre-funding disbursements	94	222
Other (d)	15	—
Total current restricted cash and marketable securities	<u>13,917</u>	<u>672</u>
<b>Non-current</b>		
Collateral for insurance related activities	658	679
Other non-current (d)	831	1,238
Total restricted cash and marketable securities	<u>\$ 15,406</u>	<u>\$ 2,589</u>

- (a) Under the terms of the UST Credit Agreement funds are held in escrow and will be distributed to us at our request if certain conditions are met. Any unused amounts in escrow on June 30, 2010 are required to be used to repay the UST Loans and Canadian Loan. Upon repayment of the UST Loans and Canadian Loan any funds remaining in escrow will be returned to us. Refer to Notes 2 and 18 for additional information on the UST Credit Agreement.
- (b) Under the terms of an escrow agreement between GMCL, the EDC and an escrow agent, GMCL established a CAD \$1.0 billion (equivalent to \$893 million when entered into) escrow to fund its healthcare obligations.
- (c) In March 2009 the UST announced that it will provide financial assistance to automotive suppliers by guaranteeing or purchasing certain receivables payable by us (Receivables Program). Under the terms of the Receivables Program, the use of funds is limited to purchasing receivables from suppliers that have elected to participate in the program. This program will terminate in accordance with its terms in April 2010. Refer to Note 18 for additional information on the Receivables Program.
- (d) Includes amounts related to various letters of credit, deposits, escrows and other cash collateral requirements.

**Note 15. Other Assets**

The following table summarizes the components of Other assets (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
Investment in GMAC common stock (a)(b)	\$ 970	\$ —
Investment in GMAC preferred stock	665	—
Investment in GMAC Preferred Memberships Interests	—	43
Taxes other than income taxes	297	612
Derivative assets	44	583
Other	546	892
Total other assets	<u>\$ 2,522</u>	<u>\$ 2,130</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) At December 31, 2008 Old GM's investment in GMAC Common Membership Interests of \$491 million was accounted for as an equity method investment and recorded in Equity of net assets of nonconsolidated affiliates. Refer to Notes 10, 16 and 30 for a discussion on our current equity ownership interest and our significant transactions with GMAC.
- (b) Investment in GMAC common stock at December 31, 2009 includes the 16.6% held directly and through an independent trust.

**Note 16. Variable Interest Entities**

**Consolidated VIEs**

VIEs that were consolidated because we or Old GM were the primary beneficiary primarily included: (1) previously divested and current suppliers for which we or Old GM made significant guarantees or provided financial support; (2) the Receivables Program; (3) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles in certain markets; (4) leasing SPEs which held real estate assets and related liabilities for which residual guarantees were provided; and (5) an entity which managed certain private equity investments held by our and Old GM's pension plans and previously held by our and Old GM's OPEB plans, along with six associated general partner entities. Certain creditors and beneficial interest holders of these VIEs have or had limited, insignificant recourse to our general credit or Old GM's general credit, in which we or Old GM could be held liable for certain of the VIE's obligations.

**CAMI**

In March 2009 Old GM determined that due to changes in contractual arrangements related to CAMI Automotive Inc. (CAMI), it was required to reconsider its previous conclusion that CAMI was not a VIE. As a result of Old GM's analysis, it determined that CAMI was a VIE and Old GM was the primary beneficiary, and therefore Old GM consolidated CAMI. As the consolidation date occurred near the end of the reporting period, the consolidation was based on estimates of the fair values for all assets and liabilities acquired. Based on Old GM's estimates, the equity interests it held and held by the noncontrolling interest had a fair value of approximately \$12 million. Total assets were approximately \$472 million comprised primarily of property, plant, and equipment and related party accounts receivable and inventory. Total liabilities were approximately \$460 million, comprised primarily of long-term debt, accrued liabilities and pension and other post-employment benefits. We completed our purchase price accounting for CAMI at July 10, 2009 and determined that the amounts estimated as of the initial consolidation date of March 1, 2009 did not require adjustment. Supplemental pro forma information is omitted as the effect is immaterial. In December 2009 we acquired the remaining noncontrolling interest of CAMI from Suzuki for \$100 million increasing our ownership interest from 50% to 100%. Subsequent to this acquisition, CAMI became a wholly-owned subsidiary and is not included in the tabular disclosures below.

**Receivables Program**

We determined that the Receivables Program was a VIE. We also determined that we are the primary beneficiary because we are the only party to the Receivables Program with equity at risk, we have a greater risk of loss than the UST and we are more closely related to the Receivables Program as its primary purpose is to support our supply base, thereby helping ensure that our production needs are met.

In December 2009 we announced the termination of the Receivables Program in April 2010. Upon termination, we will share any residual capital in the program equally with the UST. At December 31, 2009 our equity contributions were \$55 million and the UST had outstanding loans of \$150 million to the Receivables Program. We do not anticipate making any additional equity contributions. Refer to Note 18 for additional information on the Receivables Program.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the carrying amount of consolidated VIE assets and liabilities (dollars in millions):

	<u>Successor</u> <u>December 31, 2009</u>	<u>Predecessor</u> <u>December 31, 2008</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 15	\$ 22
Accounts and notes receivable, net	14	15
Inventory	15	—
Other current assets	—	—
Property, net	5	71
Restricted cash	191	—
Other assets	33	28
<b>Total assets</b>	<b>\$ 273</b>	<b>\$ 136</b>
<b>Liabilities:</b>		
Accounts payable (principally trade)	\$ 17	\$ 6
Short-term borrowings and current portion of long-term debt	205	105
Accrued expenses	10	20
Other liabilities	23	15
<b>Total liabilities</b>	<b>\$ 255</b>	<b>\$ 146</b>

The following table summarizes the amounts recorded in earnings related to consolidated VIEs (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>	<u>Predecessor</u> <u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Sales	\$ 24	\$ 14	\$ 8
Other revenue	17	17	32
Cost of sales	8	(1)	5
Selling, general administrative expense	8	5	(11)
Other expenses, net	9	10	19
Interest expense	14	22	—
Reorganization losses (gains), net	—	26	—
Income tax expense	1	—	—
<b>Net income (loss)</b>	<b>\$ 1</b>	<b>\$ (31)</b>	<b>\$ 27</b>

**Nonconsolidated VIEs**

VIEs that were not consolidated because we or Old GM were not the primary beneficiary primarily included: (1) troubled suppliers for which guarantees were made or financial support was provided; (2) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles in certain markets; (3) leasing entities for which residual value guarantees were made; and (4) GMAC.

Guarantees and financial support are provided to certain current or previously divested suppliers in order to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns. Types of financial support that we and Old GM provided include, but are not limited to: (1) funding in the form of a loan from us or Old GM; (2) guarantees of the supplier's debt or credit facilities; (3) one-time payments to fund prior losses of the supplier; (4) indemnification agreements to fund the suppliers' future losses or obligations; (5) agreements to provide additional funding or liquidity to the supplier in the form of price

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

increases or change in payment terms; and (6) assisting the supplier in finding additional investors. The maximum exposure to loss related to these VIEs was generally limited to the amount of accounts and notes receivable recorded with the suppliers and any related guarantees.

We have and Old GM had investments in joint ventures that manufacture, market and sell vehicles in certain markets. These joint ventures were self-funded and financed with no contractual terms that would require future financial support to be provided. The maximum exposure to loss is limited to the carrying amount of the investments recorded in Equity in net assets of nonconsolidated affiliates.

***American Axle***

In September 2009 we paid \$110 million to American Axle and Manufacturing Holdings, Inc. (American Axle), a former subsidiary and current supplier, to settle and modify existing commercial arrangements and acquired warrants to purchase 4 million shares of American Axle's common stock. This payment was made in response to the liquidity needs of American Axle and our desire to modify the terms of our ongoing commercial arrangement. Under the new agreement, we also provided American Axle with a second lien term loan facility of up to \$100 million. Additional warrants will be granted if amounts are drawn on the second lien term loan facility.

As a result of these transactions, we concluded that American Axle was a VIE for which we were not the primary beneficiary. Our variable interests in American Axle include the warrants we received and the second lien term loan facility, which exposes us to possible future losses depending on the financial performance of American Axle. At December 31, 2009 no amounts were outstanding under the second lien term loan. At December 31, 2009 our maximum exposure to loss related to American Axle was \$125 million, which represented the fair value of the warrants of \$25 million recorded in Non-current assets and the potential exposure of \$100 million related to the second lien term loan facility.

***GMAC***

In the three months ended December 31, 2008, GMAC engaged in or agreed to several transactions, including an exchange and cash tender offers to purchase and/or exchange certain of its and its subsidiaries' outstanding notes for new notes and 9% Cumulative Perpetual Preferred Stock, the issuance of Series D-2 Fixed Rate Cumulative Perpetual Preferred Membership Interests to the UST, the conversion of the Participation Agreement to Common Membership Interests, and the issuance of additional Common Membership Interests to Old GM. As a result of these changes to GMAC's capital structure, Old GM was required to reconsider its previous conclusion that GMAC was a voting interest entity and it did not hold a controlling financial interest in GMAC. As part of Old GM's qualitative and quantitative analyses, Old GM determined that GMAC was a VIE as it did not have sufficient equity at risk. Old GM also determined that a related party group, as that term is defined in ASC 810-10, existed between Old GM and the UST under the de facto agency provisions of ASC 810-10. However, Old GM determined based on both qualitative and quantitative analysis that the related party group to which it belonged did not absorb the majority of GMAC's expected losses or residual returns and therefore no member of the related party group was the primary beneficiary of GMAC. Accordingly Old GM did not consolidate GMAC at December 31, 2008.

Old GM's quantitative analysis was performed using a Black-Scholes model to compute the price of purchasing a hypothetical put on GMAC's net assets exclusive of variable interests to estimate expected losses of the variable interests of GMAC. The same Black-Scholes model was used to estimate the expected losses allocated to each of the individual variable interests identified in GMAC's capital structure. Significant estimates, assumptions, and judgments used in Old GM's analysis included that the outstanding unsecured debt of GMAC was a variable interest in GMAC because it was trading at a sufficient discount to face value to indicate that it was absorbing a significant portion of GMAC's expected losses and receiving a portion of its expected returns; that the expected return on GMAC's net assets exclusive of variable interests were normally distributed with a mean return equal to the risk-free rate of return and an expected volatility of approximately 22%; estimates of the fair value of each of GMAC's variable interests and other components of its the capital structure; and estimates of the expected outstanding term of each of GMAC's non-perpetual variable

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

interests, which Old GM estimated to have a weighted average term of approximately 5 years. Other qualitative considerations included the fact that Old GM was required to reduce its common investment in GMAC to below 10% within three years, had no voting members on the GMAC Board of Managers, and under other contractual provisions, could not attempt to influence the operations of GMAC or the manner in which its Common Membership Interests were voted.

In connection with GMAC's conversion to a C corporation on June 30, 2009, each unit of each class of GMAC Membership Interests was converted into shares of capital stock of GMAC with substantially the same rights and preferences as such Membership Interests. On July 10, 2009 we acquired the investments in GMAC's common and preferred stock in connection with the 363 Sale.

In December 2009, the UST made a capital contribution to GMAC of \$3.8 billion consisting of the purchase of trust preferred securities in aggregate liquidation amount of \$2.5 billion and mandatory convertible preferred securities in aggregate liquidation amount of \$1.3 billion. The UST also exchanged all of its existing GMAC non-convertible preferred stock for newly issued mandatory convertible preferred securities with an aggregate liquidation preference of \$5.3 billion. In addition, the UST converted mandatory convertible preferred securities with an aggregate liquidation preference of \$3.0 billion into GMAC common stock. After these actions, we and the UST owned 16.6% and 56.3% of GMAC's common stock. The UST also owns preferred stock of GMAC with a liquidation value of \$11.4 billion, and we own preferred stock with a liquidation value of \$1.0 billion. This transaction constituted a reconsideration event and we determined that GMAC continued to be a VIE as it does not have sufficient equity at risk. Although the related party group to which we and the UST belong absorbs a majority of the expected losses, we are not the primary beneficiary because the UST absorbs more expected losses than us, we were not involved in the redesign of GMAC, and we are controlled by the UST. Furthermore, we do not believe we will be the primary beneficiary upon adoption of modifications of ASC 810-10, effective January 1, 2010, because we lack the power through voting or similar rights to direct those activities of GMAC that most significantly affect its economic performance. As a result of previous agreements Old GM entered into during GMAC's approval process to obtain Bank Holding Company status and whose terms and conditions we assumed in connection with the 363 Sale, we do not have significant influence over GMAC. Our principal variable interests in GMAC are our investments in GMAC preferred and common stock. Refer to Notes 10 and 30 for additional information on our investment in GMAC, our significant agreements with GMAC and our maximum exposure under those agreements.

The following table summarizes the amounts recorded for nonconsolidated VIEs, and the related off-balance sheet guarantees and maximum exposure to loss, excluding GMAC (dollars in millions):

	Successor		Predecessor	
	December 31, 2009		December 31, 2008	
	Carrying Amount	Maximum Exposure to Loss(a)	Carrying Amount	Maximum Exposure to Loss(b)
<b>Assets:</b>				
Accounts and notes receivable, net	\$ 8	\$ 8	\$ 10	\$ 10
Investment in nonconsolidated affiliates	96	50	40	40
Other assets	26	26	6	6
<b>Total assets</b>	<b>\$ 130</b>	<b>\$ 84</b>	<b>\$ 56</b>	<b>\$ 56</b>
<b>Liabilities:</b>				
Accrued expenses	—	—	11	—
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11</b>	<b>\$ —</b>
<b>Off-Balance Sheet:</b>				
Residual value guarantees		32		79
Other guarantees		4		5
Other liquidity arrangements (c)		115		—
<b>Total guarantees and liquidity arrangements</b>		<b>\$ 151</b>		<b>\$ 84</b>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) Amounts at December 31, 2009 included \$139 million related to troubled suppliers.
- (b) Amounts at December 31, 2008 included \$21 million related to troubled suppliers.
- (c) Amount includes second lien term loan facility provided to American Axle of \$100 million and other loan commitments of \$15 million.

**Note 17. Accrued Expenses, Other Liabilities and Deferred Income Taxes**

The following table summarizes the components of Accrued expenses, other liabilities and deferred income taxes:

	Successor December 31, 2009	Predecessor December 31, 2008
<b>Current</b>		
Dealer and customer allowances, claims and discounts	\$ 6,444	\$ 8,939
Deposits from rental car companies	4,583	6,142
Deferred revenue	892	1,493
Policy, product warranty and recall campaigns	2,965	3,792
Delphi liability	—	150
Payrolls and employee benefits excluding postemployment benefits	1,325	1,591
Insurance reserves	243	388
Taxes (other than income taxes)	1,031	1,312
Derivative liability	568	2,726
Postemployment benefits including facility idling reserves	985	1,727
Interest	142	779
Pensions	430	430
Income taxes	219	186
Deferred income taxes	57	87
Other	2,404	2,685
Total accrued expenses	<u>\$ 22,288</u>	<u>\$ 32,427</u>
<b>Noncurrent</b>		
Dealer and customer allowances, claims and discounts	\$ 1,311	\$ 1,578
Deferred revenue	480	1,265
Policy, product warranty and recall campaigns	4,065	4,699
Delphi liability	—	1,570
Payrolls and employee benefits excluding postemployment benefits	1,818	2,314
Insurance reserves	269	1,324
Derivative liability	146	817
Postemployment benefits including facility idling reserves	1,944	1,626
Income taxes	944	430
Deferred income taxes	807	563
Other	1,495	1,206
Total other liabilities and deferred income taxes	<u>\$ 13,279</u>	<u>\$ 17,392</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes activity for policy, product warranty, recall campaigns and certified used vehicle warranty liabilities (dollars in millions):

	Successor	Predecessor	
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Beginning balance	\$ 7,193	\$ 8,491	\$ 9,615
Warranties issued and assumed in period	1,388*	1,069	4,277
Payments	(1,797)*	(1,851)	(5,068)
Adjustments to pre-existing warranties	66*	(153)	294
Effect of foreign currency translation	180	63	(627)
Liability adjustment, net due to the deconsolidation of Saab (a)	—	(77)	—
Ending balance	7,030	7,542	8,491
Effect of application of fresh-start reporting	—	(349)	—
Ending balance including effect of application of fresh-start reporting	\$ 7,030	\$ 7,193	\$ 8,491

\* Amounts originally reported as \$1,598, \$(2,232) and \$291 in our 2009 Form 10-K. Refer to Note 3.

(a) In August 2009 Saab met the criteria to be classified as held for sale and, as a result, Saab's warranty liability was classified as held for sale at December 31, 2009.

In March 2009 the U.S. government announced that it would create a warranty program to pay for repairs covered by Old GM's warranty on each new vehicle sold in the U.S. and Mexico during Old GM's restructuring period. In May 2009 pursuant to the terms of the warranty program, Old GM and the UST contributed \$410 million to fund the program. Old GM contributed \$49 million in cash. The UST contributed the remaining required cash as part of a \$361 million loan. On July 10, 2009 in connection with the 363 Sale, we assumed the obligations of the warranty program and entered into the UST Credit Agreement assuming debt of \$7.1 billion, which Old GM incurred under its DIP Facility. Immediately after entering into the UST Credit Agreement, we made a partial repayment of \$361 million due to the termination of the U.S. government sponsored warranty program, reducing the UST Loans balance to \$6.7 billion. The original estimate of the warranty period was March 30, 2009 through July 31, 2009, which was based on a requirement that the UST approve the termination of the warranty program prior to July 31, 2009. The UST allowed repayment of the full amount of the \$361 million loan on July 10, 2009 effectively terminating the warranty program. Subsequently, the cash contribution of \$49 million and interest earned to date were repaid to us from the warranty program.

**Note 18. Short-Term and Long-Term Debt**

**Short-Term Debt and Current Portion of Long-Term Debt**

The following table summarizes the components of short-term debt (dollars in millions):

	Successor December 31, 2009	Predecessor December 31, 2008
UST Loans	\$ 5,712	\$ —
UST Loan Facility (a)	—	3,836
Canadian Loan	1,233	—
Short-term debt — third parties	1,475	2,567
Short-term debt — related parties (b)	1,077	2,067
Current portion of long-term debt (c)	724	8,450
Total short-term debt	\$ 10,221	\$ 16,920
Available under short-term line of credit agreements (d)	\$ 220	\$ 186
Interest rate range on outstanding short-term debt (e)	0.0 – 19.0%	0.0 – 28.0%
Weighted-average interest rate on outstanding short-term debt (f)	6.5%	5.6%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) UST Loan Facility (as subsequently defined) is net of a \$913 million discount which is comprised of \$749 million for the UST Additional Note (as subsequently defined) and \$164 million for the fair value of the warrants issued in connection with the loans under the UST Loan Agreement. At May 31, 2009 the carrying amount of the debt was accreted to the full face value of the UST Loan Facility and the UST Additional Note with the discount charged to Interest expense.
- (b) Primarily dealer financing from GMAC for dealerships we own and Old GM owned.
- (c) Amounts owed at December 31, 2009 include various secured and unsecured debt instruments. Amounts owed at December 31, 2008 include a secured revolving credit facility of \$4.5 billion and a U.S. term loan of \$1.5 billion.
- (d) Commitment fees are paid on credit facilities at rates negotiated in each agreement. Amounts paid and expensed for these commitment fees are insignificant.
- (e) Includes zero coupon debt.
- (f) Includes coupon rates on debt denominated in various foreign currencies. At December 31, 2009 the weighted average effective interest rate on outstanding short-term debt was 8.0%.

**Long-term debt**

The following table summarizes the components of long-term debt (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
U.S. dollar denominated bonds	\$ —	\$ 14,882
VEBA Notes	2,825	—
Contingent convertible debt	—	7,339
Foreign currency denominated bonds	—	4,375
Other long-term debt (a)	3,461	10,841
Total debt	6,286	37,437
Less current portion of long-term debt	(724)	(8,450)
Fair value adjustment (b)	—	31
Total long-term debt	<u>\$ 5,562</u>	<u>\$ 29,018</u>
Available under long-term line of credit agreements (c)	\$ 398	\$ 457

- (a) Old GM amounts include a secured revolving credit facility of \$4.5 billion and a U.S. term loan of \$1.5 billion, which are included in the current portion of long-term debt.
- (b) To adjust hedged fixed rate debt for fair value changes attributable to the hedged risk. Refer to Note 20 for additional information on fair value hedges.
- (c) Commitment fees are paid on credit facilities at rates negotiated in each agreement. Amounts paid and expensed for these commitment fees are insignificant.

**GM**

**UST Loans and VEBA Notes**

Old GM received total proceeds of \$19.4 billion (\$15.4 billion subsequent to January 1, 2009) from the UST under the UST Loan Agreement entered into on December 31, 2008. In connection with the Chapter 11 Proceedings, Old GM obtained additional funding of \$33.3 billion from the UST and EDC under its DIP Facility. From these proceeds, \$12.5 billion remained deposited in escrow at December 31, 2009.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Amounts remaining in the escrow account will be distributed to us at our request upon certain conditions as outlined in the UST Credit Agreement. Any unused amounts in escrow on June 30, 2010 are required to be used to repay the UST Loans and Canadian Loan on a pro rata basis. Upon repayment of the UST Loans and Canadian Loan any funds in escrow will be returned to us. The UST Loans and Canadian Loan have been classified as short-term debt based on these terms.

On July 10, 2009 we entered into the UST Credit Agreement and assumed debt of \$7.1 billion maturing on July 10, 2015 which Old GM incurred under its DIP Facility. Immediately after entering into the UST Credit Agreement, we made a partial repayment due to the termination of the U.S. government sponsored warranty program, reducing the UST Loans principal balance to \$6.7 billion.

In November 2009 we signed amendments to the UST Credit Agreement and Canadian Loan Agreement to provide for quarterly repayments of our UST Loans and Canadian Loan. Under these amendments, we agreed to make quarterly payments of \$1.0 billion and \$192 million to the UST and EDC. In December 2009 we made a payment on the UST Loans of \$1.0 billion.

The UST Loans accrue interest equal to the greater of the three month LIBOR rate or 2.0%, plus 5.0%, per annum, unless the UST determines that reasonable means do not exist to ascertain the LIBOR rate or that the LIBOR rate will not adequately reflect the UST's cost to maintain the loan. In such a circumstance, the interest rate will be the greatest of: (1) the prime rate plus 4%; (2) the federal funds rate plus 4.5%; or (3) the three month LIBOR rate (which will not be less than 2%) plus 5%. We are required to prepay the UST Loans on a pro rata basis (between the UST Loans, VEBA Notes and Canadian Loan), in an amount equal to the amount of net cash proceeds received from certain asset dispositions, casualty events, extraordinary receipts and the incurrence of certain debt. We may also voluntarily repay the UST Loans in whole or in part at any time. Once repaid, amounts borrowed under the UST Credit Agreement may not be reborrowed. At December 31, 2009 the UST Loans accrued interest at 7.0%.

In connection with the 363 Sale, we entered into the VEBA Note Agreement and issued VEBA Notes of \$2.5 billion. The VEBA Notes have an implied interest rate of 9.0% per annum. The VEBA Notes and accrued interest are scheduled to be repaid in three equal installments of \$1.4 billion on July 15 of 2013, 2015, and 2017. The VEBA Notes are considered outstanding debt on December 31, 2009 due to the settlement of the UAW hourly retiree medical plan pursuant to the 2009 Revised UAW Settlement Agreement and were recorded at their fair value of \$2.8 billion, a premium of \$325 million to the face value. We determined the fair value of the VEBA Notes based on market information for similar instruments. Refer to Note 19 for additional information on the 2009 Revised UAW Settlement Agreement.

The obligations under the UST Credit Agreement and the VEBA Note Agreement are secured by substantially all of our assets, subject to certain exceptions, including our equity interests in certain of our foreign subsidiaries, limited in most cases to 65% of the equity interests of the pledged foreign subsidiaries due to tax considerations.

The UST Credit Agreement and the VEBA Note Agreement contain various representations and warranties that we made on the effective date and, with respect to the UST Credit Agreement, we will be required to make on certain other dates. The UST Credit Agreement and the VEBA Note Agreement also contain various affirmative covenants requiring us to take certain actions and negative covenants restricting our ability to take certain actions. The affirmative covenants impose obligations on us with respect to, among other things:

- Financial and other reporting to the UST, including periodic confirmation of compliance with certain expense policies;
- Executive privileges and compensation requirements;
- Corporate existence;
- Preservation of the collateral and other property subject to the UST Credit Agreement and VEBA Note Agreement;
- Payment of taxes; and
- Compliance with certain laws.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In addition, the affirmative covenants include a vitality commitment, which requires us to use our commercially reasonable best efforts, subject to certain considerations and exceptions, to ensure that the volume of manufacturing conducted in the United States is at least 90% of the level contemplated in our business plan provided to the UST in July 2009. The vitality commitment is in effect until the later of December 31, 2014 or the date the UST Loans are repaid in full. In addition, certain covenants such as periodic confirmation of compliance with certain expense policies, executive privileges and compensation requirements are in effect until the UST ceases to own direct or indirect equity interests in us and the UST Loans are paid in full.

The negative covenants in the UST Credit Agreement and the VEBA Note Agreement restrict us with respect to, among other things, fundamental changes, liens, restricted payments and restrictions on subsidiary distributions, amendments or waivers of certain documents, negative pledge clauses, use of proceeds from sales of assets and indebtedness.

The UST Credit Agreement and the VEBA Note Agreement contain restrictions on our ability to incur additional indebtedness, including indebtedness secured by a first-priority lien on certain of our assets. In addition if such indebtedness is to be secured by a first-priority lien on certain of our assets, the obligations under the UST Credit Agreement and the VEBA Note Agreement will be restructured to be secured by a second-priority lien on any such assets. The following table summarizes the restrictions to incur additional indebtedness (with certain exceptions):

- Secured indebtedness entered into after July 10, 2009 is limited to \$6.0 billion provided that the aggregate amount of commitments under any secured revolving credit facilities shall not exceed \$4.0 billion. Secured indebtedness exceeding these amounts is subject to an incurrence test under which total debt divided by 12 month trailing EBITDA cannot exceed 3:1 and also triggers repayments of 50% of the amount borrowed;
- Unsecured indebtedness entered into after July 10, 2009 is limited to \$1.0 billion and triggers repayments of 50% of the amount borrowed. Unsecured indebtedness in excess of \$1.0 billion is subject to the incurrence test previously described; and
- The aggregate principal amount of capital lease obligations and purchase money indebtedness shall not exceed \$2.0 billion.

At December 31, 2009 we were significantly below all restrictions previously described.

The UST Credit Agreement and the VEBA Note Agreement also contain various events of default (including cross-default provisions) that entitle the UST or the New VEBA to accelerate the repayment of the UST Loans and the VEBA Notes upon the occurrence and continuation of an event of default. In addition, upon the occurrence and continuation of any event of default, interest under the UST Credit Agreement accrues at a rate per annum equal to 2.0% plus the interest rate otherwise applicable to the UST Loans and the implied interest rate on the VEBA Notes increases to a rate equal to 11.0% per annum, compounded annually. The events of default relate to, among other things:

- Our failure to pay principal or interest on the UST Loans or to make payments on the VEBA Notes;
- Certain of our domestic subsidiaries' failure to pay on their guarantees;
- The failure to pay other amounts due under the loan documents or the secured note documents;
- The failure to perform the covenants in the loan documents or the secured note documents;
- The representations and warranties in the UST Credit Agreement or the VEBA Note Agreement being false or misleading in any material respect;
- Undischarged judgments in excess of \$100 million;



**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- Certain bankruptcy events;
- The termination of any loan documents or secured note documents;
- The invalidity of security interests in our assets;
- Certain prohibited transactions under the Employee Retirement Income Security Act of 1974, as amended (ERISA);
- A change of control without the permission of the UST;
- A default under the Canadian Loan Agreement other than the vitality commitment; and
- A default under other indebtedness if the default, including a default of the vitality commitment under the Canadian Loan Agreement, results in the holder accelerating the maturity of indebtedness in excess of \$100 million in the aggregate.

The following table summarizes interest expense and interest paid on the UST Loans (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Interest expense	\$ 226
Interest paid	\$ 137

***Canadian Loan Agreement***

On July 10, 2009 we entered into the Canadian Loan Agreement and assumed a CAD \$1.5 billion (equivalent to \$1.3 billion when entered into) term loan maturing on July 10, 2015. The Canadian Loan accrues interest at the greater of the three-month Canadian Dealer Offered Rate or 2.0%, plus 5.0% per annum. Accrued interest is payable quarterly. At December 31, 2009 the Canadian Loan accrued interest at 7.0%.

As discussed previously, we signed an amendment to the Canadian Loan Agreement and in December 2009 we made a payment on the Canadian Loan of \$192 million.

GMCL may voluntarily repay the Canadian Loan in whole or in part at any time. Once repaid, GMCL cannot reborrow under the Canadian Loan Agreement. We and 1908 Holdings Ltd., Parkwood Holdings Ltd., and GM Overseas Funding LLC, each of which is a Subsidiary Guarantor of GMCL, have guaranteed the Canadian Loan. Our guarantee of GMCL's obligations under the Canadian Loan Agreement is secured by a lien on the equity of GMCL. Because 65% of our ownership interest in GMCL was previously pledged to secure the obligations under the UST Credit Agreement and the VEBA Note Agreement, EDC received a first priority lien on 35% of our equity interest in GMCL and a second priority lien on the remaining 65%. With certain exceptions, GMCL's obligations under the Canadian Loan Agreement are secured by a first lien on substantially all of its and the Subsidiary Guarantors' assets, including GMCL's ownership interests in the Subsidiary Guarantors and a portion of GMCL's equity interests in General Motors Product Services Inc., a subsidiary of ours.

The Canadian Loan Agreement contains various representations and warranties GMCL and the Subsidiary Guarantors made on the effective date. The Canadian Loan Agreement also contains various affirmative covenants requiring GMCL and the Subsidiary Guarantors to take certain actions and negative covenants restricting the ability of GMCL and the Subsidiary Guarantors to take certain actions. The affirmative covenants impose obligations on GMCL and the Subsidiary Guarantors with respect to, among other things, financial and other reporting to EDC, reporting on and preservation of the collateral pledged in connection with the Canadian Loan Agreement, executive privileges and compensation, restrictions on expenses and compliance with applicable laws. In addition,

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

GMCL has committed, among other things, to meet certain capital and research and development investment levels, and to produce a certain percentage (based on North American and/or total United States and Canada production levels) of vehicles and vehicle components in Canada until the later of the date that the amounts outstanding under the Canadian Loan Agreement are paid in full or December 31, 2016.

The negative covenants and various events of default in the Canadian Loan Agreement are substantially similar to the negative covenants under the UST Credit Agreement and the VEBA Note Agreement, as applicable to GMCL and the Subsidiary Guarantors, and also require GMCL to maintain certain minimum levels of unrestricted cash and cash equivalents and address specific requirements with respect to pension and compensation matters.

The following table summarizes interest expense and interest paid on the Canadian Loan (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Interest expense	\$ 46
Interest paid	\$ 46

***German Revolving Bridge Facility***

In May 2009 Old GM entered into a revolving bridge facility with the German government and certain German states (German Facility) with a total commitment of up to Euro 1.5 billion (equivalent to \$2.1 billion when entered into) and maturing November 30, 2009. On November 24, 2009 the debt was paid in full and extinguished.

The following table summarizes interest expense and interest paid on the German Facility, including amortization of related discounts (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Interest expense (a)	\$ 32
Interest paid	\$ 37

(a) Old GM recorded interest expense of \$5 million in the period January 1, 2009 through July 9, 2009.

***Other Long-Term Debt***

Other long-term debt of \$3.5 billion (net of a \$1.6 billion discount) at December 31, 2009 is comprised of unsecured debt of \$1.2 billion, secured debt of \$1.6 billion, and capital leases of \$693 million. The weighted average coupon rate of other long-term debt was 5.8% at December 31, 2009.

In connection with the purchase of the noncontrolling interest in CAMI, we recorded a loss on extinguishment of debt of \$101 million related to the repayment of secured long-term debt of \$400 million in the period July 10, 2009 through December 31, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Long-Term Debt Maturities**

The following table summarizes long-term debt maturities including capital leases at December 31, 2009 (dollars in millions):

	<b>Debt Maturities</b>
2010	\$ 750
2011	\$ 445
2012	\$ 645
2013	\$ 737
2014	\$ 125
Thereafter	\$ 5,320

At December 31, 2009 future interest payments on capital lease obligations was \$687 million.

**Receivables Program**

The Receivables Program was developed in March 2009 to provide liquidity and access to credit to automotive suppliers by guaranteeing or purchasing certain receivables we owe or Old GM owed. Amounts borrowed from the UST and used to pay suppliers are recorded in Short-term debt with a corresponding decrease in Accounts payable or Accrued expenses. We and Old GM was responsible for paying interest on any loans the UST provided at an annual rate of LIBOR plus 3.5%, with a minimum of 5.5%, and for paying administrative fees of 25 basis points per annum of the average daily program balance to a third party administrator. A termination fee of 4.0% of the outstanding commitment is due to the UST upon expiration or termination of the Receivables Program. We will share any residual capital in the program equally with the UST. At December 31, 2009 our equity contributions were \$55 million and the UST had outstanding loans of \$150 million to the Receivables Program.

The following table summarizes interest expense related to the Receivables Program, including amortization of related discounts (dollars in millions):

	<u>Successor</u> July 10, 2009 Through December 31, 2009	<u>Predecessor</u> January 1, 2009 Through July 9, 2009
Amortization of loan discount related to termination fee	\$ 3	\$ 21
Interest expense	12	1
Total interest expense	<u>\$ 15</u>	<u>\$ 22</u>

**Technical Defaults and Covenant Violations**

Several of our loan facilities include clauses that may be breached by a change in control, a bankruptcy or failure to maintain certain financial metric limits. The Chapter 11 proceedings and the change in control as a result of the 363 Sale triggered technical defaults in certain loans for which we have assumed the obligation. A potential breach in another loan was addressed before default with a waiver we obtained from the lender subject to renegotiation of the terms of the facility. We successfully concluded the renegotiation of these terms in September 2009. In October 2009 we repaid one of the loans in the amount of \$17 million as a remedy to the default. The total amount of the two remaining loan facilities in technical default for these reasons at December 31, 2009 was \$206 million. We continue to negotiate with the lenders to obtain waivers or reach settlements to cure these defaults. We have classified these loans as short-term debt at December 31, 2009.

Two of our loan facilities had financial covenant violations at December 31, 2009 related to exceeding financial ratios limiting the amount of debt held by the subsidiaries. One of these violations was cured within the 30 day cure period through the combination of an equity injection and the capitalization of intercompany loans. The \$72 million related to our powertrain subsidiary in Italy remains in default and we continue negotiations with its lenders to cure the default.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Covenants in our UST Credit Agreement, VEBA Note Agreement, Canadian Loan Agreement and other agreements require us to provide our consolidated financial statements by March 31, 2010. We received waivers of this requirement for the agreements with the UST, New VEBA and EDC. We also provided notice to and requested waivers related to three lease facilities. The filing of our 2009 10-K and our Quarterly Report on Form 10-Q for the period ended September 30, 2009 within the automatic 90 day cure period will satisfy the requirements under these lease facility agreements.

**Old GM*****United States Department of the Treasury Loan Facility***

On December 31, 2008 Old GM entered into the UST Loan Agreement pursuant to which the UST agreed to provide Old GM with the UST Loan Facility and as a result received total proceeds of \$19.4 billion (\$15.4 billion in the period January 1, 2009 through July 9, 2009). In addition Old GM issued a promissory note to the UST in the amount of \$749 million (UST Additional Note) for no additional consideration.

In connection with the Chapter 11 Proceedings, Old GM obtained additional funding of \$33.3 billion from the UST and EDC under its DIP Facility.

In connection with the 363 Sale, amounts borrowed under the UST Loan Agreement and the DIP Facility, excluding the UST Loans of \$7.1 billion that we assumed, were converted into our equity. The UST Additional Note was also converted into our equity.

The following table summarizes interest expense and interest paid on the UST Loan Facility and the DIP Facility, including amortization of related discounts (dollars in millions):

	<b>Predecessor</b>	
	<b>January 1, 2009 Through July 9, 2009</b>	<b>Year Ended December 31, 2008</b>
Interest expense	\$ 4,006	\$ —
Interest paid	\$ 144	\$ —

Refer to Note 2 for additional information on the Chapter 11 Proceedings and the 363 Sale.

***Export Development Canada Loan Facility***

In April 2009 Old GM entered into the EDC Loan Facility pursuant to which Old GM received total proceeds of \$2.4 billion in the period January 1, 2009 through July 9, 2009. In the period January 1, 2009 through July 9, 2009 Old GM also issued promissory notes to the EDC in the amount of \$161 million for no additional consideration. In connection with the Chapter 11 Proceedings and the 363 Sale, amounts borrowed under these agreements were converted into our equity.

The following table summarizes interest expense and interest paid on amounts borrowed under these agreements, including amortization of related discounts (dollars in millions):

	<b>Predecessor January 1, 2009 Through July 9, 2009</b>
Interest expense	\$ 173
Interest paid	\$ 6

Refer to Note 2 for additional information on the Chapter 11 Proceedings and the 363 Sale.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**German Revolving Bridge Facility**

The following table summarizes interest expense and interest paid on the German Facility, including amortization of related discounts (dollars in millions):

	<u>Predecessor</u> <u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>
Interest expense	\$ 5
Interest paid	\$ —

**Secured Revolving Credit Facility, U.S. Term Loan and Secured Credit Facility**

In connection with the preparation of Old GM's consolidated financial statements for the year ended 2008, Old GM concluded there was substantial doubt about its ability to continue as a going concern and its independent auditors included a statement in their audit report related to the existence of substantial doubt about its ability to continue as a going concern. Because Old GM's auditors included such a statement in their audit report, Old GM would have been in violation of the debt covenants for the \$4.5 billion secured revolving credit facility, the \$1.5 billion U.S. term loan and the \$125 million secured credit facility and Old GM therefore secured amendments and waivers related to those obligations as subsequently discussed.

In February 2009 Old GM entered into an agreement to amend its \$4.5 billion secured revolving credit facility. The amendment included a waiver of the going concern covenant in the year ended 2008, revised borrowing and default interest rates, and cross-default provisions to the UST Loan Facility. Old GM accounted for the amendment as a debt modification and therefore capitalized the additional fees paid to acquire the amendment. The additional fees were amortized through the date of extinguishment.

In March 2009 Old GM entered into an agreement to amend its \$1.5 billion U.S. term loan. The amendment included a waiver of the going concern covenant in the year ended 2008, revised borrowing and default rates, and cross-default provisions to the UST Loan Facility. Because the terms of the amended U.S. term loan were substantially different than the original terms, primarily due to the revised borrowing rate, Old GM accounted for the amendment as a debt extinguishment. As a result, Old GM recorded the amended U.S. term loan at fair value and recorded a gain on the extinguishment of the original loan facility of \$906 million in the three months ended March 31, 2009.

In February 2009 Old GM entered into an agreement to amend its \$125 million secured credit facility. The amendment included a waiver of the going concern covenant in the year ended 2008, revised borrowing and default rates, cross-default provisions to the UST Loan Facility, and an extension of the maturity date to November 2010. As a result of the terms of the amendment, Old GM accounted for the amendment as a troubled debt restructuring and therefore amortized the outstanding debt balance using the revised effective interest rate calculated in accordance with the new loan terms through the date of extinguishment.

In connection with the Chapter 11 Proceedings, Old GM's \$4.5 billion secured revolving credit facility, \$1.5 billion U.S. term loan and \$125 million secured credit facility were paid in full on June 30, 2009. Old GM recorded a loss of \$958 million in Reorganization gains, net related to the extinguishments of the debt primarily due to the face value of the U.S. term loan exceeding the carrying amount.

**Lease Asset Securitization**

Old GM held bankruptcy-remote SPEs that are parties to lease asset securitizations. The secured debt of \$1.2 billion at December 31, 2008 was primarily comprised of the asset-backed debt securities issued by these SPEs. Amounts are included in the current portion of long-term debt.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Contingent Convertible Debt**

The following table summarizes Old GM's unsecured contingent convertible debt (dollars in millions, except conversion price):

	Due	Conversion Price	Outstanding Amount December 31, 2008
4.50% Series A debentures	2032	\$ 70.20	\$ 39
5.25% Series B debentures	2032	\$ 64.90	2,384
6.25% Series C debentures	2033	\$ 47.62	3,940
1.50% Series D debentures	2009	\$ 40.11	976
			<u>\$ 7,339</u>

Old GM had unilaterally and irrevocably waived and relinquished the right to use common stock, and had committed to use cash to settle the principal amount of the debentures if: (1) holders chose to convert the debentures; or (2) Old GM was required by holders to repurchase the debentures. Old GM retained the right to use either cash or its common stock to settle any amount that may become due to debt holders in excess of the principal amount. In connection with the 363 Sale, MLC retained the contingent convertible debt.

At December 31, 2008 the number of shares on which the aggregate consideration to be delivered upon conversion would have been determined for the Series A, Series B, Series C and Series D debentures was 1 million, 40 million, 90 million and 25 million.

In connection with the issuance of the Series D debentures, Old GM purchased a capped call option for the Series D debentures in a private transaction, pursuant to which Old GM had the right to purchase 5 million of Old GM's shares from a third party. Exercise of the capped call option was expected to reduce the potential dilution with respect to Old GM's common stock upon conversion of the Series D debentures to the extent that the market value per share of Old GM's common stock did not exceed a specified cap, resulting in an effective conversion price of \$45.71 per share. In connection with the 363 Sale, MLC retained both the Series D debentures which matured on June 1, 2009 and the capped call option.

In September 2008 Old GM entered into agreements with a qualified institutional holder of the Series D debentures. Pursuant to these agreements, Old GM issued an aggregate of 44 million shares of common stock in exchange for \$498 million principal amount of the Series D debentures. In accordance with the agreements, the amount of common stock exchanged for the Series D debentures was based on the daily volume weighted-average price of Old GM's common stock on the New York Stock Exchange in the contractual three and four day pricing periods. Old GM entered into the agreements, in part, to reduce Old GM's debt and interest costs, increase Old GM's equity, and thereby, improve Old GM's liquidity. Old GM did not receive any cash proceeds from the exchange of the common stock for the Series D debentures, which were retired and cancelled. As a result of this exchange, Old GM recorded a settlement gain of \$43 million.

Old GM adopted the provisions of ASC 470-20 in January 2009, with retrospective application to prior periods. Upon adoption of ASC 470-20, the effective interest rate on Old GM's outstanding contingent convertible debt ranged from 7.0% to 7.9%. Refer to Note 3 for additional information on the adoption of ASC 470-20.

At December 31, 2008 the net carrying amount of the conversion feature for all contingent convertible debt outstanding recorded in Capital surplus was \$734 million. At December 31, 2008 the principal amount of each note exceeded the if-converted value.

The following table summarizes the components of contingent convertible debt outstanding (dollars in millions):

	Predecessor December 31, 2008
Principal	\$ 7,941
Unamortized discounts (a)	(602)
Outstanding balance	<u>\$ 7,339</u>

(a) Discounts being amortized through the maturity dates or the initial put dates of the related debt, ranging from 2009 to 2018.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the components of Interest expense related to contingent convertible debt (dollars in millions):

	Predecessor		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Interest accrued or paid (a)	\$ 176	\$ 427	\$ 429
Amortization of discounts	51	136	107
Interest expense	<u>\$ 227</u>	<u>\$ 563</u>	<u>\$ 536</u>

- (a) Contractual interest expense not accrued or recorded on pre-petition debt as a result of the Chapter 11 Proceedings totaled \$44 million in the period January 1, 2009 through July 9, 2009.

**U.S. Dollar Denominated Bonds**

U.S. dollar denominated bonds represented obligations having various annual coupons ranging from 6.75% to 9.45% and maturities ranging from 2011 to 2052. These bonds were unsecured. In connection with the 363 Sale, MLC retained the U.S. dollar denominated bonds.

**Foreign Currency Denominated Bonds**

Foreign currency denominated bonds were unsecured and included bonds denominated in Euros with annual coupons ranging from 7.25% to 8.375% and maturity dates ranging from 2013 to 2033. Also included within foreign currency denominated bonds were bonds denominated in British Pounds with annual coupons ranging from 8.375% to 8.875% and maturity dates ranging from 2015 to 2023. To mitigate the foreign currency exchange exposure created by these bonds, Old GM entered into cross currency swaps. The notional value of these swaps was \$2.3 billion at December 31, 2008. In connection with the 363 Sale, MLC retained the foreign currency denominated bonds.

**Other Long-Term Debt**

Other long-term debt of \$9.7 billion at December 31, 2008 was comprised of revolving credit agreements, a U.S. term loan, capital leases, municipal bonds, and other long-term obligations. In connection with the 363 Sale, we assumed certain capital lease obligations, municipal bonds, and other long-term obligations. MLC retained the remainder of the debt not assumed by us. Refer to Note 2 for additional information on other long-term debt we assumed in connection with the 363 Sale.

**Revolving Credit Agreements**

In August 2007 Old GM entered into a revolving credit agreement that provided for borrowings of up to \$1.0 billion. The facility expired in June 2009. Borrowings under this facility bore interest based on either the commercial paper rate or LIBOR. The borrowings were to be used for general corporate purposes, including working capital needs. Under the facility, borrowings were limited to an amount based on the value of underlying collateral, which was comprised of residual interests in trusts that own leased vehicles and issued asset-backed securities collateralized by the vehicles and the associated leases. The underlying collateral was held by bankruptcy-remote SPEs and pledged to a trustee for the benefit of the lender. The underlying collateral supported a borrowing base of \$323 million at December 31, 2008. Old GM consolidated the bankruptcy-remote SPEs and trusts. At December 31, 2008 \$310 million was outstanding under this agreement, leaving \$13 million available.

Old GM had a \$4.5 billion standby revolving credit facility with a syndicate of banks, which was paid in full on June 30, 2009. At December 31, 2008 \$4.5 billion was outstanding under this credit facility, with availability of \$5 million. In addition to the outstanding amount at December 31, 2008 there were \$10 million of letters of credit issued under the credit facility. Borrowings were

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

limited to an amount based on the value of the underlying collateral, which was comprised of certain North American accounts receivable; certain inventory of Old GM, Saturn Corporation, and GMCL; certain facilities; property and equipment of GMCL; and a pledge of 65% of the stock of the holding company for Old GM's indirect subsidiary GM de Mexico. The carrying amount of these assets was \$5.6 billion at December 31, 2008. The collateral also secured \$155 million of certain lines of credit, automatic clearinghouse and overdraft arrangements and letters of credit provided by the same secured lenders. At December 31, 2008 in addition to the \$10 million letters of credit issued under the revolving credit facility, \$81 million was utilized to secure other facilities.

***Interest Rate Risk Management***

To achieve the desired balance between fixed and variable rate debt, Old GM entered into interest rate swaps. The notional amount of pay variable swap agreements at December 31, 2008 was \$4.5 billion.

Additionally, Old GM entered into interest rate swaps and cap agreements at bankruptcy-remote subsidiaries. The notional amount of such agreements at December 31, 2008 was \$469 million pay floating and the fixed interest rates ranged from 4.5% to 5.7%.

At December 31, 2008 long-term debt included obligations of \$24.7 billion with fixed interest rates and obligations of \$4.9 billion with variable interest rates (primarily LIBOR), after interest rate swap agreements.

***Other***

Contractual interest expense not accrued or recorded on pre-petition debt totaled \$200 million in the period January 1, 2009 through July 9, 2009 (includes contractual interest expense related to contingent convertible debt of \$44 million).

Old GM had other financing arrangements consisting principally of obligations in connection with sale-leaseback transactions, derivative contracts and other lease obligations (including off-balance sheet arrangements). In view of the 2006 restatement of Old GM's prior financial statements, Old GM evaluated the effect of the restatement under these agreements, including its legal rights (such as its ability to cure) with respect to any claims that could be asserted. Based on Old GM's review, it was believed that amounts subject to possible claims of acceleration, termination or other remedies were not likely to exceed \$3.6 billion (primarily comprised of off-balance sheet arrangements and derivative contracts) although no assurances can be given as to the likelihood, nature or amount of any claims that may be asserted. Based on this review, Old GM reclassified \$187 million of these obligations from long-term debt to short-term debt at December 31, 2008.

**Note 19. Pensions and Other Postretirement Benefits**

**Employee Pension and Other Postretirement Benefit Plans**

***Defined Benefit Pension Plans***

Defined benefit pension plans covering eligible U.S. (hired prior to October 15, 2007) and Canadian hourly employees generally provide benefits of negotiated, stated amounts for each year of service and supplemental benefits for employees who retire with 30 years of service before normal retirement age. Non-skilled trades hourly employees hired after October 15, 2007 participate in a defined benefit cash balance plan. The benefits provided by the defined benefit pension plans covering eligible U.S. (hired prior to January 1, 2001) and Canadian salaried employees and salaried employees in certain other non-U.S. locations are generally based on years of service and compensation history. There is also an unfunded nonqualified pension plan covering certain U.S. executives for service prior to January 1, 2007 and it is based on an "excess plan" for service after that date. Refer to the subsequent section "Significant Plan Amendments, Benefit Modifications and Related Events" concerning changes to defined benefit pension plans for certain U.S. and Canadian hourly and salaried employees.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Defined Contribution Plans**

The Savings-Stock Purchase Plan (S-SPP) is a defined contribution retirement savings plan for eligible U.S. salaried employees. The S-SPP provides discretionary matching contributions up to certain predefined limits based upon eligible base salary. The matching contribution for the S-SPP was suspended by Old GM in November 2008 and reinstated by us in October 2009. A benefit contribution equal to 1.0% of eligible base salary for U.S. salaried employees with a service commencement date in or after January 1993 was discontinued effective in January 2010. A retirement contribution to the S-SPP equal to 4.0% of eligible base salary is provided for eligible U.S. salaried employees with a service commencement date in or after January 2001. Contributions are also made to certain non-U.S. defined contribution plans. There is also an unfunded nonqualified defined contribution savings plan covering certain U.S. executives that is based on contributions in excess of qualified plan limits.

U. S. hourly employees hired on or after October 15, 2007 are not eligible for postretirement health care. Such employees receive a \$1.00 per compensated hour contribution into their personal saving plan account. The contributions are not significant.

The following table summarizes significant contributions to defined contribution plans (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
S-SPP	\$ 39	\$ 12	\$ 128	\$ 82
Non-U.S. defined contribution plans	61	58	169	153
<b>Total contributions</b>	<b>\$ 100</b>	<b>\$ 70</b>	<b>\$ 297</b>	<b>\$ 235</b>

**Other Postretirement Benefit Plans**

Certain hourly and salaried defined benefit plans provide postretirement medical, dental, legal service and life insurance to eligible U.S. and Canadian retirees and their eligible dependents. Refer to the subsequent section "Significant Plan Amendments, Benefit Modifications and Related Events" concerning changes to postretirement benefit plans for certain U.S. and Canadian hourly and salaried employees. Certain other non-U.S. subsidiaries have postretirement benefit plans, although most non-U.S. employees are covered by government sponsored or administered programs.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant Plan Amendments, Benefit Modifications and Related Events

2009

The following tables summarize the significant 2009 defined benefit plan interim remeasurements, the related changes in accumulated postretirement benefit obligations (APBO), projected benefit obligations (PBO) and the associated curtailments, settlements and termination benefits recorded in our earnings in the period July 10, 2009 through December 31, 2009 and the earnings of Old GM in the period January 1, 2009 through July 9, 2009, which are subsequently discussed (dollars in millions):

Event and Remeasurement Date When Applicable	Affected Plans	Successor		Increase (Decrease) Since the Most Recent Remeasurement Date(c)	Gain (Loss)		Termination Benefits and Other	
		Change in Discount Rate			PBO/APBO	Curtailments		Settlements
		From	To					
2009 Special Attrition Programs (a)	U.S. hourly defined benefit pension plan	—	—	\$ 58	\$ —	\$ —	\$ (58)	
Global salaried workforce reductions (a)	U.S. salaried defined benefit pension plan	—	—	175	—	—	(175)	
2009 Revised UAW Settlement Agreement — December 31	UAW hourly retiree medical plan	—	—	(22,654)*	—	(2,571)	—	
IUE-CWA and USW Settlement Agreement — November 1 (b)	U.S. hourly defined benefit pension plan	5.58%	5.26%	1,897	—	—	—	
	Non-UAW hourly retiree health care plan	6.21%	5.00%	360	—	—	—	
	U.S. hourly life plan	5.41%	5.56%	53	—	—	—	
Delphi Benefit Guarantee Agreements — August 1 (b)	U.S. hourly defined benefit pension plan	5.83%	5.58%	2,548	—	—	—	
Total				\$ (17,563)	\$ —	\$ (2,571)	\$ (233)	

\* Amount originally reported as \$(22,236) in our 2009 Form 10-K. The column total has been corrected accordingly. Refer to Note 3.

(a) Reflects the effect on PBO. There was no remeasurement.

(b) Includes reclassification of contingent liability to benefit plan obligation.

(c) The increase/decrease includes the effect of the event, the gain or loss from remeasurement, net periodic benefit cost and benefit payments.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Event and Remeasurement Date When Applicable	Affected Plans	Predecessor		Increase (Decrease) Since the Most Recent Remeasurement Date	Gain (Loss)			Termination Benefits and Other
		Change in Discount Rate			PBO/APBO	Curtailments	Settlements	
		From	To					
2009 Special Attrition Programs — June 30	U.S. hourly defined benefit pension plan	6.15%	6.25%	\$ 7	\$ (1,390)	\$ —	\$ (12)	
Global salaried workforce reductions — June 1	U.S. salaried defined benefit pension plan	6.50%	6.50%	24	(327)	—	—	
Global salaried workforce reductions — March 1	Canadian salaried defined benefit pension plan	6.75%	6.25%	15	(20)	—	—	
U.S. salaried benefits changes — February 1	U.S. salaried retiree life insurance plan	7.25%	7.15%	(420)	—	—	—	
U.S. salaried benefits changes — June 1	U.S. salaried retiree health care program	6.80%	6.80%	(265)	—	—	—	
2009 CAW Agreement — June 1	Canadian hourly defined benefit pension plan	6.75%	5.65%	340	—	—	(26)	
2009 CAW Agreement — June 1	CAW hourly retiree healthcare plan and CAW retiree life plan	7.00%	5.80%	(143)	93	—	—	
Total				<u>\$ (442)</u>	<u>\$ (1,644)</u>	<u>\$ —</u>	<u>\$ (38)</u>	

**2009 Special Attrition Programs**

In February and June 2009 Old GM announced the 2009 Special Attrition Programs for eligible UAW-represented employees, offering cash and other incentives for individuals who elected to retire or voluntarily terminate employment. In the period January 1, 2009 through July 9, 2009 Old GM recorded postemployment benefit charges for 13,000 employees. Refer to Note 24 for additional information on the postemployment benefit charges.

Old GM remeasured the U.S. hourly defined benefit pension plan in June 2009 based on the 7,800 irrevocable acceptances through that date as these acceptances to the 2009 Special Attrition Programs yielded a significant reduction in the expected future years of service of active participants. An additional 180 employees accepted the terms of the 2009 Special Attrition Programs in the period July 1, 2009 through July 9, 2009.

In the period July 10, 2009 through December 31, 2009 5,000 employees accepted the terms of the 2009 Special Attrition Programs. We recorded special termination benefit charges for 1,000 of those employees based upon their elections. Plan remeasurement was not required because the July 10, 2009 plan assumptions included the effects of special attrition programs.

**Global Salaried Workforce Reductions**

In February and June 2009 Old GM announced its intention to reduce global salaried headcount. In March 2009 Old GM remeasured the Canadian salaried defined benefit pension plan as part of this initiative based upon an estimated significant reduction in the expected future years of service of active participants. In June 2009 Old GM remeasured the U.S. salaried defined benefit pension plan based upon an estimated significant reduction in the expected future years of service of active participants.

The U.S. salaried employee reductions related to this initiative were to be accomplished primarily through the 2009 Salaried Window Program or through a severance program funded from operating cash flows. These programs were involuntary programs subject to management approval where employees were permitted to express interest in retirement or separation, for which the

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

charges for the 2009 Salaried Window Program were recorded as special termination benefits funded from the U.S. salaried defined benefit pension plan and other applicable retirement benefit plans. The cost associated with the total targeted headcount reductions expected under the programs was determined to be probable and estimable and severance charges of \$250 million were recorded in the period January 1, 2009 through July 9, 2009. Refer to Note 24 for additional information on the severance accrual.

In the period July 10, 2009 through December 31, 2009 1,500 salaried employees irrevocably accepted the terms of the 2009 Salaried Window Program. We reduced the severance accrual previously recorded by Old GM by \$64 million and recorded special termination benefits.

A net reduction of 9,000 salaried employees was achieved globally, excluding 2,000 salaried employees acquired with our acquisition of Nexteer and four domestic facilities. Global salaried headcount decreased from 73,000 salaried employees at December 31, 2008 to 66,000 at December 31, 2009, including a reduction of 5,500 U.S. salaried employees. Refer to Note 5 for additional information on the acquisition of Nexteer and four domestic facilities.

***U.S. Salaried Benefits Changes***

In February 2009 Old GM reduced salaried retiree life benefits for U.S. salaried employees and remeasured its U.S. salaried retiree life insurance plan. In June 2009 Old GM approved and communicated negative plan amendments associated with the U.S. salaried retiree health care program including reduced coverage and increases to cost sharing. The plan was remeasured in June 2009.

In June 2009 Old GM communicated additional changes in benefits for retired salaried employees including an acceleration and further reduction in retiree life insurance, elimination of the supplemental executive life insurance benefit, and reduction in the supplemental executive retirement plan. These plan changes were contingent on completion of the 363 Sale and the effects of these amendments were included in the fresh start remeasurements.

***2009 Revised UAW Settlement Agreement***

In May 2009 Old GM and the UAW agreed to a 2009 Revised UAW Settlement Agreement that related to the UAW hourly retiree medical plan and the 2008 UAW Settlement Agreement, as subsequently discussed, that permanently shifted responsibility for providing retiree health care from Old GM to the New Plan funded by the New VEBA. The 2009 Revised UAW Settlement Agreement was subject to the successful completion of the 363 Sale and we and the UAW executed the 2009 Revised UAW Settlement Agreement on July 10, 2009 in connection with the 363 Sale. Details of the most significant changes to the agreement are:

- The Implementation Date changed from January 1, 2010 to the later of December 31, 2009 or the emergence from bankruptcy, which occurred on July 10, 2009;
- The timing of payments to the New VEBA changed as subsequently discussed;
- The form of consideration changed as subsequently discussed;
- The contribution of employer securities changed such that they were contributed directly to the New VEBA in connection with the 363 Sale on July 10, 2009;
- Certain coverages will be eliminated and certain cost sharing provisions will increase; and
- The flat monthly special lifetime pension benefit that was scheduled to commence on January 1, 2010 was eliminated.

There was no change to the timing of our existing internal Voluntary Employee Benefit Association (VEBA) asset transfer to the New VEBA in that the internal VEBA asset transfer occurred within 10 business days after December 31, 2009 in accordance with the terms of both the 2008 UAW Settlement Agreement and the 2009 Revised UAW Settlement Agreement.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The new payment terms to the New VEBA under the 2009 Revised UAW Settlement Agreement are:

- VEBA Notes of \$2.5 billion and accrued interest, at an implied interest rate of 9.0% per annum, are scheduled to be repaid in three equal installments of \$1.4 billion in July of 2013, 2015 and 2017;
- 260 million shares of our Series A Preferred Stock that accrues cumulative dividends at 9.0% per annum;
- 88 million shares (17.5%) of our common stock;
- A warrant to acquire 15 million shares (2.5%) of our common stock at \$126.92 per share at any time prior to December 31, 2015;
- Two years funding of claims costs for certain individuals that elected to participate in the 2009 Special Attrition Programs; and
- The existing internal VEBA assets.

The modifications to the UAW Settlement Agreement and the new payment terms resulted in a reorganization gain of \$7.7 billion. Refer to Note 2 for additional information on the reorganization gain.

Under the terms of the 2009 Revised UAW Settlement Agreement, we are released from UAW retiree health care claims incurred after December 31, 2009. All obligations of ours, the New Plan and any other entity or benefit plan of ours for retiree medical benefits for the class and the covered group arising from any agreement between us and the UAW terminated at December 31, 2009. Our obligations to the New Plan and the New VEBA are limited to the terms of the 2009 Revised UAW Settlement Agreement.

From July 10, 2009 to December 31, 2009 we recorded net periodic postretirement healthcare cost, including service cost for UAW hourly retiree medical plan participants working toward eligibility. After December 31, 2009 no service cost will be recorded for active UAW participants who continue to work toward eligibility in the New Plan.

At December 31, 2009 we accounted for the termination of our UAW hourly retiree medical plan and Mitigation Plan, under which we agreed that an independent VEBA would be formed to pay certain healthcare costs of UAW hourly retirees and their beneficiaries, as a settlement. The resulting settlement loss of \$2.6 billion recorded on December 31, 2009 represented the difference between the sum of the accrued OPEB liability of \$10.6 billion and the existing internal VEBA assets of \$12.6 billion, and \$25.8 billion representing the fair value of the consideration transferred at December 31, 2009, including the contribution of the existing internal VEBA assets. Upon the settlement of the UAW hourly retiree medical plan at December 31, 2009 the VEBA Notes, Series A Preferred Stock, common stock, and warrants contributed to the New VEBA were recorded at fair value and classified as outstanding debt and equity instruments.

Prior to December 31, 2009 the 260 million shares of Series A Preferred Stock issued to the New VEBA were not considered outstanding for accounting purposes due to the terms of the 2009 Revised UAW Settlement Agreement. As a result, \$105 million of the \$146 million of dividends paid on September 15, 2009 and \$147 million of the \$203 million of dividends paid on December 15, 2009 were recorded as a reduction of Postretirement benefits other than pensions.

***IUE-CWA and USW Settlement Agreement***

In September 2009 we entered into a settlement agreement with MLC, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers — Communication Workers of America (IUE-CWA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW). Under the settlement agreement, the IUE-CWA and the USW agreed to withdraw and release all claims against us and MLC relating to retiree healthcare benefits and basic life insurance benefits. In exchange, the IUE-CWA, the USW and any additional union that agrees to the terms of the settlement

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

agreement will be granted an allowed pre-petition unsecured claim in MLC's Chapter 11 proceedings in the amount of \$1.0 billion with respect to retiree health and life insurance benefits for the post-age-65 retirees, post-age-65 surviving spouses and under-age-65 medicare eligible retirees or surviving spouses disqualified for retiree health care benefits from us under the settlement agreement. For participants remaining eligible for health care, certain coverages were eliminated and cost sharing will increase. These modifications became effective upon completion of the 363 Sale and resulted in a reorganization gain of \$2.7 billion. Refer to Note 2 for additional information on the reorganization gain.

The settlement agreement was expressly conditioned upon and did not become effective until approved by the Bankruptcy Court in MLC's Chapter 11 proceedings, which occurred in November 2009. Several additional unions representing MLC hourly retirees joined the IUE-CWA and USW settlement agreement with respect to healthcare and life insurance. We remeasured the U.S. hourly defined benefit pension plan, non-UAW hourly retiree health care plan and the U.S. hourly life plan in November 2009 to reflect the terms and acceptances of the IUE-CWA and USW Settlement Agreement. The remeasurement of these plans resulted in a decrease in our related accrual and an offsetting increase in the PBO or APBO of the benefit plan.

***2009 CAW Agreement***

In March 2009 Old GM announced that the members of the CAW had ratified the 2009 CAW Agreement intended to reduce manufacturing costs in Canada by closing the competitive gap with transplant automakers in the United States on active employee labor costs and reducing legacy costs through introducing co-payments for healthcare benefits, increasing employee healthcare cost sharing, freezing pension benefits and eliminating cost of living adjustments to pensions for retired hourly workers. The 2009 CAW Agreement was conditioned on Old GM receiving longer term financial support from the Canadian and Ontario governments.

GMCL subsequently entered into additional negotiations with the CAW which resulted in a further addendum to the 2008 collective agreement which was ratified by the CAW members in May 2009. In June 2009 the Ontario and Canadian governments agreed to the terms of a loan agreement, approved the GMCL viability plan and provided funding to GMCL. The Canadian hourly defined benefit pension plan was remeasured in June 2009.

As a result of the termination of the employees from the former Oshawa, Ontario truck facility, the CAW hourly retiree healthcare plan and the CAW retiree life plan were remeasured in June 2009 and a curtailment gain associated with the CAW hourly retiree healthcare plan was also recorded in the three months ended June 30, 2009.

In June 2009 GMCL and the CAW agreed to the terms of an independent HCT to provide retiree health care benefits to certain active and retired employees. The HCT will be implemented when certain preconditions are achieved, including certain changes to the Canadian Income Tax Act. The preconditions have not been achieved and the HCT is not yet implemented at December 31, 2009. Under the terms of the HCT agreement, GMCL is obligated to make a payment of CAD \$1.0 billion on the HCT implementation date which it will fund out of its CAD \$1.0 billion escrow funds, adjusted for the net difference between the amount of retiree monthly contributions received during the period December 31, 2009 through the HCT implementation date less the cost of benefits paid for claims incurred by covered employees during this period. GMCL will provide a CAD \$800 million note payable to the HCT on the HCT implementation date which will accrue interest at an annual rate of 7.0% with five equal annual installments of CAD \$256 million due December 31 of 2014 through 2018. Concurrent with the implementation of the HCT, GMCL will be legally released from all obligations associated with the cost of providing retiree health care benefits to CAW active and retired employees bound by the class action process, and we will account for the related termination of CAW hourly retiree healthcare benefits as a settlement, based upon the difference between the fair value of the notes and cash contributed and the health care plan obligation at the settlement date.

***Delphi***

In July 2009 we and Delphi entered into an agreement with the PBGC regarding the settlement of the PBGC's claims from the termination of the Delphi pension plans. As part of that agreement, we maintained the obligation to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Guarantee Agreements. We had a legal obligation to provide this benefit to eligible UAW plan participants at July 10, 2009. We remeasured the U.S. hourly defined benefit pension plan in August 2009 for eligible UAW plan participants, which coincided with Delphi's transfer of its pension plan obligations to the PBGC. We did not agree to provide this benefit to eligible Delphi IUE-CWA and USW retirees until the IUE-CWA and USW Settlement Agreement was approved by the Bankruptcy Court in MLC's Chapter 11 proceedings, which occurred in November 2009; however a contingent liability had been recorded. We remeasured the U.S. hourly defined benefit pension plan in November 2009 for eligible IUE-CWA and USW plan participants that coincided with the approval of the IUE-CWA and USW Settlement Agreement by the Bankruptcy Court. The remeasurements of the U.S. hourly defined benefit pension plan resulted in a \$1.4 billion increase in the plan PBO to the U.S. hourly defined benefit pension plan and an offsetting decrease principally related to our Delphi related accrual. Refer to Note 21 for additional information on the Delphi Benefit Guarantee Agreements.

2008

The following table summarizes Old GM's significant 2008 defined benefit plan interim remeasurements, the related changes in obligations and the associated curtailments, settlements and termination benefits, as applicable, recorded in earnings in the year ended 2008, which are subsequently discussed:

Event and Remeasurement Date When Applicable	Affected Plans	Predecessor		Increase (Decrease) Since the Most Recent Remeasurement Date	Gain (Loss)		Termination Benefits and Other	
		Change in Discount Rate			PBO/APBO	Curtailments		Settlements
		From	To					
2008 UAW Settlement Agreement — September 1	UAW hourly retiree medical plan	—	—	\$ (13,135)	\$ 6,326	\$ —	\$ —	
	Mitigation Plan	—	—	(137)	(1,424)	—	—	
	U.S. hourly defined benefit pension plan	6.45%	6.70%	563	—	—	—	
2008 Special Attrition Programs — May 31	U.S. hourly defined benefit pension plan	6.30%	6.45%	842	(2,441)	—	(800)	
	Various OPEB plans	—	—	—	104	—	(68)	
2008 CAW Agreement and facility idlings — May 31	Canadian hourly and salaried defined benefit pension plans	5.75%	6.00%	262	(177)	—	(37)	
Salaried retiree benefit plan changes — July 1	U.S. salaried retiree medical plan	6.40%	6.75%	(3,993)	—	(1,706)	—	
	U.S. salaried defined benefit pension plan	6.45%	6.60%	3,159	—	—	—	
Delphi-GM Settlement Agreement — September 30	Various U.S. hourly retiree medical plans	6.40%	6.85%	1,236	—	—	—	
	U.S. hourly defined benefit pension plan	6.70%	7.10%	1,070	—	—	—	
<b>Total</b>				<u>\$ (10,133)</u>	<u>\$ 2,388</u>	<u>\$ (1,706)</u>	<u>\$ (905)</u>	

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In addition to the events listed previously, a number of events related to benefit plans occurred that did not result in interim remeasurements including:

- IUE-CWA agreements related to the closure of the Moraine, Ohio facility resulted in increased cost of \$255 million for pension benefit enhancements and a \$257 million curtailment gain as a result of accelerating substantially all of the IUE-CWA retiree healthcare plan's negative prior service cost.
- Salaried workforce reduction resulted in special termination benefit charges of \$311 million as a result of 3,700 employees accepting the 2008 Salaried Window Program, which was a voluntary early retirement program extended to certain U.S. salaried employees.

***2008 UAW Settlement Agreement***

In February 2008 Old GM entered into the 2008 UAW Settlement Agreement which provided that responsibility for providing retiree healthcare would permanently shift from Old GM to the New Plan funded by the New VEBA as of the Implementation Date. The 2008 UAW Settlement Agreement became effective in September 2008 with an implementation date of January 1, 2010. As a result of the 2008 UAW Settlement Agreement, Old GM's obligation to provide retiree healthcare coverage for UAW retirees and beneficiaries was to terminate at January 1, 2010. The obligation for retiree medical claims incurred on or after this date would be the responsibility of the New Plan and New VEBA. This agreement was revised in 2009 as discussed previously in the section "2009 Revised UAW Settlement Agreement."

The U.S. hourly defined benefit pension plan was amended as part of the 2008 UAW Settlement Agreement to reflect a flat monthly special lifetime benefit to be paid to plan participants commencing January 1, 2010 to help offset the retiree's increased costs of monthly contributions and other cost sharing increases required under the terms of the New VEBA. Effective with the 363 Sale, the additional pension flat monthly lifetime benefit was eliminated and was recorded as a component of the Reorganization gain, net upon our application of fresh-start reporting.

***2008 Special Attrition Programs***

In February 2008 Old GM entered into agreements with the UAW and the IUE-CWA regarding special attrition programs which were intended to further reduce the number of hourly employees. The 2008 UAW Special Attrition Program offered to 74,000 UAW-represented employees was comprised of wage and benefit packages for normal and early voluntary retirements or buyouts or pre-retirement leaves. In addition to their vested pension benefits, those employees who were retirement eligible received a lump sum payment that was funded from the U.S. hourly defined benefit pension plan, the amount of which depended upon their job classification. For those employees not retirement eligible, other buyout options were offered and funded from operating cashflow. The terms of the 2008 IUE-CWA Special Attrition Program, which was offered to 2,300 IUE-CWA represented employees, were similar to those offered under the 2008 UAW Special Attrition Program.

***2008 CAW Agreement and Facility Idlings***

In May 2008 Old GM entered into the 2008 CAW Agreement which resulted in increased pension benefits. Old GM subsequently announced its plan to cease production at the Oshawa, Ontario truck facility, which triggered a curtailment of Old GM's Canadian hourly and salaried defined benefit pension plans.

Prior to the 2008 CAW Agreement, Old GM amortized prior service cost related to its Canadian hourly defined benefit pension plan over the remaining service period for active employees, previously estimated to be 10 years. In conjunction with entering into the 2008 CAW Agreement, Old GM evaluated the 2008 CAW Agreement and the relationship with the CAW and determined that the contractual life of the labor agreements is a more appropriate reflection of the period of future economic benefit received from



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

pension plan amendments negotiated as part of the collectively bargained agreement. This change accelerated the recognition of prior service cost to three years, resulting in additional net periodic pension expense of \$334 million recorded in Cost of sales in the year ended 2008 related to pension increases in Canada from prior collectively bargained agreements.

***Salaried Retiree Benefit Plan Changes***

In July 2008 Old GM amended its U.S. salaried retiree medical and defined benefit pension plans to eliminate healthcare coverage for U.S. salaried retirees over age 65, effective January 2009. Upon reaching age 65, affected retirees and surviving spouses were to receive a pension increase of \$300 per month to partially offset the retiree's increased cost of Medicare and supplemental healthcare coverage. For participants who were under the age of 65, the future elimination of healthcare benefits upon turning age 65 and the increased pension benefits provided resulted in a negative plan amendment to the U.S. salaried retiree medical plan and a positive plan amendment to the U.S. salaried defined benefit pension plan, both of which will be amortized over seven years, which represents the average remaining years to full eligibility for U.S. salaried retiree medical plan participants.

***Delphi-GM Settlement Agreements***

Old GM and Delphi reached agreements in the three months ended September 30, 2008 with each of Delphi's unions regarding the plan to freeze the benefits related to the Delphi's hourly rate employee pension plan (Delphi HRP); the cessation by Delphi of OPEB for Delphi hourly union-represented employees and retirees; and transfers of certain assets and obligations from the Delphi HRP to Old GM's U.S. hourly defined benefit pension plan. As a result of assuming Delphi's OPEB obligation, Old GM reclassified liabilities of \$2.8 billion from its Delphi related accrual to its U.S. OPEB obligation. Old GM remeasured certain of its OPEB plans in September 2008 to include Delphi hourly union-represented employees, the effects of other announced facility idlings in the U.S., as well as changes in certain actuarial assumptions.

The transfer of certain assets and obligations from the Delphi HRP to Old GM's U.S. hourly defined benefit pension plan resulted in a decrease in Old GM's Delphi related accrual and an offsetting increase in the PBO of \$2.8 billion. Old GM remeasured its U.S. hourly defined benefit pension plan in September 2008 to include: (1) assets and liabilities of certain employees transferred in accordance with the Delphi Settlement Agreement; (2) its obligation under the Delphi Benefit Guarantee Agreement to provide up to seven years of credited service to covered employees; (3) the effects of other announced facility idlings in the U.S.; and (4) changes in certain actuarial assumptions including a discount rate increase.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the change in benefit obligations and related plan assets (dollars in millions):

	Successor			
	U.S. Plans Pension Benefits	Non-U.S. Plans Pension Benefits(a) July 10, 2009 Through December 31, 2009	U.S. Plans Other Benefits	Non-U.S. Plans Other Benefits
<b>Change in benefit obligations</b>				
Beginning benefit obligation	\$ 98,012	\$ 21,392	\$ 27,639	\$ 3,420
Service cost	216	157	62	17
Interest cost	2,578	602	886	94
Plan participants' contributions	—	4	172	—
Amendments	(13)	(9)	1	(89)
Actuarial (gains) losses	3,102	1,592	1,732	64
Benefits paid	(3,938)	(714)	(1,700)	(70)
Medicare Part D receipts	—	—	84	—
IUE-CWA & USW related liability transfer	—	—	514	—
Foreign currency translation adjustments	—	1,469	—	376
Delphi benefit guarantee and other	1,365	—	—	—
UAW retiree medical plan settlement	—	—	(25,822)	—
Curtailments, settlements, and other (b)	249	(119)	2,220	(15)
Ending benefit obligation	<u>101,571</u>	<u>24,374</u>	<u>5,788</u>	<u>3,797</u>
<b>Change in plan assets</b>				
Beginning fair value of plan assets	78,493	8,616	10,702	—
Actual return on plan assets	9,914	1,201	1,909	—
Employer contributions	31	4,287	1,528	70
Plan participants' contributions	—	4	172	—
Benefits paid	(3,938)	(714)	(1,700)	(70)
UAW hourly retiree medical plan asset settlement	—	—	(12,586)	—
Foreign currency translation adjustments	—	765	—	—
Other	—	(132)	6	—
Ending fair value of plan assets	<u>84,500</u>	<u>14,027</u>	<u>31</u>	<u>—</u>
Ending funded status	<u>\$ (17,071)</u>	<u>\$ (10,347)</u>	<u>\$ (5,757)</u>	<u>\$ (3,797)</u>
<b>Amounts recorded in the consolidated balance sheet are comprised of:</b>				
Noncurrent asset	\$ —	\$ 98	\$ —	\$ —
Current liability	(93)	(337)	(685)	(161)
Noncurrent liability	(16,978)	(10,108)	(5,072)	(3,636)
Net amount recorded	<u>\$ (17,071)</u>	<u>\$ (10,347)</u>	<u>\$ (5,757)</u>	<u>\$ (3,797)</u>
<b>Amounts recorded in Accumulated other comprehensive Income (loss) are comprised of:</b>				
Net actuarial loss (gain)	\$ (3,803)	\$ 833	\$ 212	\$ 65
Net prior service cost (credit)	(13)	(9)	(1)	(89)
Total recorded in Accumulated other comprehensive income (loss)	<u>\$ (3,816)</u>	<u>\$ 824</u>	<u>\$ 211</u>	<u>\$ (24)</u>

(a) Table does not include other non-U.S. employee benefit arrangements with a total PBO of \$76 million at December 31, 2009.

(b) U.S. other benefits includes the \$2.6 billion settlement loss resulting from the termination of the UAW hourly retiree medical plan and Mitigation Plan.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Predecessor							
	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits(a)		U.S. Plans Other Benefits		Non-U.S. Plans Other Benefits	
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
<b>Change in benefit obligations</b>								
Beginning benefit obligation	\$ 98,135	\$ 85,277	\$ 19,995	\$ 23,753	\$ 39,960	\$ 59,703	\$ 2,930	\$ 4,310
Service cost	243	527	155	410	69	241	12	32
Interest cost	3,077	5,493	596	1,269	1,615	3,519	102	225
Plan participants' contributions	—	—	8	29	169	401	—	—
Amendments	(8)	1,218	(584)	218	(705)	(1,108)	(482)	(185)
Actuarial (gains) losses	(260)	5,684	959	(965)	77	(18,918)	436	(443)
Benefits paid	(5,319)	(8,862)	(769)	(1,390)	(2,115)	(4,759)	(90)	(175)
Medicare Part D receipts	—	—	—	—	150	240	—	—
Foreign currency translation adjustments	—	—	856	(3,981)	—	—	159	(833)
Delphi obligation transfer	—	2,753	—	—	—	2,654	—	—
Curtailments, settlements, and other	1,559	6,045	(76)	652	8	(2,013)	(15)	(1)
Ending benefit obligation	97,427	98,135	21,140	19,995	39,228	39,960	3,052	2,930
Effect of application of fresh-start reporting	585	—	252	—	(11,589)	—	368	—
Ending benefit obligation including effect of application of fresh-start reporting	98,012	98,135	21,392	19,995	27,639	39,960	3,420	2,930
<b>Change in plan assets</b>								
Beginning fair value of plan assets	84,545	104,070	8,086	13,308	9,969	16,303	—	—
Actual return on plan assets	(203)	(11,350)	227	(2,863)	444	(4,978)	—	—
Employer contributions	57	90	529	977	1,947	3,002	90	175
Plan participants' contributions	—	—	8	29	169	401	—	—
Benefits paid	(5,319)	(8,862)	(769)	(1,390)	(2,115)	(4,759)	(90)	(175)
Foreign currency translation adjustments	—	—	516	(2,342)	—	—	—	—
Delphi plan asset transfer	—	572	—	—	—	—	—	—
Other	41	25	(197)	367	(10)	—	—	—
Ending fair value of plan assets	79,121	84,545	8,400	8,086	10,404	9,969	—	—
Effect of application of fresh-start reporting	(628)	—	216	—	298	—	—	—
Ending fair value of plan assets including effect of application of fresh-start reporting	78,493	84,545	8,616	8,086	10,702	9,969	—	—
Ending funded status	(18,306)	(13,590)	(12,740)	(11,909)	(28,824)	(29,991)	(3,052)	(2,930)
Effect of application of fresh-start reporting	(1,213)	—	(36)	—	11,887	—	(368)	—
Ending funded status including effect of application of fresh-start reporting	\$ (19,519)	\$ (13,590)	\$ (12,776)	\$ (11,909)	\$ (16,937)	\$ (29,991)	\$ (3,420)	\$ (2,930)
<b>Amounts recorded in the consolidated balance sheet are comprised of:</b>								
Noncurrent assets	\$ —	\$ —	\$ 97	\$ 109	\$ —	\$ —	\$ —	\$ —
Current liability	(74)	(108)	(339)	(322)	(1,809)	(3,848)	(147)	(154)
Noncurrent liability	(19,445)	(13,482)	(12,534)	(11,696)	(15,128)	(26,143)	(3,273)	(2,776)
Net amount recorded	\$ (19,519)	\$ (13,590)	\$ (12,776)	\$ (11,909)	\$ (16,937)	\$ (29,991)	\$ (3,420)	\$ (2,930)
<b>Amounts recorded in Accumulated other comprehensive income (loss) are comprised of:</b>								
Net actuarial loss	\$ 38,007	\$ 34,940	\$ 7,387	\$ 6,188	\$ 1,631	\$ 1,651	\$ 1,005	\$ 569
Net prior service cost (credit)	1,644	2,277	(754)	(170)	(5,028)	(5,305)	(860)	(519)
Transition obligation	—	—	7	7	—	—	—	—
Total recorded in Accumulated other comprehensive income (loss)	\$ 39,651	\$ 37,217	\$ 6,640	\$ 6,025	\$ (3,397)	\$ (3,654)	\$ 145	\$ 50
Effect of application of fresh-start reporting	(39,651)	—	(6,640)	—	3,397	—	(145)	—
Total recorded in Accumulated other comprehensive income (loss)	\$ —	\$ 37,217	\$ —	\$ 6,025	\$ —	\$ (3,654)	\$ —	\$ 50

(a) The table does not include other non-U.S. employee benefit arrangements with a total PBO of \$94 million and \$95 million at July 9, 2009 and December 31, 2008.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the period July 10, 2009 through December 31, 2009 we experienced actual return on plan assets on our U.S. pension plan assets of \$9.9 billion compared to expected returns of \$3.0 billion that were recognized as a component of our net pension expense during this period. As a result of the U.S. hourly and salaried defined benefit pension plan interim remeasurements, a portion of the effect of the actual plan asset gains was recognized in the market-related value of plan assets during the remainder of the period subsequent to the interim remeasurements. The market related value of plan assets used in the calculation of expected return on pension plan assets at December 31, 2009 is \$2.8 billion lower than the actual fair value of plan assets for U.S. pension plans and \$294 million lower than the actual fair value of plan assets for non-U.S. pension plans. Therefore, the effect of the improvement in the financial markets will not fully affect net pension expense in the year ended 2010. Refer to Note 4 for additional information on the market-related value of plan assets methodology utilized.

The following table summarizes the total accumulated benefit obligations (ABO), the ABO and fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the PBO and fair value of plan assets for defined benefit pension plans with PBO in excess of plan assets (dollars in millions):

	Successor		Predecessor	
	December 31, 2009		December 31, 2008	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
ABO	\$101,397	\$23,615	\$98,003	\$19,547
Plans with ABO in excess of plan assets				
ABO	\$101,397	\$22,708	\$98,003	\$19,229
Fair value of plan assets	\$84,500	\$12,721	\$84,545	\$7,648
Plans with PBO in excess of plan assets				
PBO	\$101,571	\$23,453	\$98,135	\$19,664
Fair value of plan assets	\$84,500	\$13,008	\$84,545	\$7,649

The following tables summarize the components of net periodic pension and OPEB expense from continuing operations along with the assumptions used to determine benefit obligations (dollars in millions):

Components of expense	Successor			
	U.S. Plans	Non-U.S. Plans	U.S.	Non-U.S. Plans
	Pension Benefits	Pension Benefits	Other Benefits	Other Benefits
	July 10, 2009 Through December 31, 2009			
Service cost (a)	\$254	\$157	\$62	\$17
Interest cost	2,578	602	886	94
Expected return on plan assets	(3,047)	(438)	(432)	—
Amortization of prior service cost (credit)	—	—	—	(1)
Curtailments, settlements, and other losses	249	9	2,580	—
Net periodic pension and OPEB expense	<u>\$34</u>	<u>\$330</u>	<u>\$3,096</u>	<u>\$110</u>
<b>Weighted-average assumptions used to determine benefit obligations at December 31 (b)</b>				
Discount rate	5.52%	5.31%	5.57%	5.22%
Rate of compensation increase	3.94%	3.27%	1.48%	4.45%
<b>Weighted-average assumptions used to determine net expense for period ended December 31 (c)</b>				
Discount rate	5.63%	5.82%	6.81%	5.47%
Expected return on plan assets	8.50%	7.97%	8.50%	—
Rate of compensation increase	3.94%	3.23%	1.48%	4.45%

(a) U. S. pension plan service cost includes plan administrative expenses of \$38 million.

(b) Determined at the end of the period.

(c) Determined at the beginning of the period and updated for remeasurements. Appropriate discount rates were used to measure the effects of curtailments and plan amendments on various plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Predecessor											
	U.S. Plans Pension Benefits			Non-U.S. Plans Pension Benefits			U.S. Plans Other Benefits			Non-U.S. Other Benefits		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Components of expense</b>												
Service cost	\$ 243	\$ 527	\$ 627	\$ 155	\$ 410	\$ 486	\$ 69	\$ 241	\$ 370	\$ 12	\$ 32	\$ 45
Interest cost	3,077	5,493	4,931	596	1,269	1,143	1,615	3,519	3,609	102	225	199
Expected return on plan assets	(3,810)	(8,043)	(7,983)	(364)	(969)	(984)	(444)	(1,281)	(1,400)	—	—	—
Amortization of prior service cost (credit)	429	1,077	2,167	(12)	407	32	(1,051)	(1,918)	(1,830)	(63)	(86)	(86)
Amortization of transition obligation	—	—	—	2	6	8	—	—	—	—	—	—
Recognized net actuarial loss	715	317	764	193	275	407	32	508	1,352	23	110	122
Curtailments, settlements, and other losses (gains)	1,720	3,823	75	97	270	156	21	(3,476)	(213)	(123)	11	(17)
Divestiture of Allison (a)	—	—	(30)	—	—	—	—	—	211	—	—	—
Net periodic pension and OPEB (income) expense	\$ 2,374	\$ 3,194	\$ 551	\$ 667	\$ 1,668	\$ 1,248	\$ 242	\$ (2,407)	\$ 2,099	\$ (49)	\$ 292	\$ 263
<b>Weighted-average assumptions used to determine benefit obligations at period end (b)</b>												
Discount rate	5.86%	6.27%	6.35%	5.82%	6.22%	5.72%	6.86%	8.25%	6.35%	5.47%	7.00%	5.75%
Rate of compensation increase	3.94%	5.00%	5.25%	3.23%	3.59%	3.60%	1.48%	2.10%	3.30%	4.45%	4.45%	4.00%
<b>Weighted-average assumptions used to determine net expense for the period (c)</b>												
Discount rate	6.27%	6.56%	5.97%	6.23%	5.77%	4.97%	8.11%	7.02%	5.90%	6.77%	5.90%	5.00%
Expected return on plan assets	8.50%	8.50%	8.50%	7.74%	7.78%	7.85%	8.50%	8.40%	8.40%	—	—	—
Rate of compensation increase	5.00%	5.00%	5.00%	3.08%	3.59%	3.46%	1.87%	3.30%	4.60%	4.45%	4.00%	4.00%

(a) As a result of the Allison divestiture, Old GM recorded an adjustment to the unamortized prior service cost of the U.S. hourly defined benefit pension plan and U.S. salaried defined benefit pension plan of \$18 million and the U.S. hourly and salaried OPEB plans of \$223 million in the year ended 2007. Those adjustments were included in the determination of the gain recognized on the sale of Allison. The net periodic pension and OPEB benefit expenses related to Allison were reported as a component of discontinued operations. All such amounts related to Allison are reflected in the table above, and the effects of those amounts are shown as an adjustment to arrive at net periodic pension and OPEB (income) expense from continuing operations.

(b) Determined at the end of the period.

(c) Determined at the beginning of the period and updated for remeasurements. Appropriate discount rates were used to measure the effects of curtailments and plan amendments on various plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes estimated amounts to be amortized from Accumulated other comprehensive income (loss) into net periodic benefit cost in the year ended 2010 based on December 31, 2009 plan measurements (dollars in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Other Benefit Plans	Non-U.S. Other Benefit Plans
Amortization of prior service credit	\$ (1)	\$ (1)	\$ —	\$ (1)
Amortization of net actuarial loss	—	9	—	—
	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ (1)</u>

**Assumptions**

*Healthcare Trend Rate*

	Successor December 31, 2009		Predecessor December 31, 2008	
	U.S. Plans(a)	Non U.S. Plans(b)	U.S. Plans	Non U.S. Plans
<u>Assumed Healthcare Trend Rates</u>				
Initial healthcare cost trend rate	—%	5.4%	8.0%	5.5%
Ultimate healthcare cost trend rate	—%	3.3%	5.0%	3.3%
Number of years to ultimate trend rate	—	8	6	8

(a) As a result of modifications made to healthcare plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect on our U.S. plans.

(b) The implementation of the HCT in Canada is anticipated and will significantly reduce our exposure to changes in the healthcare cost trend rate.

Healthcare trend rate assumptions are determined for inclusion in healthcare OPEB valuation at each remeasurement. The healthcare trend rates are developed using historical cash expenditures for retiree healthcare. This information is supplemented with information gathered from actuarial based models, information obtained from healthcare providers and known significant events.

The effect of aggregate healthcare trend rates does not include healthcare trend data subsequent to December 31, 2009 associated with the UAW hourly retiree medical plan due to the December 31, 2009 Implementation Date of the New VEBA as the plan is now settled.

The following table summarizes the effect of a one-percentage point change in the assumed healthcare trend rates:

<u>Change in Assumption</u>	U.S. Plans(a)		Non-U.S. Plans(b)	
	Effect on 2010 Aggregate Service and Interest Cost	Effect on December 31, 2009 APBO	Effect on 2010 Aggregate Service and Interest Cost	Effect on December 31, 2009 APBO
One percentage point increase	—	—	+\$ 14 million	+\$ 413 million
One percentage point decrease	—	—	-\$ 11 million	-\$ 331 million

(a) As a result of modifications made to healthcare plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect in the U.S.

(b) The implementation of the HCT in Canada is anticipated and will significantly reduce our exposure to changes in the healthcare cost trend rate.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Investment Strategies and Long-Term Rate of Return**

Detailed periodic studies conducted by outside actuaries and an internal asset management group, consisting of an analysis of capital market assumptions and employing Monte Carlo simulations, are used to determine the long-term strategic mix among asset classes, risk mitigation strategies, and the expected return on asset assumptions for U.S. pension plans. The U.S. study includes a review of alternative asset allocation and risk mitigation strategies, anticipated future long-term performance of individual asset classes, risks evaluated using standard deviation techniques and correlations among the asset classes that comprise the plans' asset mix. Similar studies are performed for the significant non-U.S. pension plans with the assistance of outside actuaries and asset managers. While the studies incorporate data from recent fund performance and historical returns, the expected return on plan asset assumptions are determined based on long-term, prospective rates of return.

The strategic asset mix and risk mitigation strategies for the U.S. and non-U.S. pension plans are tailored specifically for each plan. Individual plans have distinct liabilities, liquidity needs, and regulatory requirements. Consequently, there are different investment policies set by individual plan fiduciaries. Although investment policies and risk mitigation strategies may differ among certain U.S. and non-U.S. pension and OPEB plans, each investment strategy is considered to be optimal in the context of the specific factors affecting each plan.

In setting a new strategic asset mix, consideration is given to the likelihood that the selected mix will effectively fund the projected pension plan liabilities, while aligning with the risk tolerance of the plans' fiduciaries. The strategic asset mix for U.S. defined benefit pension plans is intended to reduce exposure to equity market risks, to utilize asset classes which reduce volatility and to utilize asset classes where active management has historically generated excess returns above market returns.

In May 2009, an analysis of the investment policy was completed for the U.S. plans which confirmed an expected return rate of 8.5%. This included a detailed analysis of capital market assumptions and the selection of portfolios that are optimal in the context of the plans' fiduciaries objectives. The selected portfolios were comprised of a number of asset classes with favorable return characteristics including: a significant allocation to debt securities with credit exposure, some of which have expected returns that are similar to that of equities, significant exposures to private market securities (equity, debt, and real estate) and absolute return strategies (i.e., hedge fund strategies with low exposure to market risks). The expected long-term rate of return assumption is enhanced by these diversified strategies and is consistent with the long-term historical return for the U.S. plans.

The expected return on plan asset assumptions used in determining pension expense for non-U.S. pension plans is determined in a similar manner to the U.S. plans, and the rate of 7.97% for the period ended December 31, 2009 is a weighted average of all of the funded non-U.S. plans.

**Target Allocation Percentages**

An asset and liability study of the U.S. target allocation percentages was approved in May 2009. No significant changes were made to the target allocation percentages by asset category as a result of this study. However, due to the partial elimination of the derivative overlay for the absolute return strategies with the May 2009 study, the absolute return strategies no longer provided bond or bond-like exposures. Therefore they were reclassified from debt securities to the other asset category resulting in a 15 percentage point shift between asset categories. This change does not reflect a change in investment policy.

The following table summarizes the target allocations by asset category for U.S. and non-U.S. defined benefit pension plans and U.S. OPEB plans:

Asset Categories	Successor December 31, 2009			Predecessor December 31, 2008		
	U.S. Plans	Non-U.S. Plans	U.S. OPEB(c)	U.S. Plans	Non-U.S. Plans	U.S. OPEB
Equity securities	28.0%	64.0%	—%	28.0%	60.0%	53.0%
Debt securities (a)	42.0%	24.0%	—%	57.0%	24.0%	25.0%
Real estate	9.0%	9.0%	—%	9.0%	12.0%	4.5%
Other (b)	21.0%	3.0%	—%	6.0%	4.0%	17.5%
Total	100.0%	100.0%	—%	100.0%	100.0%	100.0%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) Includes absolute return strategies at December 31, 2008.  
 (b) Includes private equity at December 31, 2008 and December 31, 2009 and absolute return strategies at December 31, 2009.  
 (c) There are no significant U.S. OPEB assets at December 31, 2009 following the settlement of the UAW hourly retiree medical plan.

**Pension Plan Assets and Fair Value Measurements**

The following table summarizes the fair value of defined benefit pension plan assets by asset category (dollars in millions):

	Fair Value Measurements of U.S. Plan Assets at December 31, 2009				Successor Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2009				Total U.S. and Non-U.S. Plan Assets
	Level 1	Level 2	Level 3	Total U.S. Plan Assets	Level 1	Level 2	Level 3	Total Non-U.S. Plan Assets	
		\$	\$	\$	\$	\$	\$	\$	
<b>Direct investments:</b>									
Cash equivalents and other short-term investments	—	—	—	—	137	463	—	600	600
Common and preferred stock	—	—	—	—	3,002	56	—	3,058	3,058
Government and agency debt securities (a)	—	—	—	—	93	4,136	65	4,294	4,294
Corporate debt securities (b)	—	—	—	—	2	483	109	594	594
Agency mortgage and asset-backed securities	—	—	—	—	—	62	7	69	69
Non-agency mortgage and asset-backed securities	—	—	—	—	—	42	16	58	58
Private equity and debt investments	—	—	—	—	—	—	110	110	110
Real estate assets (c)	—	—	—	—	14	—	825	839	839
Derivatives (d)	—	—	—	—	—	23	—	23	23
<b>Total direct investments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,248</b>	<b>5,265</b>	<b>1,132</b>	<b>9,645</b>	<b>9,645</b>
<b>Investment funds:</b>									
Cash equivalent funds	—	—	—	—	19	4	—	23	23
Equity funds	—	14,495	—	14,495	1	2,575	75	2,651	17,146
High quality fixed income funds	—	9,643	—	9,643	—	1,012	—	1,012	10,655
High yield fixed income funds	—	—	4,221	4,221	—	—	—	—	4,221
Blended funds (e)	—	71	—	71	—	18	—	18	89
Real estate funds	—	916	—	916	—	35	217	252	1,168
Other funds (f)	—	2,266	—	2,266	—	8	95	103	2,369
<b>Total investment funds</b>	<b>—</b>	<b>27,391</b>	<b>4,221</b>	<b>31,612</b>	<b>20</b>	<b>3,652</b>	<b>387</b>	<b>4,059</b>	<b>35,671</b>
Other	—	—	—	—	—	206	—	206	206
<b>Assets before Investment Trusts</b>	<b>\$ —</b>	<b>\$ 27,391</b>	<b>\$ 4,221</b>	<b>31,612</b>	<b>\$ 3,268</b>	<b>\$ 9,123</b>	<b>\$ 1,519</b>	<b>13,910</b>	<b>45,522</b>
Investment Trusts (g)				53,043				—	53,043
<b>Total assets</b>				<b>84,655</b>				<b>13,910</b>	<b>98,565</b>
Other plan assets and liabilities (h)				(155)				117	(38)
<b>Net plan assets</b>				<b>\$ 84,500</b>				<b>\$ 14,027</b>	<b>\$ 98,527</b>

- (a) Includes U.S. and sovereign government and agency issues; excludes mortgage and asset-backed securities  
 (b) Includes bank debt obligations.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- (c) Includes public and private real estate investment trusts.
- (d) Includes net futures, forwards, options, swaps, rights, and warrants.
- (e) Primarily investments in blended equity and fixed income fund-of-funds.
- (f) Primarily investments in alternative investment funds.
- (g) Refer to the subsequent discussion of Investment Trusts for the leveling of the underlying assets of the Investment Trusts.
- (h) Primarily investment manager fees, custody fees and other expenses paid directly by the plans.

The following tables summarize the activity for U.S. plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

	<b>Successor</b>					
	<b>Level 3 U.S. Plan Asset Activity</b>					
	<b>Balance at July 10, 2009</b>	<b>Net Unrealized Gains (Losses)</b>	<b>Net Realized Gains (Losses)</b>	<b>Purchases, Sales and Settlements</b>	<b>Transfers into (out of) Level 3</b>	<b>Balance at December 31, 2009</b>
High yield fixed income funds	\$ 5,488	\$ 910	\$ 158	\$ (2,335)	\$ —	\$ 4,221

	<b>Predecessor</b>					
	<b>Level 3 U.S. Plan Asset Activity</b>					
	<b>Balance at January 1, 2009</b>	<b>Net Unrealized Gains (Losses)</b>	<b>Net Realized Gains (Losses)</b>	<b>Purchases, Sales and Settlements</b>	<b>Transfers into (out of) Level 3</b>	<b>Balance at July 9, 2009</b>
High yield fixed income funds	\$ 4,508	\$ 998	\$ 7	\$ (25)	\$ —	\$ 5,488

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following tables summarize the activity for non-U.S. plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

	Successor						Balance at December 31, 2009
	Level 3 Non-U.S. Plan Asset Activity						
	Balance at July 10, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	Exchange Rate Movements	
<b>Direct investments:</b>							
Government and agency debt securities	\$ 8	\$ (1)	\$ —	\$ 60	\$ (3)	\$ 1	\$ 65
Corporate debt securities	17	6	1	37	43	5	109
Agency mortgage and asset- backed securities	6	—	—	—	1	—	7
Non-agency mortgage and asset-backed securities	10	19	(6)	(11)	3	1	16
Private equity and debt investments	149	(1)	—	(52)	—	14	110
Real estate assets	785	(52)	—	11	—	81	825
Total direct investments	975	(29)	(5)	45	44	102	1,132
<b>Investment funds:</b>							
Equity funds	27	12	(9)	43	(2)	4	75
Real estate funds	199	25	(2)	(4)	—	(1)	217
Other investment funds	107	3	1	(16)	—	—	95
Total investment funds	333	40	(10)	23	(2)	3	387
Total non-U.S. plan assets	\$ 1,308	\$ 11	\$ (15)	\$ 68	\$ 42	\$ 105	\$ 1,519

	Predecessor						Balance at July 9, 2009
	Level 3 Non-U.S. Plan Asset Activity						
	Balance at January 1, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	Exchange Rate Movements	
<b>Direct investments:</b>							
Government and agency debt securities	\$ —	\$ —	\$ —	\$ 4	\$ 4	\$ —	\$ 8
Corporate debt securities	16	—	2	(2)	—	1	17
Agency mortgage and asset- backed securities	6	—	—	—	—	—	6
Non-agency mortgage and asset-backed securities	1	(3)	—	(2)	14	—	10
Private equity and debt investments	163	(33)	—	11	—	8	149
Real estate assets	831	(99)	—	12	—	41	785
Total direct investments	1,017	(135)	2	23	18	50	975
<b>Investment funds:</b>							
Equity funds	33	2	(1)	10	(19)	2	27
Real estate funds	206	(21)	(3)	(3)	—	20	199
Other investment funds	94	2	—	1	—	10	107
Total investment funds	333	(17)	(4)	8	(19)	32	333
Total non-U.S. plan assets	\$ 1,350	\$ (152)	\$ (2)	\$ 31	\$ (1)	\$ 82	\$ 1,308

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Fund Investment Strategies***

A significant portion of the defined benefit pension plan assets, as previously discussed, are invested in a variety of investment funds. The following information describes the significant investment strategies of those funds.

Cash equivalent funds typically seek a high level of current income consistent with the preservation of capital and the maintenance of liquidity. In furtherance of these investment objectives, the funds invest primarily in short-term, high quality securities including U.S. government securities, U.S. dollar-denominated obligations of the U.S. and foreign depository institutions, commercial paper, corporate bonds and asset-backed securities. The funds seek to be fully invested and to achieve the objectives by using fundamental security valuation methodologies and quantitative investment models.

Equity funds typically seek long-term growth through capital appreciation and current income primarily through investments in companies that are believed by the investment manager to be attractively priced relative to fundamental characteristics such as earnings, book value or cash flow. The funds invest primarily in U.S. equities but may also have exposure to equity securities issued by companies incorporated, listed, or domiciled in developed and/or emerging markets. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

High quality fixed income funds typically seek a high level of current income that is consistent with reasonable risk and moderate capital appreciation, primarily through investments in U.S. high quality fixed income securities. In furtherance of these investment objectives, the funds invest primarily in U.S. government securities, investment-grade corporate bonds, mortgages and asset-backed securities. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

High yield fixed income funds typically seek a high level of current income and capital appreciation primarily through investments in U.S. high yield fixed income securities. The funds invest primarily in U.S. high yield fixed income securities issued by corporations which are rated below investment grade by one or more nationally recognized rating agencies, are unrated but are believed by the investment manager to have similar risk characteristics, or are rated investment grade or higher but are priced at yields comparable to securities rated below investment grade and believed to have similar risk characteristics. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

Blended funds typically seek long-term growth through capital appreciation and current income primarily through investments in a broadly diversified portfolio of stocks and bonds. The funds invest in other investment funds pursuant to an asset allocation strategy that seeks to provide diversification across a range of asset classes. The asset classes of the funds may include U.S. large cap stocks, U.S. small cap stocks, international stocks, emerging markets stocks, U.S. high quality bonds, U.S. high yield bonds and cash. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

Real estate funds typically seek long-term growth of capital and current income that is above average relative to public equity funds. The funds invest primarily in the equity-oriented securities of companies which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial and residential. The funds seeks to achieve their objective by selecting securities based on an analysis of factors affecting the performance of real estate investments such as local market conditions, asset quality and management expertise, and an assessment of value based on fundamental security valuation methodologies and other real estate valuation metrics.

The plans also have limited exposure to alternative investment funds with broad-ranging strategies and styles. Typically, the objective of such funds is to deliver returns having relatively low volatility and correlation to movements in major equity and bond markets. Fund strategies in this category typically include private equity, venture capital, commodities, hedged, or absolute return strategies.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Investment Trusts**

A significant portion of the U.S. hourly and salaried pension plan assets are invested through a series of group trusts (Investment Trusts) which permit the commingling of assets from more than one employer. The group trust structure permitted the formation of a series of group trust investment accounts. Each group trust has a beneficial interest in the assets of the underlying investment accounts which are invested to achieve an investment strategy based on the desired plan asset targeted allocations. For purposes of fair value measurement, each plan's interests in the group trusts are classified as a plan asset.

A plan's interest in an Investment Trust is determined based on the Investment Trust's beneficial interest in the underlying net assets. Beneficial interests in the individual Investment Trusts owned by the plans are 97.4% on a combined basis at December 31, 2009.

The following table summarizes the U.S. plans' interest in certain net assets of the Investment Trusts (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>
U.S. pension plans' funded beneficial interest	\$ 53,043
OPEB 401(h) plans' funded beneficial interest	3
Interests held in trusts by plans of other employers	969*
Total fair value of underlying assets of Investment Trusts	54,015
Assets of Investment Trusts not subject to leveling:	
Cash	(3,022)
Net non-security assets	(323)
Total net assets of the Investment Trusts subject to leveling	<u>\$ 50,670</u>

\* Amount originally reported as \$1,403 in our 2009 Form 10-K. The column sub-total and total have been corrected accordingly. Refer to Note 3.

The following table summarizes the fair value of the individual investments held by the investment accounts owned by the Investment Trusts (dollars in millions):

	<u>Successor</u>			
	<u>Fair Value Measurements of Investment</u> <u>Trust Underlying Assets</u> <u>at December 31, 2009(a)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents and other short-term investments	\$ —	\$ 5,003	\$ —	\$ 5,003
Common and preferred stock	2,512	169	51	2,732
Government and agency debt securities (b)	—	2,866	1,552	4,418
Corporate debt securities (c)	—	4,984	1,761	6,745
Agency mortgage and other asset-backed securities	—	380	6	386
Non-agency mortgage and other asset-backed securities	—	861	1,525	2,386
Investment funds (d)	999	3,339*	13,606*	17,944
Private equity and debt investments	—	1	7,210	7,211
Real estate assets (e)	292	—	5,209	5,501
Derivatives (f)	57	(1,825)	112	(1,656)
Total underlying assets	<u>\$3,860</u>	<u>\$15,778</u>	<u>\$31,032</u>	<u>\$50,670</u>

\* Amounts originally reported as \$3,463 and \$13,916 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

(a) Underlying assets are reported at the overall trust level, which includes our plan assets as well as plan assets of non-affiliated plan sponsors.

(b) Includes U.S. and sovereign government and agency issues; excludes mortgage and asset-backed securities.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (c) Includes bank debt obligations.
- (d) Includes common, collective, pooled and hedge funds.
- (e) Includes public and private real estate investment trusts.
- (f) Includes net futures, forwards, options, swaps, rights, and warrants.

The following tables summarize the activity of the underlying assets of the Investment Trusts classified in Level 3 of the valuation hierarchy (dollars in millions):

	Successor					
	Level 3 Investment Trust Underlying Asset Activity					
	Balance at July 10, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	Balance at December 31, 2009
Common and preferred stock	\$ 13	\$ 11	\$ (6)	\$ 37	\$ (4)	\$ 51
Government and agency debt securities	29	140	28	66	1,289	1,552
Corporate debt securities	749	173	(6)	612	233	1,761
Agency mortgage and asset-backed securities	3	5	(3)	3	(2)	6
Non-agency mortgage and asset-backed securities	544	455	(162)	393	295	1,525
Investment funds	11,872*	1,333*	(221)*	1,344*	(722)*	13,606*
Private equity and debt investments	6,618	264	205	123	—	7,210
Real estate assets	5,701	(1,086)	364	230	—	5,209
Derivatives	(314)	(8)	(22)	66	390	112
Total Investment Trust Level 3	<u>\$ 25,215</u>	<u>\$ 1,287</u>	<u>\$ 177</u>	<u>\$ 2,874</u>	<u>\$ 1,479</u>	<u>\$ 31,032</u>

\* Amounts originally reported as \$10,874, \$1,379, \$(218), \$1,379, \$502 and \$13,916 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

	Predecessor					
	Level 3 Investment Trust Underlying Asset Activity					
	Balance at January 1, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	Balance at July 9, 2009
Common and preferred stock	\$ 10	\$ (1)	\$ 3	\$ 1	\$ —	\$ 13
Government and agency debt securities	9	3	—	17	—	29
Corporate debt securities	604	172	(47)	15	5	749
Agency mortgage and asset-backed securities	5	—	—	(1)	(1)	3
Non-agency mortgage and asset-backed securities	717	(147)	(16)	9	(19)	544
Investment funds	11,843*	417*	152*	(530)*	(10)*	11,872*
Private equity and debt investments	7,564	(1,049)	(64)	167	—	6,618
Real estate assets	7,899	(2,440)	(10)	252	—	5,701
Derivatives	1,420	(1,469)	(229)	(36)	—	(314)
Total Investment Trust Level 3	<u>\$ 30,071</u>	<u>\$ (4,514)</u>	<u>\$ (211)</u>	<u>\$ (106)</u>	<u>\$ (25)</u>	<u>\$ 25,215</u>

\* Amounts originally reported as \$12,753, \$1,899, \$(1,193), \$(2,585), \$0 and \$10,874 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**OPEB Plan Assets and Fair Value Measurements**

The existing OPEB plan assets were no longer recognized as plan assets due to the UAW hourly retiree medical plan settlement. The following table summarizes the fair value of OPEB plan assets by asset category (dollars in millions):

	Successor			Total U.S. Plan Assets
	Fair Value Measurements of OPEB Plan Assets at December 31, 2009			
	Level 1	Level 2	Level 3	
<b>Direct investments:</b>				
Cash equivalents and other short-term investments	\$ —	\$ 28	\$ —	\$ 28
Investment Funds	—	37	—	37
Other	—	—	2	2
Total assets	<u>\$ —</u>	<u>\$ 65</u>	<u>\$ 2</u>	67
Employee-owned assets				(10)
Net non-security liabilities				(26)
Total OPEB net assets				<u>\$ 31</u>

The following tables summarize the activity for the OPEB plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

	Successor					Balance at December 31, 2009
	Level 3 OPEB Plan Asset Activity					
	Balance at July 10, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	
Common and preferred stock	\$ 3	\$ 3	\$ (2)	\$ (4)	\$ —	\$ —
Government and agency debt securities	1	21	4	(248)	222	—
Corporate debt securities	122	51	3	(344)	168	—
Non-agency mortgage and asset-backed securities	18	(29)	(1)	(2)	14	—
Investment funds	2,188	154	(17)	(2,315)	(10)	—
Private equity and debt investments	243	36	—	(279)	—	—
Real estate assets	356	(78)	—	(136)	(142)	—
Other	2	—	—	—	—	2
Total OPEB Level 3	<u>\$ 2,933</u>	<u>\$ 158</u>	<u>\$ (13)</u>	<u>\$ (3,328)</u>	<u>\$ 252</u>	<u>\$ 2</u>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor					Balance at July 9, 2009
	Level 3 OPEB Plan Asset Activity					
	Balance at January 1, 2009	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Purchases, Sales and Settlements	Transfers into (out of) Level 3	Balance at July 9, 2009
Common and preferred stock	\$ —	\$ (5)	\$ —	\$ 8	\$ —	\$ 3
Government and agency debt securities	—	—	—	—	1	1
Corporate debt securities	89	26	(5)	12	—	122
Non-agency mortgage and asset-backed securities	24	—	(1)	(5)	—	18
Investment funds	2,403	333	(104)	(272)	(172)	2,188
Private equity and debt investments	245	17	(16)	(3)	—	243
Real estate assets	415	(71)	1	11	—	356
Other	2	—	—	—	—	2
<b>Total OPEB Level 3</b>	<b>\$ 3,178</b>	<b>\$ 300</b>	<b>\$ (125)</b>	<b>\$ (249)</b>	<b>\$ (171)</b>	<b>\$ 2,933</b>

**Significant Concentrations of Risk**

The pension plan Investment Trusts include investments in privately negotiated equity and debt securities and derivative instruments which may be illiquid. The asset managers may be unable to quickly liquidate some of these investments at an amount close or equal to fair value in order to meet a plan's liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

A portion of the assets underlying the Investment Trusts include non-readily liquid assets, which generally have long-term durations that complement the long-term nature of pension obligations, are not used to fund benefit payments when currently due. Plan management monitors liquidity risk on an ongoing basis and has procedures in place that are designed to maintain flexibility in addressing plan-specific, broader industry, and market liquidity events.

The pension plan Investment Trusts may invest in financial instruments and enter into transactions denominated in currencies other than the plans' functional currencies. Consequently, the plans might be exposed to risks that the foreign currency exchange rates might change in a manner that has an adverse effect on the value of that portion of the plans' assets or liabilities denominated in currencies other than the functional currency. The plans use forward currency contracts to manage foreign currency risk.

The pension plan Investment Trusts may invest in fixed income securities for which any change in the relevant interest rates for particular securities might result in an investment manager being unable to secure similar returns on the expiration of contracts or the sale of securities. In addition, changes to prevailing interest rates or changes in expectations of future interest rates might result in an increase or decrease in the fair value of the securities held. In general, as interest rates rise, the fair value of fixed income securities declines, and vice-versa. The plan Investment Trusts use interest rate swaps and other financial derivative instruments to manage interest rate risk.

A counterparty to a financial instrument may fail or default on a commitment that it has entered into with the plan Investment Trusts. Counterparty risk is primarily related to over-the-counter derivative instruments used to manage exposures related to interest rates on long-term debt securities and foreign currency exchange rate fluctuations. The plan Investment Trusts enter into agreements with counterparties that allow the set-off of certain exposures to the risk that the issuer or guarantor of a debt security will be unable to meet principal and interest payments on its obligations and also to the price risk related to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity. The plan Investment Trusts may invest in debt securities that are investment grade, non-investment grade, or unrated. High yield debt securities have historically experienced greater default rates than investment grade securities. The plan Investment Trusts have credit policies and processes to manage exposure to credit risk on an ongoing basis and manage concentrations of counterparty risk by seeking to undertake transactions with large well-capitalized counterparties and by monitoring the creditworthiness of these counterparties.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Plan Funding Policy and Contributions**

The funding policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulations or to directly pay benefit payments where appropriate. At December 31, 2009, all legal funding requirements had been met.

The following table summarizes pension contributions to the defined benefit pension plans or direct payments (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
U.S. hourly and salaried	\$ —	\$ —	\$ —	\$ —
Other U.S.	31	57	90	89
Non-U.S.	4,287	529	977	848
Total contributions	\$ 4,318	\$ 586	\$ 1,067	\$ 937

In the year ending 2010 we do not have any U.S. contributions due to our qualified plans. The next pension funding valuation date based on the requirements of the Pension Protection Act (PPA) of 2006 would be October 1, 2010. At that time, based on the PPA, we have the option to select a discount rate for the valuation based on either the Full Yield Curve method or the 3-Segment method, both of which are considered to be acceptable methods. A hypothetical funding valuation at December 31, 2009 using the Full Yield Curve discount rate at that time and for all future funding valuations projects contributions of \$2.5 billion, \$4.6 billion and \$4.8 billion in 2013, 2014 and 2015 and additional contributions may be required thereafter. Alternatively, if the 3-Segment discount rate were used for the hypothetical valuation, no pension funding contributions until a contribution of \$3.3 billion in 2015 are required, and additional contributions may be required thereafter. In both cases, we have assumed that the pension plans earn the expected return of 8.5% in the future. In addition to the discount rate and rate of return on assets, the pension contributions could be affected by various other factors including the effect of any legislative changes. We are currently considering making a discretionary contribution to our U.S. hourly defined benefit pension plan to offset the effect of the increase to the PBO resulting from the Delphi Benefit Guarantee Agreements being triggered and to reduce the projected future cash funding requirements. We are currently evaluating the amount, timing and form of assets that may be contributed. We expect to contribute or pay benefits of \$95 million to our other U.S. defined benefit pension plans and \$355 million to our non-U.S. pension plans in the year ended 2010.

In July 2009 \$862 million was deposited into an escrow account pursuant to an agreement between Old GM, EDC and an escrow agent. In July 2009 we subscribed for additional common shares in GMCL and paid the subscription price in cash. As required under certain agreements between GMCL, EDC, and an escrow agent, \$3.6 billion of the subscription price was deposited into an escrow account to fund certain of GMCL's pension plans and HCT obligations pending completion of certain preconditions. In September 2009 GMCL contributed \$3.0 billion to the Canadian hourly defined benefit pension plan and \$651 million to the Canadian salaried defined benefit pension plan, of which \$2.7 billion was funded from the escrow account. In accordance with the terms of the escrow agreement, \$903 million was released from the escrow account to us in September 2009. At December 31, 2009 \$955 million remained in the escrow account.

The following table summarizes net contributions to the U.S. OPEB plans (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Employer (a)(b)	\$ 1,528	\$ 1,947	\$ (1,356)	\$ (1,929)
Plan participants' contributions.	172	169	401	354
Total contributions	\$ 1,700	\$ 2,116	\$ (955)	\$ (1,575)

(a) Withdrawals were from plan assets of non-UAW hourly and salaried VEBAs in the years ended 2008 and 2007.

(b) Both the U.S. non-UAW hourly and salaried VEBAs were effectively liquidated by December 31, 2008.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Benefit Payments**

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service, as appropriate, but does not reflect the effect of the 2009 CAW Agreement which provides for our independent HCT (dollars in millions):

	Years Ended December 31,			
	Pension Benefits(a)		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans(b)	Non-U.S. Plans
2010	\$ 9,321	\$ 1,414	\$ 489	\$ 177
2011	\$ 8,976	\$ 1,419	\$ 451	\$ 185
2012	\$ 8,533	\$ 1,440	\$ 427	\$ 193
2013	\$ 8,247	\$ 1,461	\$ 407	\$ 201
2014	\$ 8,013	\$ 1,486	\$ 390	\$ 210
2015-2019	\$ 37,049	\$ 7,674	\$ 1,801	\$ 1,169

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our cash and cash equivalents.

(b) Benefit payments presented in this table reflect the effect of the implementation of the 2009 Revised UAW Settlement Agreement which releases us from UAW retiree healthcare claims incurred after December 31, 2009.

**Note 20. Derivative Financial Instruments and Risk Management****Risk Management**

Foreign currency exchange risk, interest rate risk and commodity price risk are managed by using derivative instruments, typically including forward contracts, swaps and options, in accordance with our current and Old GM's previous risk management policies. The objective of these risk management policies is to offset the gains and losses on the underlying exposures resulting from these risks with the related gains and losses on the derivatives used to hedge them. These risk management policies limit the use of derivative instruments to managing these risks and do not allow the use of derivative instruments for speculative purposes.

A risk management control system is used to assist in monitoring the hedging program, derivative positions and hedging strategies. Hedging documentation includes hedging objectives, practices and procedures, and the related accounting treatment. Hedges that receive designated hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedging period.

**Counterparty Credit Risk**

Derivative financial instruments contain an element of credit risk attributable to the counterparties' ability to meet the terms of the agreements. The maximum amount of loss due to credit risk that we would incur if the counterparties to the derivative instruments failed completely to perform according to the terms of the contract was \$159 million at December 31, 2009. Agreements are entered into with counterparties that allow the set-off of certain exposures in order to manage the risk. The total net derivative asset position for all counterparties with which we were in a net asset position at December 31, 2009 was \$125 million.

Counterparty credit risk is managed and monitored by our Risk Management Committee, which establishes exposure limits by counterparty. At December 31, 2009 substantially all counterparty exposures were with counterparties that were rated A or higher.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Credit Risk Related Contingent Features**

Agreements with counterparties to derivative instruments do not contain covenants requiring the maintenance of certain credit rating levels or credit risk ratios that would require the posting of collateral in the event that certain standards are violated or when a derivative instrument is in a liability position. No collateral was posted related to derivative instruments at December 31, 2009. We are currently in negotiations with counterparties to amend or enter into new derivative agreements that will likely require us to provide cash collateral for any net liability positions that we would have with these counterparties.

**Derivatives and Hedge Accounting**

Our derivative instruments consist of nondesignated derivative contracts or economic hedges. At December 31, 2009 and 2008 no outstanding derivative contracts were designated in hedging relationships. In the period July 10, 2009 through December 31, 2009 we accounted for changes in the fair value of all outstanding contracts by recording the gains and losses in earnings.

***Cash Flow Hedges***

We and Old GM was exposed to certain foreign currency exchange risks associated with buying and selling automotive parts and vehicles and foreign currency exposure to long-term debt. We partially manage these risks through the use of derivative instruments that we acquired from Old GM. At December 31, 2009 we did not have any financial instruments designated as cash flow hedges for accounting purposes.

Due to Old GM's credit standing and the Chapter 11 Proceedings, our ability to manage risks using derivative financial instruments is severely limited as most derivative counterparties are unwilling to enter into transactions with us. Subsequent to the 363 Sale, we remain unable to enter into forward contracts pending the completion of negotiations for new agreements and credit terms with potential derivative counterparties. In December 2009 we began purchasing commodity and foreign currency exchange options. These nondesignated derivatives have original expiration terms of up to 13 months.

Old GM previously designated certain financial instruments as cash flow hedges to manage its exposure to foreign currency exchange risks. For foreign currency transactions, Old GM typically hedged forecasted exposures for up to three years in the future. For foreign currency exposure on long-term debt, Old GM typically hedged exposures for the life of the debt.

For derivatives that were previously designated as qualifying cash flow hedges, the effective portion of the unrealized and realized gains and losses resulting from changes in fair value were recorded as a component of Accumulated other comprehensive income (loss). Subsequently, those cumulative gains and losses were reclassified to earnings contemporaneously with and to the same line item as the earnings effects of the hedged item. However, if it became probable that the forecasted transaction would not occur, the cumulative change in the fair value of the derivative recorded in Accumulated other comprehensive income (loss) was reclassified into earnings immediately.

On October 1, 2008 Old GM ceased hedge accounting treatment for derivatives that were previously designated as qualifying cash flow hedges. Subsequent to this date Old GM recorded gains and losses arising from changes in the fair value of the derivative instruments in earnings, resulting in a net gain of \$157 million in the three months ended December 31, 2008. This gain was recorded in Sales and Cost of sales in the amounts of \$127 million and \$30 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes amounts reclassified from Accumulated other comprehensive income (loss) into earnings for the effective portion of a hedging relationship (dollars in millions):

	Predecessor	
	Gain (Loss) Reclassified	
	Year Ended December 31, 2008	Year Ended December 31, 2007
From accumulated other comprehensive income (loss) to sales	\$ 198	\$ 225
From accumulated other comprehensive income (loss) to cost of sales	\$ 205	\$ 51

To the extent that prior hedging relationships were not effective, the ineffective portion of the change in fair value of the derivative instrument was recorded immediately in earnings. Hedge ineffectiveness related to instruments designated as cash flow hedges was insignificant in the years ended 2008 and 2007.

The following table summarizes total activity in Accumulated other comprehensive income (loss) associated with cash flow hedges, primarily related to the reclassification of previously deferred cash flow hedge gains and losses from Accumulated other comprehensive income (loss) into earnings (dollars in millions):

	Location of Gain (Loss) Reclassified into Earnings	Predecessor Gain (Loss) Reclassified
		January 1, 2009 Through July 9, 2009
<b>Derivatives in Original Cash Flow Hedging Relationship</b>		
Foreign currency exchange contracts	Sales	\$ (351)
Foreign currency exchange contracts	Cost of sales	19
Foreign currency exchange contracts	Reorganization gains, net	247
Total activity in accumulated other comprehensive income (loss)		<u>\$ (85)</u>

In connection with the Chapter 11 Proceedings, at June 1, 2009 Accumulated other comprehensive income (loss) balances of \$247 million associated with previously designated financial instruments were reclassified into Reorganization gains, net because the underlying forecasted debt and interest payments were probable not to occur.

In connection with our application of fresh-start reporting, the remaining previously deferred cash flow hedge gains and losses in Accumulated other comprehensive income (loss) were adjusted to \$0 at July 10, 2009.

The following table summarizes gains and (losses) that were reclassified from Accumulated other comprehensive income (loss) for cash flow hedges associated with previously forecasted transactions that subsequently became probable not to occur (dollars in millions):

	Predecessor Gain (Loss) Reclassified
	January 1, 2009 Through July 9, 2009
Sales	\$ (182)
Reorganization gains, net	247
Total gains (losses) reclassified from accumulated other comprehensive income (loss)	<u>\$ 65</u>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Fair Value Hedges**

We and Old GM was subject to market risk from exposures to changes in interest rates that affect the fair value of long-term, fixed rate debt. At December 31, 2009 we did not have any financial instruments designated as fair value hedges to manage this risk.

Old GM previously used interest rate swaps designated as fair value hedges to manage certain of its exposures associated with these borrowings. Old GM hedged its exposures to the maturity date of the underlying interest rate exposure.

Gains and losses on derivatives designated and qualifying as fair value hedges, as well as the offsetting gains and losses on the debt attributable to the hedged interest rate risk, were recorded in Interest expense to the extent the hedge was effective. The gains and losses related to the hedged interest rate risk were recorded as an adjustment to the carrying amount of the debt. Previously recorded adjustments to the carrying amount of the debt were amortized to Interest expense over the remaining debt term. In the period January 1, 2009 through July 9, 2009 Old GM amortized previously deferred fair value hedge gains and losses of \$3 million to Interest expense. Old GM recorded no hedging ineffectiveness in the years ended 2008 and 2007.

On October 1, 2008 Old GM ceased hedge accounting treatment for derivatives that were previously designated as qualifying fair value hedges. Subsequent to this date Old GM recorded gains and losses arising from changes in the fair value of the derivative instruments in earnings, resulting in a net gain of \$279 million recorded in Interest expense in the three months ended December 31, 2008.

In connection with the Chapter 11 Proceedings, at June 1, 2009 Old GM had basis adjustments of \$18 million to the carrying amount of debt that ceased to be amortized to Interest expense. At June 1, 2009 the debt related to these basis adjustments was classified as Liabilities subject to compromise and no longer subject to interest accruals or amortization. We did not assume this debt from Old GM in connection with the 363 Sale.

**Net Investment Hedges**

We and Old GM was subject to foreign currency exposure related to net investments in certain foreign operations. At December 31, 2009 we did not have any hedges of a net investment in a foreign operation.

Old GM previously used foreign currency denominated debt to hedge this foreign currency exposure. For nonderivative instruments that were designated as, and qualified as, a hedge of a net investment in a foreign operation, the effective portion of the unrealized and realized gains and losses were recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss). In connection with the 363 Sale, MLC retained the foreign currency denominated debt and it ceased to operate as a hedge of net investments in foreign operations. In connection with our application of fresh-start reporting, the effective portions of unrealized gains and losses previously recorded to Accumulated other comprehensive income (loss) were adjusted to \$0 at July 10, 2009.

The following table summarizes the gains and (losses) related to net investment hedges recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss) (dollars in millions):

	Predecessor		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Effective portion of net investment hedge gains (losses)	\$ 5	\$ 106	\$ (224)

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Derivatives Not Designated for Hedge Accounting**

Derivatives not designated in a hedging relationship, such as forward contracts, swaps, and options, are used to economically hedge certain risk exposures. Unrealized and realized gains and losses related to these nondesignated derivative hedges are recorded in earnings.

In connection with our application of fresh-start reporting, we elected a new policy with respect to the classification of nondesignated derivative gains and losses in earnings. Effective July 10, 2009 gains and losses related to all nondesignated derivatives, regardless of type of exposure, are recorded to Interest income and other non-operating income, net. Refer to Notes 2 and 4 for additional information on fresh-start reporting and our derivative accounting policies.

Old GM previously entered into a variety of foreign currency exchange, interest rate and commodity forward contracts and options to maintain a desired level of exposure arising from market risks resulting from changes in foreign currency exchange rates, interest rates and certain commodity prices. In May 2009 Old GM reached agreements with certain of the counterparties to its derivative contracts to terminate the derivative contracts prior to stated maturity. Old GM made cash payments of \$631 million to settle the related commodity, foreign currency exchange, and interest rate forward contracts, resulting in a loss of \$537 million. The loss was recorded in Sales, Cost of sales and Interest expense in the amounts of \$22 million, \$457 million and \$58 million.

When an exposure economically hedged with a derivative contract is no longer forecasted to occur, in some cases a new derivative instrument is entered into to offset the exposure related to the existing derivative instrument. In some cases, counterparties are unwilling to enter into offsetting derivative instruments and, as such, there is exposure to future changes in the fair value of these derivatives with no underlying exposure to offset this risk.

The following table summarizes gains and (losses) recorded for nondesignated derivatives originally entered into to hedge exposures that subsequently became probable not to occur (dollars in millions):

	Successor July 10, 2009 Through December 31, 2009	Predecessor January 1, 2009 Through July 9, 2009
Interest income and other non-operating income, net	\$ 1	\$ 91

**Commodity Derivatives**

Certain raw materials, parts with significant commodity content, and energy comprising various commodities are purchased for use in production. At December 31, 2009 our exposure to commodity prices was partially managed through the use of nondesignated commodity options. At December 31, 2009 we had not entered into any commodity forward contracts.

The following table summarizes the notional amounts of our nondesignated commodity derivative contracts (units in thousands):

<u>Commodity</u>	Successor December 31, 2009	
	Contract Notional	Units
Aluminum and aluminum alloy	39	Metric tons
Copper	4	Metric tons
Lead	7	Metric tons
Heating oil	10,797	Gallons
Natural gas	1,355	MMBTU
Natural gas	150	Gigajoules

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Old GM previously hedged commodity price risk by entering into derivative instruments such as forward and option contracts. Gains and losses related to commodity derivatives were recorded in Cost of sales.

***Interest Rate Swap Derivatives***

At December 31, 2009 we did not have any interest rate swap derivatives.

Old GM previously used interest rate swap derivatives to economically hedge exposure to changes in the fair value of fixed rate debt. Gains and losses related to the changes in the fair value of these nondesignated derivatives were recorded in Interest expense.

***Foreign Currency Exchange Derivatives***

Foreign currency exchange derivatives are used to economically hedge exposure to foreign currency exchange risks associated with: (1) forecasted foreign currency denominated purchases and sales of parts and vehicles; and (2) variability in cash flows related to interest and principal payments on foreign currency denominated debt. At December 31, 2009 we partially managed foreign currency exchange risk through the use of foreign currency options and forward contracts we acquired from Old GM in connection with the 363 Sale.

The following table summarizes the total notional amounts of our nondesignated foreign currency exchange derivatives (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>
Nondesignated foreign currency exchange derivatives	\$ 6,333

Old GM recorded gains and losses related to these foreign currency exchange derivatives in: (1) Sales for derivatives that economically hedged sales of parts and vehicles; (2) Cost of sales for derivatives that economically hedged purchases of parts and vehicles; and (3) Cost of sales for derivatives that economically hedged foreign currency risk related to foreign currency denominated debt.

***Other Derivatives***

In September 2009 in connection with an agreement with American Axle, we received warrants to purchase 4 million shares of American Axle common stock exercisable at \$2.76 per share. The fair value of the warrants on the date of receipt was recorded as a Non-current asset. Gains and losses related to these warrants were recorded in Interest income and other non-operating income, net. At December 31, 2009 the fair value of these warrants was \$25 million.

On July 10, 2009 in connection with the 363 Sale, we issued warrants to MLC and the New VEBA to acquire shares of our common stock. These warrants are being accounted for as equity.

In connection with the UST Loan Agreement, Old GM granted warrants to the UST for 122 million shares of its common stock exercisable at \$3.57 per share. Old GM recorded the warrants as a liability and recorded gains and losses related to this derivative in Interest income and other non-operating income, net. In connection with the 363 Sale, the UST returned the warrants and they were cancelled.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Fair Value of Nondesignated Derivatives**

The following table summarizes the fair value of our nondesignated derivative instruments (dollars in millions):

<u>Nondesignated Derivative Instruments</u>	<u>Successor</u> <u>December 31, 2009</u>	
	<u>Asset</u> <u>Derivatives(a)(c)</u>	<u>Liability</u> <u>Derivatives(b)(d)</u>
<b>Current Portion</b>		
Foreign currency exchange derivatives	\$ 104	\$ 568
Commodity derivatives	11	—
Total current portion	<u>\$ 115</u>	<u>\$ 568</u>
<b>Non-Current Portion</b>		
Foreign currency exchange derivatives	\$ 19	\$ 146
Other derivatives	25	—
Total non-current portion	<u>\$ 44</u>	<u>\$ 146</u>

- (a) Current portion recorded in Other current assets and deferred income taxes.  
(b) Current portion recorded in Accrued expenses.  
(c) Non-current portion recorded in Other assets.  
(d) Non-current portion recorded in Other liabilities and deferred income taxes.

**Gains and (Losses) on Nondesignated Derivatives**

The following table summarizes gains and (losses) recorded in earnings on nondesignated derivatives (dollars in millions):

<u>Derivatives Not Designated as</u> <u>Hedging Instruments</u>	<u>Statement of Operations Line</u>	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>	<u>Predecessor</u> <u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>
Foreign currency exchange derivatives	Sales	\$ —	\$ (688)
Foreign currency exchange derivatives	Cost of sales	—	(211)
Foreign currency exchange derivatives	Interest income and other non-operating income, net	279	91
Interest rate swap derivatives	Interest expense	(1)	(38)
Commodity derivative contracts	Cost of sales	—	(332)
Other derivatives	Interest income and other non-operating income, net	—	164
Total gains (losses) recorded in earnings		<u>\$ 278</u>	<u>\$ (1,014)</u>

**Derivatives Not Meeting a Scope Exception from Fair Value Accounting**

We enter into purchase contracts to hedge physical exposure to the availability of certain commodities used in the production of vehicles. At December 31, 2009 we did not have any purchase contracts accounted for as derivatives.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Old GM previously entered into purchase contracts that were accounted for as derivatives with changes in fair value recorded in Cost of sales, as these contracts did not qualify for the normal purchases and normal sales scope exception in ASC 815-10, "Derivatives and Hedging." Certain of these contracts were terminated in the period January 1, 2009 through July 9, 2009. MLC retained the remainder of these purchase contracts in connection with the 363 Sale.

**Net Change in Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the net change in Accumulated other comprehensive income (loss) related to cash flow hedging activities (dollars in millions):

	Predecessor		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning net unrealized gain (loss) on derivatives	\$ (490)	\$ 321	\$ 359
Change in fair value	—	(1,054)	140
Reclassification to earnings	99	243	(178)
Ending net unrealized gain (loss) on derivatives	<u>\$ (391)</u>	<u>\$ (490)</u>	<u>\$ 321</u>

In connection with our application of fresh-start reporting, previously deferred cash flow hedge gains and losses in Accumulated other comprehensive income (loss) were adjusted to \$0 at July 10, 2009.

**Note 21. Commitments and Contingencies**

The following tables summarize information related to commitments and contingencies (dollars in millions):

	Successor December 31, 2009		Predecessor December 31, 2008	
	Liability Recorded	Maximum Liability(a)	Liability Recorded	Maximum Liability(a)
<b>Guarantees</b>				
Operating lease residual values (b)	\$ —	\$ 79	\$ —	\$ 118
Supplier commitments and other related obligations	\$ 3	\$ 218*	\$ 5	\$ 23
GMAC commercial loans (c)(d)	\$ 2	\$ 167	\$ 19	\$ 539
Product warranty and recall claims	\$ 54	\$ 553	\$ —	\$ —

\* Amount originally reported as \$43 in our 2009 Form 10-K. Refer to Note 3.

(a) Calculated as future undiscounted payments.

(b) Excludes residual support and risk sharing programs related to GMAC.

(c) At December 31, 2009 includes \$127 million related to a guarantee provided to GMAC in Brazil in connection with dealer floor plan financing. This guarantee is collateralized by an interest in certificates of deposit of \$127 million purchased from GMAC to which we have title and which were recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which we have recorded a corresponding deposit liability of \$104 million, which was recorded in Other liabilities.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (d) At December 31, 2008 included \$481 million related to a guarantee provided to GMAC in Brazil in connection with dealer floor plan financing. This guarantee was secured by an interest in certificates of deposit of \$481 million purchased from GMAC to which Old GM had title and which were recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which Old GM recorded a corresponding deposit liability of \$358 million, which was recorded in Other liabilities.

	<u>Successor</u> <u>December 31, 2009</u> <u>Liability Recorded</u>	<u>Predecessor</u> <u>December 31, 2008</u> <u>Liability Recorded</u>
Credit card programs		
Rebates available (a)	\$ 3,140	\$ 3,421
Redemption liability (b)	\$ 140	\$ 145
Deferred revenue (c)	\$ 464	\$ 500
Environmental liability (d)	\$ 190	\$ 297
Product liability (e)	\$ 319	\$ 921
Asbestos-related liability	\$ —	\$ 648
Other litigation-related liability (f)	\$ 1,192	\$ 831

- (a) Rebates available include amounts available to qualified cardholders, net of deferred program income.
- (b) Redemption liabilities are recorded in Accrued expenses.
- (c) Deferred revenue is recorded in Other liabilities and deferred income taxes. At December 31, 2009 deferred revenue includes an unfavorable contract liability recorded in applying fresh-start reporting at July 10, 2009.
- (d) Includes \$28 million and \$97 million recorded in Accrued expenses at December 31, 2009 and December 31, 2008, and the remainder was recorded in Other liabilities.
- (e) At December 31, 2008 Old GM included legal fees of \$154 million expected to be incurred in connection with product liability loss contingencies. In connection with our application of fresh-start reporting, we adopted a policy to expense legal fees as incurred related to product liability contingencies.
- (f) Consists primarily of tax related litigation not recorded pursuant to ASC 740-10 as well as various non-U.S. labor related matters.

**Guarantees**

In connection with the 363 Sale, we assumed liabilities for certain agreements and guarantees.

We have provided guarantees related to the residual value of certain operating leases. These guarantees terminate in years ranging from 2011 to 2035. Certain leases contain renewal options.

We have agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and other related obligations. These guarantees expire in years ranging from 2010 to 2014, or upon the occurrence of specific events, such as a company's cessation of business.

In some instances, certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered.

We provide payment guarantees on commercial loans made by GMAC to certain third parties, such as dealers or rental car companies. The guarantees either expire in years ranging from 2010 to 2029 or are ongoing. We determined the value ascribed to the guarantees to be insignificant based on the credit worthiness of the third parties. Refer to Note 30 for additional information on guarantees that we provide to GMAC.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions pertaining to real property we owned. In connection with such divestitures, we have provided guarantees with respect to benefits to be paid to former employees relating to pensions, postretirement health care and life insurance. Also, we periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. No amounts have been recorded for such obligations as they are not probable or estimable at this time.

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to product warranty and recall claims involving products manufactured by certain joint ventures, it is believed that expenses will be adequately covered by recorded accruals. At December 31, 2009 our maximum potential liability which we ultimately may be responsible for was \$553 million.

**Credit Card Programs**

Credit card programs offer rebates that can be applied primarily against the purchase or lease of our vehicles.

**Environmental Liability**

In connection with the 363 Sale, we acquired certain properties that are subject to environmental remediation.

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. We are in various stages of investigation or remediation for sites where contamination has been alleged. We and Old GM was involved in a number of actions to remediate hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. An environmental reserve is recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. This practice is followed whether the claims are asserted or unasserted. Liabilities have been recorded for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from two to 30 years.

For many sites, the remediation costs and other damages for which we ultimately may be responsible may vary because of uncertainties with respect to factors such as the connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation).

The final outcome of environmental matters cannot be predicted with certainty at this time. Accordingly, it is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our or Old GM's financial condition and results of operations. At December 31, 2009 we estimate the remediation losses could range from \$130 million to \$320 million.

**Product Liability**

With respect to product liability claims involving our and Old GM's products, we believe that any judgment for actual damages will be adequately covered by recorded accruals and, where applicable, excess insurance coverage. Although punitive damages are claimed in some of these lawsuits, and such claims are inherently unpredictable, accruals incorporate historic experience with these

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

types of claims. Liabilities have been recorded for the expected cost of all known product liability claims plus an estimate of the expected cost for all product liability claims that have already been incurred and are expected to be filed in the future for which we are and Old GM was self-insured. These amounts were recorded in Accrued expenses and exclude Old GM's asbestos claims, which are discussed separately.

In connection with the 363 Sale, we assumed certain liabilities related to product liability which arise directly out of accidents, incidents or other distinct and discrete occurrences that occur on or after July 10, 2009 and that arise from our and Old GM vehicles' operation or performance. Further, in accordance with our assumption of dealer sales and service agreements, we indemnify dealers for certain product liability related claims. Our experience related to dealer indemnification obligations for activity on or after July 10, 2009 is limited. We have estimated our product liability given the information currently available concerning the projected number and value of such claims. It is not possible to estimate our maximum exposure under these indemnifications due to the conditional nature of these obligations. We did not assume the product liabilities of Old GM arising in whole or in part from any accidents, incidents or other occurrences that occurred prior to July 10, 2009.

**Asbestos-Related Liability**

In connection with the 363 Sale, MLC retained substantially all of the asbestos-related claims outstanding.

Like most automobile manufacturers, Old GM had been subject to asbestos-related claims in recent years. These claims primarily arose from three circumstances:

- A majority of these claims sought damages for illnesses alleged to have resulted from asbestos used in brake components;
- Limited numbers of claims have arisen from asbestos contained in the insulation and brakes used in the manufacturing of locomotives; and
- Claims brought by contractors who allege exposure to asbestos-containing products while working on premises Old GM owned.

Old GM had resolved many of the asbestos-related cases over the years for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts. The amount expended on asbestos-related matters in any period depended on the number of claims filed, the amount of pre-trial proceedings and the number of trials and settlements in the period.

Old GM recorded the estimated liability associated with asbestos personal injury claims where the expected loss was both probable and could reasonably be estimated. Old GM retained a firm specializing in estimating asbestos claims to assist Old GM in determining the potential liability for pending and unasserted future asbestos personal injury claims. The analyses relied on and included the following information and factors:

- A third party forecast of the projected incidence of malignant asbestos-related disease likely to occur in the general population of individuals occupationally exposed to asbestos;
- Old GM's Asbestos Claims Experience, based on data concerning claims filed against Old GM and resolved, amounts paid, and the nature of the asbestos-related disease or condition asserted during approximately the four years prior;
- The estimated rate of asbestos-related claims likely to be asserted against MLC in the future based on Old GM's Asbestos Claims Experience and the projected incidence of asbestos-related disease in the general population of individuals occupationally exposed to asbestos;

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- The estimated rate of dismissal of claims by disease type based on Old GM's Asbestos Claims Experience; and
- The estimated indemnity value of the projected claims based on Old GM's Asbestos Claims Experience, adjusted for inflation.

Old GM reviewed a number of factors, including the analyses provided by the firm specializing in estimating asbestos claims in order to determine a reasonable estimate of the probable liability for pending and future asbestos-related claims projected to be asserted over the next 10 years, including legal defense costs. Old GM monitored actual claims experience for consistency with this estimate and made periodic adjustments as appropriate.

Old GM believed that the analyses were based on the most relevant information available combined with reasonable assumptions, and that Old GM may prudently rely on their conclusions to determine the estimated liability for asbestos-related claims. Old GM noted, however, that the analyses were inherently subject to significant uncertainties. The data sources and assumptions used in connection with the analyses may not prove to be reliable predictors with respect to claims asserted against Old GM. Old GM's experience in the past included substantial variation in relevant factors, and a change in any of these assumptions — which include the source of the claiming population, the filing rate and the value of claims — could significantly increase or decrease the estimate. In addition, other external factors such as legislation affecting the format or timing of litigation, the actions of other entities sued in asbestos personal injury actions, the distribution of assets from various trusts established to pay asbestos claims and the outcome of cases litigated to a final verdict could affect the estimate.

**Other Litigation-Related Liability**

In connection with the 363 Sale, we assumed liabilities for various legal matters.

Various legal actions, governmental investigations, claims and proceedings are pending against one or more of us, Old GM or MLC, including a number of shareholder class actions, bondholder class actions and class actions under the Employee Retirement Income Security Act of 1974, as amended, and other matters arising out of alleged product defects, including asbestos-related claims; employment-related matters; governmental regulations relating to safety, emissions, and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740-10 and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which it is believed that losses are probable and can be reasonably estimated, the majority of which are associated with tax-related matters not recorded pursuant to ASC 740-10 as well as various non U.S. labor-related matters. Tax related matters not recorded pursuant to ASC 740-10 are items being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance, and other compensation matters. Some of the matters may involve compensatory, punitive, or other treble damage claims, environmental remediation programs, or sanctions, that if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2009. It is believed that appropriate accruals have been established for such matters in accordance with ASC 450, "Contingencies," based on information currently available. Reserves for litigation losses are recorded in Accrued expenses and Other liabilities and deferred income taxes. These accrued reserves represent the best estimate of amounts believed to be our and Old GM's liability in a range of expected losses. Litigation is inherently unpredictable, however, and unfavorable resolutions could occur. Accordingly, it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our or Old GM's financial condition, results of operations and cash flows in any particular reporting period.

In July 2008 Old GM reached a tentative settlement of the General Motors Securities Litigation suit and recorded an additional charge of \$277 million, of which \$139 million was paid in the year ended 2008. Also in the year ended 2008, Old GM recorded \$215 million as a reduction to Selling, general and administrative expense associated with insurance-related indemnification proceeds for previously recorded litigation related costs, including the cost incurred to settle the General Motors Securities Litigation suit.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Asset Retirement Obligations**

Conditional asset retirement obligations relate to legal obligations associated with retirement of tangible long-lived assets that result from acquisition, construction, development, or normal operation of a long-lived asset. An analysis is performed of such obligations associated with all real property owned or leased, including facilities, warehouses, and offices. Estimates of conditional asset retirement obligations relate, in the case of owned properties, to costs estimated to be necessary for the legally required removal or remediation of various regulated materials, primarily asbestos. Asbestos abatement was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. For leased properties, such obligations relate to the estimated cost of contractually required property restoration.

Recording conditional asset retirement obligations results in increased fixed asset balances with a corresponding increase to liabilities. Asset balances of \$97 million and \$132 million at December 31, 2009 and 2008 are recorded in buildings and land improvements, a component of Property, net, while the related liabilities are included in Other liabilities. The following table summarizes the activity related to asset retirement obligations (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>	
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Beginning balance	\$ 97	\$ 237	\$ 222
Accretion expense	4	12	19
Liabilities incurred	21	5	2
Liabilities settled or disposed	(9)	(2)	(24)
Effect of foreign currency translation	3	5	(17)
Revisions to estimates	(14)	1	35
Reclassified to liabilities subject to compromise (a)	—	(121)	—
Ending balance	102	137	237
Effect of application of fresh-start reporting	—	(40)	—
Ending balance including effect of application of fresh-start reporting	<u>\$ 102</u>	<u>\$ 97</u>	<u>\$ 237</u>

(a) Represents the asset retirement obligations associated with assets MLC retained.

**Noncancelable Operating Leases**

The following table summarizes our minimum commitments under noncancelable operating leases having remaining terms in excess of one year, primarily for property (dollars in millions):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 and after</u>
Minimum commitments (a)(b)	\$623*	\$473*	\$350*	\$291*	\$254*	\$ 1,126*
Sublease income	(60)**	(54)**	(49)**	(45)**	(41)**	(344)**
Net minimum commitments	<u>\$563</u>	<u>\$419</u>	<u>\$301</u>	<u>\$246</u>	<u>\$213</u>	<u>\$ 782</u>

\* Amounts originally reported as \$552, \$414, \$309, \$261, \$226 and \$960 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

\*\* Amounts originally reported as \$(85), \$(80), \$(74), \$(70), \$(66), and \$(634) in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

(a) Certain of the leases contain escalation clauses and renewal or purchase options.

(b) In March 2010 we renegotiated certain leases which will increase our 2010 minimum payments by \$12 million and decrease our 2011 and after minimum payments by \$195 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Rental expense under operating leases	\$ 255	\$ 369	\$ 934	\$ 812

**Delphi Corporation**

***Benefit Guarantee***

In 1999, Old GM spun-off Delphi Automotive Systems Corporation, which became Delphi. Prior to the consummation of the DMDA, Delphi was our and Old GM's largest supplier of automotive systems, components and parts, and we and Old GM were Delphi's largest customer. From 2005 to 2008 Old GM's annual purchases from Delphi ranged from approximately \$6.5 billion to approximately \$10.2 billion. At the time of the spin-off, employees of Delphi Automotive Systems Corporation became employees of Delphi. As part of the separation agreements, Delphi assumed the pension and other postretirement benefit obligations for the transferred U.S. hourly employees who retired after October 1, 2000 and Old GM retained pension and other postretirement obligations for U.S. hourly employees who retired on or before October 1, 2000. Additionally at the time of the spin-off, Old GM entered into the Delphi Benefit Guarantee Agreements with the UAW, the IUE-CWA and the USW providing contingent benefit guarantees whereby, under certain conditions, Old GM would make payments for certain pension and OPEB benefits to certain former U.S. hourly employees that became employees of Delphi. The Delphi Benefit Guarantee Agreements provided, in general, that in the event that Delphi or its successor companies ceased doing business, terminated its pension plan or ceased to provide credited service or OPEB benefits at certain levels due to financial distress, Old GM could be liable to provide the corresponding benefits at the required level. With respect to pension benefits, the guarantee arises only to the extent the pension benefits Delphi and the PBGC provided fall short of the guaranteed amount.

In October 2005 Old GM received notice from Delphi that it was more likely than not that Old GM would become obligated to provide benefits pursuant to the Delphi Benefit Guarantee Agreements, in connection with Delphi's commencement in October 2005 of Chapter 11 proceedings under the Bankruptcy Code. In June 2007 Old GM entered into a memorandum of understanding with Delphi and the UAW (Delphi UAW MOU) that included terms relating to the consensual triggering, under certain circumstances, of the Delphi Benefit Guarantee Agreements as well as additional terms relating to Delphi's restructuring. Under the Delphi UAW MOU, Old GM also agreed to pay for certain healthcare costs of Delphi retirees and their beneficiaries in order to provide a level of benefits consistent with those provided to Old GM's retirees and their beneficiaries under the Mitigation Plan, if Delphi terminated OPEB benefits. In August 2007 Old GM also entered into memoranda of understanding with Delphi and the IUE-CWA and with Delphi and the USW containing terms consistent with the comprehensive Delphi UAW MOU.

***Delphi-GM Settlement Agreements***

In September 2007 and as amended at various times through September 2008, Old GM and Delphi entered into the Delphi-GM Settlement Agreements consisting of the Global Settlement Agreement (GSA), the Master Restructuring Agreement (MRA) and the Implementation Agreements with the UAW, IUE-CWA and the USW (Implementation Agreements). The GSA was intended to resolve outstanding issues between Delphi and Old GM that arose before Delphi's emergence from its Chapter 11 proceedings. The MRA was intended to govern certain aspects of Old GM's ongoing commercial relationship with Delphi. The Implementation Agreements addressed a limited transfer of pension assets and liabilities, and the triggering of the benefit guarantees on the basis set forth in term sheets to the Implementation Agreements. In September 2008 the Bankruptcy Court entered an order in Delphi's Chapter 11 proceedings approving the Amended Delphi-GM Settlement Agreements which then became effective.

The more significant items contained in the Amended Delphi-GM Settlement Agreements included Old GM's commitment to:

- Reimburse Delphi for its costs to provide OPEB to certain of Delphi's hourly retirees from December 31, 2006 through the date that Delphi ceases to provide such benefits and assume responsibility for OPEB going forward;

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- Reimburse Delphi for the normal cost of credited service in Delphi's pension plan between January 1, 2007 and the date its pension plans are frozen;
- First hourly pension transfer — Transfer net liabilities of \$2.1 billion from the Delphi HRP to Old GM's U.S. hourly pension plan in September 2008;
- Second hourly pension transfer — Transfer the remaining Delphi HRP net liabilities upon Delphi's substantial consummation of its plan of reorganization (POR) subject to certain conditions being met;
- Reimburse Delphi for all retirement incentives and half of the buyout payments made pursuant to the various attrition program provisions and to reimburse certain U.S. hourly buydown payments made to certain hourly employees of Delphi;
- Award certain future product programs to Delphi, provide Delphi with ongoing preferential sourcing for other product programs, eliminate certain previously agreed upon price reductions, and restrict the ability to re-source certain production to alternative suppliers;
- Labor cost subsidy — Reimburse certain U.S. hourly labor costs incurred to produce systems, components and parts for GM vehicles from October 2006 through September 2015 at certain U.S. facilities owned or to be divested by Delphi;
- Production cash burn support — Reimburse Delphi's cash flow deficiency attributable to production at certain U.S. facilities that continue to produce systems, components and parts for GM vehicles until the facilities are either closed or sold by Delphi;
- Facilitation support — Pay Delphi \$110 million in both 2009 and 2010 in quarterly installments in connection with certain U.S. facilities owned by Delphi until Delphi's emergence from its Chapter 11 proceedings;
- Temporarily accelerate payment terms for Delphi's North American sales to Old GM upon substantial consummation of its POR, until 2012;
- Reimburse Delphi, beginning in January 2009, for actual cash payments related to workers compensation, disability, supplemental unemployment benefits and severance obligations for all current and former UAW-represented hourly active and inactive employees; and
- Guarantee a minimum recovery of the net working capital that Delphi has invested in certain businesses held for sale.

The GSA also resolved all claims in existence at its effective date (with certain limited exceptions) that either Delphi or Old GM had or may have had against the other. The GSA and related agreements with Delphi's unions released us, Old GM and our related parties (as defined), from any claims of Delphi and its related parties (as defined), as well as any employee benefit related claims of Delphi's unions and hourly employees. Additionally, the GSA provided that Old GM would receive certain administrative claims against the Delphi bankruptcy estate or preferred stock in the emerged entity.

As a result of the September 2008 implementation of the Delphi-GM Settlement Agreements Old GM paid \$1.0 billion and \$1.4 billion to Delphi in the period January 1, 2009 through July 9, 2009 and the year ended 2008 in settlement of amounts accrued to date against Old GM commitments. We paid \$288 million in 2009 prior to the consummation of the DMDA in settlement of amounts accrued to date against our commitments.

Upon consummation of the DMDA, the MRA was terminated with limited exceptions, and we and Delphi waived all claims against each other under the GSA.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***IUE-CWA and USW Settlement Agreement***

As more fully discussed in Note 19, in September 2009 we entered into a settlement agreement with MLC, the IUE-CWA and the USW that resolved the Delphi Benefit Guarantee Agreements with these unions. The settlement agreement provides for a measure of retiree health care and life insurance to be provided to certain retirees represented by these unions. The agreement also provides certain IUE-CWA and USW retirees from Delphi a pension “top up” equal to the difference between the amount of PBGC pension payments and the amount of pension benefits that otherwise would have been paid by the Delphi HRP according to its terms had it not been terminated. Further, the settlement agreement provided certain current employees of Delphi or Delphi divested units up to seven years credited service in Old GM’s U.S. hourly defined benefit pension plan, commencing November 30, 2008, the date that Delphi froze the Delphi HRP. The agreement was approved by the Bankruptcy Court in November 2009.

***Advance Agreements***

In the years ended 2008 and 2009 Old GM entered into various agreements and amendments to such agreements to advance a maximum of \$950 million to Delphi, subject to Delphi’s continued satisfaction of certain conditions and milestones. Through the consummation of the DMDA, we entered into further amendments to the agreements, primarily to extend the deadline for Delphi to satisfy certain milestones, which if not met, would have prevented Delphi from continued access to the credit facility. At October 6, 2009 \$550 million had been advanced under the credit facility. Upon consummation of the DMDA, we waived our rights to the advanced amounts that became consideration to Delphi and other parties under the DMDA. Refer to Note 5 for additional information on the consummation of the DMDA.

***Payment Terms Acceleration Agreement***

In October 2008 subject to Delphi obtaining an extension or other accommodation of its DIP financing through June 30, 2009, Old GM agreed to temporarily accelerate payment of North American payables to Delphi in the three months ended June 30, 2009. In January 2009 Old GM agreed to immediately accelerate \$50 million in advances towards the temporary acceleration of North American payables. Additionally, Old GM agreed to accelerate \$150 million and \$100 million of North American payables to Delphi in March and April of 2009 bringing the total amount accelerated to the total agreed upon \$300 million. Upon consummation of the DMDA, we waived our rights to the accelerated payments that became consideration to Delphi and other parties under the DMDA.

***Delphi Master Disposition Agreement***

In July 2009 we, Delphi and the PBGC negotiated an agreement to be effective upon consummation of the DMDA regarding the settlement of PBGC’s claims from the termination of the Delphi pension plans and the release of certain liens with the PBGC against Delphi’s foreign assets. In return, the PBGC received a payment of \$70 million from us and was granted a 100% interest in Class C Membership Interests in New Delphi which provide for the PBGC to participate in predefined equity distributions. We maintain the obligation to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements.

In October 2009 we consummated the transaction contemplated by the DMDA with Delphi, New Delphi, Old GM and other sellers and other buyers that are party to the DMDA, as more fully described in Note 5. Upon consummation of the DMDA, the MRA was terminated with limited exceptions, and we and Delphi waived all claims against each other under the GSA. Upon consummation of the DMDA we settled our commitments to Delphi accrued to date except for the obligation to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements that we continue to maintain. In addition, the DMDA establishes an ongoing commercial relationship with New Delphi. We also agreed to continue all existing Delphi supply agreements and purchase orders for GMNA to the end of the related product program, and New Delphi agreed to provide us with access rights designed to allow us to operate specific sites on defined triggering events to provide us with protection of supply.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Delphi Charges*

The following table summarizes charges that have been recorded with respect to the various agreements with Delphi (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Other expenses, net	\$ 8	\$ 184	\$ 4,797	\$ 1,547
Cost of sales	193	142	555	53
Reorganization gains, net	—	662	—	—
Total Delphi charges	\$ 201	\$ 988	\$ 5,352	\$ 1,600

These charges reflect the best estimate of obligations associated with the various Delphi agreements, including obligations under the Delphi Benefit Guarantee Agreements, updated to reflect the DMDA. At July 9, 2009 these charges reflect the obligation to the PBGC upon consummation of the DMDA, consisting of the estimated fair value of the PBGC Class C Membership Interests in New Delphi of \$317 million and the payment of \$70 million due from us. Further, at July 9, 2009 these charges reflect an estimated value of \$966 million pertaining to claims we have against Delphi that were waived upon consummation of the DMDA. The estimated value of the claims represents the excess after settlement of certain pre-existing commitments to Delphi of the fair value of Nexteer, the four domestic facilities and the investment in New Delphi over the cash consideration paid under the DMDA. Refer to Note 5 for additional information on the total consideration paid under the DMDA and the allocation of such consideration to the various units of account.

The charges recorded in the year ended 2008 primarily related to estimated losses associated with the guarantee of Delphi's hourly pension plans and the write off of any estimated recoveries from Delphi. The charges also reflected a benefit of \$622 million due to a reduction in the estimated liability associated with Delphi OPEB related costs for Delphi active employees and retirees, based on the terms of the New VEBA, who were not previously participants in Old GM's plans. The terms of the New VEBA also reduced Old GM's OPEB obligation for Delphi employees who returned to Old GM and became participants in the UAW hourly medical plan primarily in 2006. Such benefit is included in the actuarial gain recorded in our UAW hourly medical plan. Refer to Note 19 for additional information on the Delphi benefit plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 22. Income Taxes**

The following table summarizes Income (loss) from continuing operations before income taxes and equity income (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
U.S. income (loss)	\$ (6,647)	\$ 105,420	\$ (26,742)	\$ (9,448)
Non-U.S. income (loss)	1,364	2,356	(2,729)	3,102
Income (loss) from continuing operations before income taxes and equity income	\$ (5,283)	\$ 107,776	\$ (29,471)	\$ (6,346)

**Provision (Benefit) for Income Taxes**

The following table summarizes the provision (benefit) for income taxes (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Current income tax expense (benefit)				
U.S. federal	\$ 7	\$ (60)	\$ (31)	\$ (131)
Non-U.S.	421	(522)	668	295
U.S. state and local	(1)	16	(34)	21
Total current	427	(566)	603	185
Deferred income tax expense (benefit)				
U.S. federal	(1,204)	110	(163)	32,058
Non-U.S.	(52)	(716)	1,175	5,064
U.S. state and local	(171)	6	151	(444)
Total deferred	(1,427)	(600)	1,163	36,678
Total income tax expense (benefit)	\$ (1,000)	\$ (1,166)	\$ 1,766	\$ 36,863

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns.

The following table summarizes the cash paid (received) for income taxes (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Cash paid (received) for income taxes	\$ (65)	\$ (1,011)	\$ 718	\$ 404

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Provisions are made for estimated U.S. and non-U.S. income taxes, less available tax credits and deductions, which may be incurred on the remittance of our and Old GM's share of basis differences in investments in foreign subsidiaries and corporate joint ventures not deemed to be permanently reinvested. Taxes have not been provided on basis differences in investments in foreign subsidiaries and corporate joint ventures which are deemed permanently reinvested, of \$5.5 billion and \$6.3 billion at December 31, 2009 and 2008. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

The following table summarizes a reconciliation of the provision (benefit) for income taxes compared with the amounts at the U.S. federal statutory rate (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Tax at U.S. federal statutory income tax rate	\$ (1,849)	\$ 37,721	\$ (10,315)	\$ (2,222)
State and local tax expense	(559)	(260)	(1,151)	(275)
Foreign income taxed at rates other than 35%	412	—	314	418
Taxes on unremitted earnings of subsidiaries	(151)	(12)	(235)	(135)
Change in valuation allowance (a)	1,338	6,609	13,064	38,625
Change in statutory tax rates (b)	163	1	151	885
Medicare prescription drug adjustment	—	18	(104)	(199)
Other adjustments	(26)	321	42	(234)
VEBA contribution	(328)	—	—	—
Non-taxable reorganization gain	—	(45,564)	—	—
<b>Total income tax expense (benefit)</b>	<b>\$ (1,000)</b>	<b>\$ (1,166)</b>	<b>\$ 1,766</b>	<b>\$ 36,863</b>

(a) See analysis related to valuation allowances on certain deferred tax assets subsequently discussed.

(b) Changes in the tax laws of two jurisdictions in 2007 had a significant effect on Old GM's consolidated financial statements as follows:

- In December 2007 the Canadian government enacted legislation to reduce its combined statutory corporate tax rates by 3.5% in addition to a 0.5% rate reduction enacted in June 2007. The combined 4.0% reduction will be phased in gradually over a period of five years which began in 2008. The valuation allowance subsequently discussed has been adjusted to reflect this change in statutory rates.
- In July 2007 the German Parliament passed legislation to lower its statutory corporate tax rate. This legislation was signed into law in August 2007. This new law reduces by 9.0%, effective at January 1, 2008, the combined German business tax rate, which is comprised of the corporate tax rate, the local trade tax rate, and the solidarity levy tax rate. The effect of this change was a reduction in the carrying amount of Old GM's German deferred tax assets of \$475 million, which is included in the charge related to the valuation allowance subsequently discussed.

**Deferred Income Tax Assets and Liabilities**

Deferred income tax assets and liabilities at December 31, 2009 and 2008 reflect the effect of temporary differences between amounts of assets, liabilities and equity for financial reporting purposes and the bases of such assets, liabilities and equity as measured by tax laws, as well as tax loss and tax credit carryforwards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the components of temporary differences and carryforwards that give rise to deferred tax assets and liabilities (dollars in millions):

	Successor December 31, 2009 Deferred Tax		Predecessor December 31, 2008 Deferred Tax	
	Assets	Liabilities	Assets	Liabilities
Postretirement benefits other than pensions	\$ 4,194	\$ —	\$ 11,610	\$ —
Pension and other employee benefit plans	8,876	406	16,171	8,648
Warranties, dealer and customer allowances, claims and discounts	3,940	75	6,682	90
Property, plants and equipment	7,709	278	7,429	3,197
Intangible assets	1,650	4,984	780	—
Tax carryforwards	18,880	—	18,080	—
Miscellaneous U.S.	5,844	1,269	8,122	288
Miscellaneous non-U.S.	3,306	1,944	3,485	773
Subtotal	54,399	8,956	72,359	12,996
Valuation allowances	(45,281)	—	(59,777)	—
Total deferred taxes	9,118	\$ 8,956	12,582	\$ 12,996
Net deferred tax assets (liabilities)	\$ 162		\$ (414)	

The following table summarizes deferred tax assets and liabilities (dollars in millions):

	Successor December 31, 2009	Predecessor December 31, 2008
Current deferred tax assets	\$ 462	\$ 138
Current deferred tax liabilities	(57)	(87)
Non-current deferred tax assets	564	98
Non-current deferred tax liabilities	(807)	(563)
Net deferred tax assets (liabilities)	\$ 162	\$ (414)

The following table summarizes the amount and expiration dates of our operating loss and tax credit carryforwards at December 31, 2009 (dollars in millions):

	Expiration Dates	Amounts
U.S. federal and state net operating loss carryforwards	2010-2029	\$ 9,115
Non-U.S. net operating loss and tax credit carryforwards	Indefinite	1,830
Non-U.S. net operating loss and tax credit carryforwards	2009-2029	3,027
U.S. alternative minimum tax credit	Indefinite	660
U.S. general business credits (a)	2012-2029	1,689
U.S. foreign tax credits	2011-2018	2,559
Total		\$ 18,880

(a) The general business credits are principally comprised of research and experimentation credits.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Valuation Allowances

The valuation allowances recognized relate to certain net deferred tax assets in U.S. and non-U.S. jurisdictions. The following table summarizes the change in the valuation allowance and related considerations (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	\$ 42,666	\$ 59,777	\$ 42,208	\$ 6,523
Additions (Reversals)				
U.S.	2,226	(14,474)	14,146	31,072
Canada	405	(802)	759	2,435
Germany	67	(792)	140	1,927
Spain	(40)	(200)	1,109	31
Brazil	1	(442)	(135)	16
South Korea	(221)	321	724	—
Australia	7	190	340	—
U.K.	109	62	330	—
Sweden	33	(1,057)	(58)	1,232
Other	28	83	214	(1,028)
Ending balance	<u>\$ 45,281</u>	<u>\$ 42,666</u>	<u>\$ 59,777</u>	<u>\$ 42,208</u>

In July 2009, as a result of the 363 Sale and fresh-start reporting, adjustments were required to valuation allowances, which resulted in a net decrease in valuation allowances of \$20.7 billion. The net decrease was primarily the result of a U.S. federal and state tax attribute reduction of \$12.2 billion related to debt cancellation income, a net difference of \$5.5 billion between the fresh-start reporting fair value and tax bases of assets and liabilities at entities with valuation allowances, net valuation allowances of \$1.7 billion associated with assets and liabilities retained by Old GM, and a foreign tax attribute reduction of \$0.9 billion and release of allowances of \$0.7 billion.

**Old GM Valuation Allowance Reversals**

*Brazil* – In 2005 Old GM recorded full valuation allowances against its net deferred tax assets in Brazil. Old GM generated taxable income in Brazil in each of the years 2006 through 2008 and, accordingly, reversed a portion of these valuation allowances. Although Old GM was forecasting future taxable income for its Brazilian operation at the end of 2008, as a result of liquidity concerns at the U.S. parent company and the increasing instability of the global economic environment, Old GM concluded that it was more likely than not that it would not realize the net deferred tax assets in Brazil at December 31, 2008. The U.S. parent company liquidity concerns were resolved in connection with the Chapter 11 Proceedings and the 363 Sale, and the Brazilian operations continue to demonstrate the ability to generate taxable income. As it is now more likely than not that the net deferred tax assets in Brazil will be realized, Old GM reversed the associated valuation allowance of \$465 million. This amount is included in Income tax expense (benefit) in the period January 1, 2009 through July 9, 2009.

*Other jurisdictions* – In the three months ended December 31, 2008 significant additional concerns arose related to the U.S. parent company's liquidity and the increasing instability of the global economic environment. As a result, Old GM determined that it was more likely than not that it would not realize the net deferred tax assets in most remaining jurisdictions, even though these entities were not in three-year adjusted cumulative loss positions. Old GM established additional valuation allowances of \$481 million against net deferred tax assets of entities in Argentina, Austria, Belgium, Brazil (separate legal entity from that previously discussed), Chile, Colombia, Ecuador, Finland, Germany (separate legal entities from that subsequently discussed), Hungary, Indonesia, Ireland, Italy, Kenya, South Korea (separate legal entity from that subsequently discussed), Netherlands, New Zealand, Norway, Peru, Philippines,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Poland, Portugal, Russia, South Africa, Switzerland, Taiwan, Turkey, Uruguay, U.S. state jurisdiction (Texas), and Venezuela. The U.S. parent company liquidity concerns were resolved in connection with the Chapter 11 Proceedings and the 363 Sale, and many of these entities continue to generate and forecast taxable income. Therefore, to the extent there was no other significant negative evidence, Old GM concluded that it is more likely than not that Old GM will realize the deferred tax assets in these jurisdictions and reversed valuation allowances of \$286 million. This amount is included in Income tax expense (benefit) in the period January 1, 2009 through July 9, 2009.

**Other Valuation Allowances**

*South Korea* – In the three months ended December 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in South Korea and recorded full valuation allowances of \$725 million against its net deferred tax assets in South Korea. Old GM was in a three-year adjusted cumulative loss position and its near-term and mid-term financial outlook for automotive market conditions was more challenging than believed in the three months ended September 30, 2008.

*Australia* – In the three months ended December 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in Australia and recorded a full valuation allowance of \$284 million against Old GM's net deferred tax assets in these tax jurisdictions. Old GM was in a three-year adjusted cumulative loss position in 2008 and anticipated being in such a position throughout the mid-term forecast period. The current economic downturn has affected Australian forecasted production volumes and caused significant actual and forecast pre-tax profit deterioration in the three months ended December 31, 2008.

*United Kingdom and Spain* – In the three months ended March 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in Spain and the United Kingdom and recorded full valuation allowances of \$379 million against Old GM's net deferred tax assets in these tax jurisdictions.

In the United Kingdom, Old GM was in a three-year adjusted cumulative loss position and its near-term and mid-term financial outlook for automotive market conditions was more challenging than believed in the three months ended December 31, 2007. Old GM's outlook deteriorated based on its projections of the combined effects of the challenging foreign currency exchange environment and unfavorable commodity prices. Additionally, Old GM increased its estimate of the potential costs that may arise from the regulatory and tax environment relating to CO<sub>2</sub> emissions in the European Union (EU), including legislation enacted or announced in 2008.

In Spain, although Old GM was not in a three-year adjusted cumulative loss position its near-term and mid-term financial outlook deteriorated significantly in the three months ended March 31, 2008 such that Old GM anticipated being in a three-year adjusted cumulative loss position in the near- and mid-term. In Spain, as in the United Kingdom, Old GM's outlook deteriorated based on its projections of the combined effects of the foreign currency exchange environment and commodity prices, including its estimate of the potential costs that may arise from the regulatory and tax environment relating to CO<sub>2</sub> emissions.

Old GM established a valuation allowance in the year ended 2007 against its Spanish deferred tax assets related to investment tax credits, which Old GM does not expect will be realizable under a more likely than not threshold.

*United States, Canada and Germany* – In the three months ended September 30, 2007 Old GM recorded a charge of \$39.0 billion related to establishing full valuation allowances against its net deferred tax assets in the U.S., Canada and Germany. Concluding that a valuation allowance is not required is difficult when there is significant negative evidence which is objective and verifiable, such as cumulative losses in recent years. Old GM utilized a rolling twelve quarters of results as a measure of its cumulative losses in recent years. Old GM then adjusted those historical results to remove certain unusual items and charges. In the U.S., Canada and Germany, Old GM's analysis performed in the three months ended September 30, 2007 indicated that it had cumulative three year historical losses on an adjusted basis. This is considered significant negative evidence which is objective and verifiable and therefore, difficult

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to overcome. In addition, Old GM's near-term financial outlook in the U.S., Canada and Germany deteriorated in the three months ended December 31, 2007. While Old GM's long-term financial outlook in the U.S., Canada and Germany was positive at the time of the analysis, Old GM concluded that its ability to rely on its long-term outlook as to future taxable income was limited due to uncertainty created by the weight of the negative evidence, particularly:

- The possibility for continued or increasing price competition in the highly competitive U.S. market. This was seen in the three months ended September 30, 2007 when a competitor introduced its new fullsize trucks and offered customer incentives to gain market share. Accordingly, Old GM increased customer incentives on its recently launched fullsize trucks, which were not previously anticipated;
- Continued volatile oil prices and the possible effect that may have on consumer preferences related to Old GM's most profitable products, fullsize trucks and sport utility vehicles;
- Uncertainty over the effect on Old GM's cost structure from more stringent U.S. fuel economy and global emissions standards which may require Old GM to sell a significant volume of alternative fuel vehicles across its portfolio;
- Uncertainty as to the future operating results of GMAC's mortgage business, and
- Acceleration of tax deductions for OPEB liabilities as compared to prior expectations due to changes associated with the 2008 UAW Settlement Agreement.

Accordingly, based on these circumstances and uncertainty regarding Old GM's future taxable income, Old GM recorded full valuation allowances against these net deferred tax assets in the three months ended September 30, 2007.

*Sweden* – Saab filed for bankruptcy protection under the laws of Sweden in February 2009 and was deconsolidated. Though reconsolidated in August, Saab's assets and liabilities were classified as held for sale. As a result, Saab deferred income taxes and associated valuation allowances, included in our consolidated amounts in years prior to 2009, are not included subsequent to its February 2009 deconsolidation.

If, in the future, we generate three-year adjusted cumulative profits in tax jurisdictions where we have recorded full valuation allowances, our conclusion regarding the need for valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of such valuation allowances. If we generate taxable income in tax jurisdictions prior to overcoming negative evidence such as a three-year adjusted cumulative loss, we would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing our conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

**Uncertain Tax Positions**

At December 31, 2009 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances was \$5.4 billion and \$618 million. At December 31, 2008 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances was \$2.8 billion and (\$26) million. At December 31, 2009 and 2008 \$4.0 billion and \$1.2 billion of the liability for uncertain tax positions reduced deferred tax assets relating to the same tax jurisdictions. The remaining uncertain tax positions are classified as a non-current asset or liability.

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The following table summarizes a reconciliation of the total amounts of unrecognized tax benefits (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>	
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Beginning balance	\$ 4,096	\$ 2,803	\$ 2,754
Additions to tax positions recorded in the current year	1,454	1,493	208
Additions to tax positions recorded in prior years	22	594	751
Reductions to tax positions recorded in the current year	(44)	(25)	(47)
Reductions to tax positions recorded in prior years	(128)	(626)	(725)
Reductions in tax positions due to lapse of statutory limitations	—	(281)	—
Settlements	(111)	(16)	(275)
Other	121	154	137
Ending balance	<u>\$ 5,410</u>	<u>\$ 4,096</u>	<u>\$ 2,803</u>

The following tables summarize information regarding interest and penalties (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>	
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Interest income	\$ —	\$ 249	\$ 26
Interest expense (benefit)	\$ 30	\$ (31)	\$ 13
Penalties	\$ —	\$ 30	\$ 4

	<u>Successor</u>	<u>Predecessor</u>
	December 31, 2009	December 31, 2008
Accrued interest receivable	\$ 10	\$ 129
Accrued interest payable	\$ 275	\$ 198
Accrued penalties	\$ 137	\$ 90

**Other Matters**

Most of the tax attributes generated by Old GM and its domestic and foreign subsidiaries (net operating loss carryforwards and various income tax credits) survived the Chapter 11 Proceedings, and we expect to use the tax attributes to reduce future tax liabilities. The ability to utilize certain of the U.S. tax attributes in future tax periods could be limited by Section 382(a) of the Internal Revenue Code. In Germany, we have net operating loss carryforwards for corporate income tax and trade tax purposes. We have applied for, and expect approval of a ruling from the German tax authorities regarding the availability of those losses. If approved, we should be able to continue to carry over those losses despite the reorganizations that have taken place in Germany in 2008 and 2009. In Australia, we have net operating loss carryforwards which are now subject to meeting an annual "Same Business Test" requirement. We will have to assess the ability to utilize these carryforward losses annually.

In the U.S., Old GM federal income tax returns for 2004 through 2006 were audited by the Internal Revenue Service (IRS), and the review was concluded in February 2010. The IRS is currently auditing Old GM federal tax returns for 2007 and 2008. The IRS is also reviewing the January 1 through July 9, 2009 Old GM tax year as part of the IRS Compliance Assurance Process (CAP), a pre-file examination process. Our July 10, 2009 through December 31, 2009 tax year is also under IRS CAP review. In addition to the U.S., income tax returns are filed in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. We have open tax years from 2001 to 2009 with various significant tax jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of



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revenue and expenses or the sustainability of income tax credits for a given audit cycle. We have continuing responsibility for Old GM's open tax years. We record, and Old GM previously recorded, a tax benefit only for those positions that meet the more likely than not standard.

In May 2009 the U.S. and Canadian governments resolved a transfer pricing matter for Old GM which covered the tax years 2001 through 2007. In the three months ended June 30, 2009 this resolution resulted in a tax benefit of \$692 million and interest of \$229 million. Final administrative processing of the Canadian case closing occurred in late 2009, and final administrative processing of the U.S. case closing occurred in February 2010. We do not anticipate significant adjustments will result from these final closings.

Within the next twelve months, we expect to reach agreement with the IRS on all issues affecting Old GM federal returns and our July 10, 2009 through December 31, 2009 federal return. We believe we have adequate reserves established, and any outcome will not have a material effect on our results of operations, financial position or cash flows. At December 31, 2009 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits over the next 12 months.

**Note 23. Fair Value Measurements**

**Fair Value Measurements on a Recurring Basis**

The following tables summarize the financial instruments measured at fair value on a recurring basis (dollars in millions):

	Successor			
	Fair Value Measurements on a Recurring Basis at December 31, 2009			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents				
United States government and agency	\$ —	\$ 580	\$ —	\$ 580
Certificates of deposit	—	2,140	—	2,140
Money market funds	7,487	—	—	7,487
Commercial paper	—	969	—	969
Marketable securities				
Equity	15	17	—	32
United States government and agency	—	19	—	19
Mortgage and asset-backed	—	22	—	22
Certificates of deposit	—	8	—	8
Foreign government	—	24	—	24
Corporate debt	—	29	—	29
Restricted cash and marketable securities				
United States government and agency bonds	—	140*	—	140
Money market funds	13,083**	—	—	13,083
Government of Canada bonds	—	955	—	955
Other assets				
Equity	13	—	—	13
Derivatives				
Commodity	—	11	—	11
Foreign currency	—	90	33	123
Other	—	25	—	25
Total assets	<u>\$ 20,598</u>	<u>\$ 5,029</u>	<u>\$ 33</u>	<u>\$25,660</u>
<b>Liabilities</b>				
Derivatives				
Foreign currency	\$ —	\$ 9	\$ 705	\$ 714
Total liabilities	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 705</u>	<u>\$ 714</u>

\* Amounts originally reported as \$0 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

\*\* Amounts originally reported as \$12,662 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor			
	Fair Value Measurements on a Recurring Basis at December 31, 2008			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents				
Certificates of deposit	\$ —	\$ 2,375	\$ —	\$ 2,375
Commercial paper	—	1,645	—	1,645
Marketable securities				
Equity	9	15	—	24
United States government and agency	—	4	—	4
Mortgage- and asset-backed	—	—	66	66
Certificates of deposit	—	11	—	11
Foreign government	—	19	—	19
Corporate debt	—	17	—	17
Restricted cash				
Certificates of deposit	—	26	—	26
Commercial paper	—	59	—	59
Other assets				
Equity	5	—	—	5
Derivatives				
Interest rate swaps	—	368	3	371
Foreign currency	—	1,228	—	1,228
Commodity	—	35	1	36
<b>Total assets</b>	<b>\$ 14</b>	<b>\$ 5,802</b>	<b>\$ 70</b>	<b>\$ 5,886</b>
<b>Liabilities</b>				
Derivatives				
Cross currency swaps	\$ —	\$ 377	\$ —	\$ 377
Interest rate swaps	—	3	3	6
Foreign currency	—	258	2,144	2,402
Commodity	—	571	18	589
Other	—	—	164	164
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 1,209</b>	<b>\$ 2,329</b>	<b>\$ 3,538</b>

**Transfers In and/or Out of Level 3**

At June 30, 2009 Old GM's mortgage- and asset-backed securities were transferred from Level 3 to Level 2 as the significant inputs used to measure fair value and quoted prices for similar instruments were determined to be observable in an active market.

For periods presented after June 1, 2009 nonperformance risk for us and Old GM was not observable through the credit default swap market as a result of the Chapter 11 Proceedings and the lack of traded instruments for us after the 363 Sale. As a result, foreign currency derivatives with a fair market value of \$1.6 billion were transferred from Level 2 to Level 3. Our nonperformance risk remains not directly observable through the credit default swap market at December 31, 2009 and accordingly the derivative contracts for certain foreign subsidiaries remain classified in Level 3.

In the three months ended March 31, 2009 Old GM determined the credit profile of certain foreign subsidiaries was equivalent to Old GM's nonperformance risk which was observable through the credit default swap market and bond market based on prices for recent trades. Accordingly, foreign currency derivatives with a fair value of \$2.1 billion were transferred from Level 3 into Level 2.

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In December 2008 Old GM transferred foreign currency derivatives with a fair value of \$2.1 billion from Level 2 to Level 3. These derivatives relate to certain of Old GM's foreign consolidated subsidiaries where Old GM was not able to determine observable credit ratings. Prior to December 31, 2008, these derivatives were valued based on our credit rating which was observable through the credit default swap market. At December 31, 2008 the fair value of these foreign currency derivative contracts was estimated based on the credit rating of comparable local companies with similar credit profiles and observable credit ratings together with internal bank credit ratings obtained from the subsidiary's lenders.

The following tables summarize the activity in the balance sheet accounts for financial instruments classified in Level 3 of the valuation hierarchy (dollars in millions):

	Successor					Total Net Assets (Liabilities)
	Level 3 Financial Assets and (Liabilities)					
	Mortgage- backed Securities(a)	Commodity Derivatives, Net(b)	Foreign Currency Derivatives(c)	Other Derivative Instruments(a)	Other Securities(a)	
Balance at July 10, 2009	\$ —	\$ —	\$ (1,430)	\$ —	\$ —	\$ (1,430)
Total realized/unrealized gains (losses)						
Included in earnings	—	—	238	—	—	238
Included in Other comprehensive loss	—	—	(103)	—	—	(103)
Purchases, issuances and settlements	—	—	623	—	—	623
Transfer in and/or out of Level 3	—	—	—	—	—	—
Balance at December 31, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (672)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (672)</u>
Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 214</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 214</u>
	Predecessor					Total Net Assets (Liabilities)
	Level 3 Financial Assets and (Liabilities)					
	Mortgage- backed Securities(a)	Commodity Derivatives, Net(b)	Foreign Currency Derivatives(c)	Other Derivative Instruments(a)	Other Securities(a)	
Balance at January 1, 2009	\$ 49	\$ (17)	\$ (2,144)	\$ (164)	\$ 17	\$ (2,259)
Total realized/unrealized gains (losses)						
Included in earnings	(2)	13	26	164	(5)	196
Included in Other comprehensive loss	—	—	(2)	—	—	(2)
Purchases, issuances and settlements	(14)	4	105	—	(7)	88
Transfer in and/or out of Level 3	(33)	—	585	—	(5)	547
Balance at July 9, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,430)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,430)</u>
Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Predecessor						Total Net Assets (Liabilities)
	Level 3 Financial Assets and (Liabilities)						
	Mortgage-backed Securities(a)	Commodity Derivatives(b)	Foreign Currency Derivatives(c)	Corporate Debt Securities(a)	Other Derivative Instruments(a)	Other Securities(a)	
Balance at January 1, 2008	\$ 283	\$ 257	\$ —	\$ 28	\$ —	\$ 260	\$ 828
Total realized/unrealized gains (losses)							
Included in earnings	(39)	28	—	23	—	(65)	(53)
Included in Other comprehensive loss	1	—	—	—	—	7	8
Purchases, issuances and settlements	(196)	(302)	—	(51)	(164)	(185)	(898)
Transfer in and/or out of Level 3	—	—	(2,144)	—	—	—	(2,144)
Balance at December 31, 2008	\$ 49	\$ (17)	\$ (2,144)	\$ —	\$ (164)	\$ 17	\$ (2,259)
Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	\$ (6)	\$ 28	\$ — *	\$ —	\$ —	\$ (1)	\$ 21

\* Amount originally reported as \$(775) in our 2009 Form 10-K. The row total has been corrected accordingly. Refer to Note 3.

- (a) Realized gains (losses) and other than temporary impairments on marketable securities (including the UST warrants outstanding until the closing of the 363 Sale) are recorded in Interest income and other non-operating income, net.
- (b) Prior to July 10, 2009 realized and unrealized gains (losses) on commodity derivatives are recorded in Cost of sales. Changes in fair value are attributable to changes in base metal and precious metal prices. Beginning July 10, 2009 realized and unrealized gains (losses) on commodity derivatives are recorded in Interest income and other non-operating income, net.
- (c) Prior to July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives are recorded in the line item associated with the economically hedged item. Beginning July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives are recorded in Interest income and other non-operating income, net and foreign currency translation gains (losses) are recorded in Accumulated other comprehensive income (loss).

**Short-Term and Long-Term Debt**

We determined the fair value of debt based on a discounted cash flow model which used benchmark yield curves plus a spread that represented the yields on traded bonds of companies with comparable credit ratings and risk profiles.

Old GM determined the fair value of debt based on quoted market prices for the same or similar issues or based on the current rates offered for debt of similar remaining maturities.

The following table summarizes the carrying amount and estimated fair values of short-term and long-term debt including capital leases for which it is practical to estimate fair value (dollars in millions):

	Successor December 31, 2009	Predecessor December 31, 2008
Carrying amount (a)	\$ 15,783	\$ 45,938
Fair value (a)	\$ 16,024	\$ 16,986

- (a) Accounts and notes receivable, net and Accounts payable (principally trade) are not included because the carrying amount approximates fair value due to their short-term nature.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

At December 31, 2009 we estimated the fair value of our investment in GMAC common stock using a market approach based on the average price to tangible book value multiples of comparable companies to each of GMAC's Auto Finance, Commercial Finance, Mortgage, and Insurance operations to determine the fair value of the individual operations. These values were aggregated to estimate the fair value of GMAC's common stock. The significant inputs used to determine the appropriate multiple for GMAC and used in our analysis were as follows:

- GMAC's December 31, 2009 financial statements, as well as the financial statements and price to tangible book value multiples of comparable companies in the Auto Finance, Commercial Finance and Insurance industries;
- Historical segment equity information separately provided by GMAC;
- Expected performance of GMAC, as well as our view on its ability to access capital markets; and
- The value of GMAC's mortgage operations, taking into consideration the continuing challenges in the housing markets and mortgage industry, and its need for additional liquidity to maintain business operations.

We calculated the fair value of our investment in GMAC's preferred stock using a discounted cash flow approach. The present value of the cash flows was determined using assumptions regarding the expected receipt of dividends on GMAC's preferred stock and the expected call date.

**Note 24. Restructuring and Other Initiatives**

We have and Old GM had previously executed various restructuring and other initiatives, and we plan to execute additional initiatives in the future, if necessary, in order to preserve adequate liquidity, to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. Related charges are primarily recorded in Cost of sales and Selling, general and administrative expense.

In May 2009 Old GM and the UAW entered into an agreement that suspended the JOBS Program which was replaced with the SUB and TSP. These job security programs provide reduced wages and employees continue to receive coverage under certain employee benefit programs. The number of weeks that an employee receives these benefits depends on the employee's classification as well as the number of years of service that the employee has accrued. A similar tiered benefit is provided to CAW employees.

As part of achieving and sustaining long-term viability and the viability of our dealer network, we determined that a reduction in the number of GMNA dealerships was necessary. In determining which dealerships would remain in our network we performed careful analyses of volumes and consumer satisfaction indexes, among other criteria. Wind-down agreements with over 2,000 retail dealers have been executed. The retail dealers executing wind-down agreements have agreed to terminate their dealer agreements with us prior to October 31, 2010. Our plan was to reduce dealerships in the United States and Canada to approximately 3,600 to 4,000 and 450 to 480 in the long-term. However, in December 2009 President Obama signed legislation giving U.S. dealers access to neutral arbitration should they decide to contest the wind-down of their dealership. Under the terms of the legislation we have informed dealers as to why their dealership received a wind-down agreement. In turn, dealers were given a timeframe to file for reinstatement through the American Arbitration Association. Under the law decisions in these arbitration proceedings must generally be made by June 2010 and are binding and final. We have sent letters to over 2,000 of our dealers explaining the reasons for their wind-down agreements and over 1,100 dealers have filed for arbitration. In response to the arbitration filings we reviewed each of the dealer reinstatement claims filed with the American Arbitration Association. Our review resulted in over 600 letters of intent sent to dealers, containing our core business criteria for operation of a dealership, which upon compliance by the dealer, would result in reinstatement of the dealership. We expect to have the overall arbitration and reinstatement process fundamentally resolved in 2010. Due to the reinstatement of dealerships and the uncertainty of the outcome of the remaining binding arbitration cases we expect the number of dealerships in our network to exceed the previously estimated range.

Refer to Note 25 for asset impairment charges related to our restructuring initiatives and Note 19 for pension and other postretirement benefit charges resulting from our hourly and salaried employee separation initiatives, including special attrition programs.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes restructuring reserves (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

	Successor			Total
	GMNA	GME	GMIO	
Balance at July 10, 2009	\$ 2,905	\$ 433	\$ 48	\$ 3,386
Additions	44	37	85	166
Interest accretion and other	15	35	—	50
Payments	(994)	(61)	(128)	(1,183)
Revisions to estimates	30	—	(2)	28
Effect of foreign currency	88	7	4	99
Balance at December 31, 2009 (a)	<u>\$ 2,088</u>	<u>\$ 451</u>	<u>\$ 7</u>	<u>\$ 2,546</u>

	Predecessor			Total
	GMNA	GME	GMIO	
Balance at January 1, 2007	\$ 1,339	\$ 407	\$ 5	\$ 1,751
Additions	382	537	63	982
Interest accretion and other	21	30	—	51
Payments	(872)	(439)	(65)	(1,376)
Revisions to estimates	(67)	(15)	—	(82)
Effect of foreign currency	65	60	1	126
Balance at December 31, 2007	<u>868</u>	<u>580</u>	<u>4</u>	<u>1,452</u>
Additions	2,165	242	130	2,537
Interest accretion and other	41	62	—	103
Payments	(745)	(368)	(53)	(1,166)
Revisions to estimates	320	(18)	(3)	299
Effect of foreign currency	(193)	(30)	(20)	(243)
Balance at December 31, 2008	<u>2,456</u>	<u>468</u>	<u>58</u>	<u>2,982</u>
Additions	1,835	20	65	1,920
Interest accretion and other	16	11	—	27
Payments	(1,014)	(65)	(91)	(1,170)
Revisions to estimates	(401)	—	9	(392)
Effect of foreign currency	50	(1)	7	56
Balance at July 9, 2009	<u>2,942</u>	<u>433</u>	<u>48</u>	<u>3,423</u>
Effect of application of fresh-start reporting	(37)	—	—	(37)
Ending balance including effect of application of fresh-start reporting	<u>\$ 2,905</u>	<u>\$ 433</u>	<u>\$ 48</u>	<u>\$ 3,386</u>

(a) The remaining cash payments related to these restructuring reserves primarily relate to postemployment benefits to be paid.

**GM**

GMNA recorded charges, interest accretion and other, and revisions to estimates that increased the restructuring reserves by \$89 million in the period July 10, 2009 through December 31, 2009 for separation programs primarily related to the following initiatives:

- The restructuring reserves were increased by \$213 million due to an increase in the SUB and TSP accrual of \$183 million related to capacity actions, productivity initiatives, acquisition of Nexteer and four domestic facilities and Canadian restructuring activities of \$30 million.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- The salaried and hourly workforce severance accruals were reduced by \$146 million as a result of elections subsequently made by terminating employees, such amounts were reclassified as special termination benefits and were funded from the U.S. defined benefit pension plans and other applicable retirement benefit plans.

GME recorded charges, interest accretion and other, and revisions to estimates of \$72 million in the period July 10, 2009 through December 31, 2009 primarily related to separation charges for early retirement programs and additional liability adjustments, primarily in Germany.

GMIO recorded charges, interest accretion and other, and revisions to estimates of \$83 million in the period July 10, 2009 through December 31, 2009, which includes separation charges of \$72 million related to restructuring programs in Australia for salaried and hourly employees.

The following table summarizes GMNA's restructuring reserves related to dealer wind-down agreements in the period July 10, 2009 through December 31, 2009 (dollars in millions):

	Successor		Total
	U.S.	Canada and Mexico	
Balance at July 10, 2009	\$ 398	\$ 118	\$ 516
Additions	229	46	275
Payments	(167)	(118)	(285)
Transfer to legal reserve	—	(17)	(17)
Effect of foreign currency	—	12	12
Balance at December 31, 2009	<u>\$ 460</u>	<u>\$ 41</u>	<u>\$ 501</u>

Restructuring reserves related to dealer wind-down agreements in the period July 10, 2009 through December 31, 2009 increased primarily due to additional accruals recorded for wind-down payments to Saturn dealerships related to the decision in September 2009 to wind-down the Saturn brand and dealership network in accordance with the deferred termination agreements that Saturn dealers have signed with us.

**Old GM**

GMNA recorded charges, interest accretion and other, and revisions to estimates of \$1.5 billion in the period January 1, 2009 through July 9, 2009 for separation programs related to the following initiatives:

- Postemployment benefit charges in the U.S. of \$825 million related to 13,000 hourly employees who participated in the 2009 Special Attrition Program and the Second 2009 Special Attrition Program.
- SUB and TSP related charges in the U.S. of \$707 million, recorded as an additional liability determined by an actuarial analysis at the implementation of the SUB and TSP and related suspension of the JOBS Program.
- Revisions to estimates of \$401 million to decrease the reserve, primarily related to \$335 million for the suspension of the JOBS Program and \$141 million for estimated future wages and benefits due to employees who participated in the 2009 Special Attrition Programs; offset by a net increase of \$86 million related to Canadian salaried workforce reductions and other restructuring initiatives in Canada.
- Separation charges of \$250 million for a U.S. salaried severance program to allow 6,000 terminated employees to receive ongoing wages and benefits for up to 12 months.
- Postemployment benefit charges in Canada of \$38 million related to 380 hourly employees who participated in a special attrition program at the Oshawa Facility.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GME recorded charges, interest accretion and other, and revisions to estimates of \$31 million in the period January 1, 2009 through July 9, 2009 primarily related to separation charges for early retirement programs and additional liability adjustments, primarily in Germany.

GMIO recorded charges, interest accretion and other, and revisions to estimates of \$74 million in the period January 1, 2009 through July 9, 2009 for separation programs primarily related to the following initiatives:

- Separation charges of \$48 million related to voluntary and involuntary separation programs in South America affecting 3,300 salaried and hourly employees.
- Separation charges in Australia of \$19 million related to a facility idling. The program affects employees who left through December 2009.

The following table summarizes GMNA's restructuring reserves related to dealer wind-down agreements in the period January 1, 2009 through July 9, 2009 (dollars in millions):

	Predecessor		
	U.S.	Canada and Mexico	Total
Balance at January 1, 2009	\$ —	\$ —	\$ —
Additions	398	120	518
Payments	—	(2)	(2)
Balance at July 9, 2009	<u>\$398</u>	<u>\$ 118</u>	<u>\$516</u>

GMNA recorded charges, interest accretion and other, and revisions to estimates of \$2.5 billion in the year ended 2008 for separation programs related to the following initiatives:

- Postemployment benefit costs in the U.S. and Canada of \$2.1 billion, which was comprised of \$1.7 billion related to previously announced capacity actions and \$407 million for special attrition programs.
- Revisions to estimates that increased the reserve of \$320 million.
- Separation charges of \$40 million for a U.S. salaried severance program, which allowed terminated employees to receive ongoing wages and benefits for up to 12 months.

GME recorded charges, interest accretion and other, and revisions to estimates of \$286 million in the year ended 2008 for separation programs related to the following initiatives:

- Separation charges in Germany of \$107 million related to early retirement programs, along with additional minor separations under other current programs.
- Separation charges in Belgium of \$92 million related to current and previously announced programs, having previously recorded \$341 million in the year ended 2007.
- Separation charges of \$43 million related to separation programs and the cost of previously announced initiatives, which include voluntary separations, in Sweden, the United Kingdom, Spain and France.

GMIO recorded charges and revisions to estimates of \$127 million in the year ended 2008 primarily related to separation charges of \$51 million in South Africa and South America, and separation charges of \$76 million related to a facility idling in Australia.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

GMNA recorded charges, interest accretion and other, and revisions to estimates of \$336 million in the year ended 2007 for separation programs related to the following initiatives:

- Postemployment benefit costs of \$364 million, which was comprised of \$333 million for previously announced capacity actions in the U.S. and Canada and \$31 million for special attrition programs.
- Revisions to estimates to decrease the reserve of \$67 million.
- Separation charges of \$18 million for a U.S. salaried severance program, which allowed terminated employees to receive ongoing wages and benefits for up to 12 months.

GME recorded charges, interest accretion and other, and revisions to estimates of \$552 million in the year ended 2007 for separation programs related to the following initiatives:

- Separation charges in Belgium of \$341 million related to current and previously announced programs.
- Separation charges in Germany of \$151 million and postemployment liability adjustments of \$21 million. These charges and adjustments were primarily related to early retirement programs, along with additional minor separations.
- Separation charges of \$45 million related to initiatives announced in 2006. These included separations in Sweden and the United Kingdom and the closure of the Portugal assembly facility.
- Revisions to estimates to decrease the reserve of \$15 million related to programs in Germany and Belgium.

GMIO recorded charges of \$63 million in the year ended 2007 primarily related to charges of \$22 million for employee separations in Brazil and charges of \$41 million related to a voluntary employee separation program in Australia.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**Note 25. Impairments**

The following table summarizes impairment charges (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>GMNA</b>				
Goodwill	\$ —	\$ —	\$ 154	\$ —
Intangibles assets	21	—	—	—
Product-specific tooling assets	1	278	291	240
Cancelled powertrain programs	—	42	120	—
Equity and cost method investments	4	28	119	—
Vehicles leased to rental car companies	—	11	160	44
Automotive retail leases (a)	—	—	220	—
Other than temporary impairment charges on debt and equity securities (b)	—	—	47	72
Total GMNA impairment charges	<u>26</u>	<u>359</u>	<u>1,111</u>	<u>356</u>
<b>GME</b>				
Goodwill	—	—	456	—
Product-specific tooling assets	—	237	497	—
Vehicles leased to rental car companies	18	36	222	90
Total GME impairment charges	<u>18</u>	<u>273</u>	<u>1,175</u>	<u>90</u>
<b>GMIO</b>				
Product-specific tooling assets	1	7	72	19
Asset impairment charges related to restructuring initiatives	—	—	30	—
Other long-lived assets	—	2	—	—
Total GMIO impairment charges	<u>1</u>	<u>9</u>	<u>102</u>	<u>19</u>
<b>Corporate</b>				
Other than temporary impairment charges on debt and equity securities (b)	—	11	15	—
Automotive retail leases	—	16	157	—
GMAC Common Membership Interests	—	—	7,099	—
GMAC common stock	270	—	—	—
GMAC Preferred Membership Interests	—	—	1,001	—
Total Corporate impairment charges	<u>270</u>	<u>27</u>	<u>8,272</u>	<u>—</u>
Total impairment charges	<u>\$ 315</u>	<u>\$ 668</u>	<u>\$ 10,660</u>	<u>\$ 465</u>

(a) The year ended 2008 includes an increase in intersegment residual support and risk sharing reserves of \$220 million recorded as a reduction of revenue in GMNA.

(b) Refer to Note 6 and Note 23 for additional information on marketable securities and financial instruments measured at fair value on a recurring basis. The impairment charges were recorded in Interest income and other non-operating income, net.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize assets measured at fair value (all of which utilized Level 3 inputs) on a nonrecurring basis subsequent to initial recognition (dollars in millions):

	Fair Value Measurements Using				July 10, 2009 Through December 31, 2009 Total Losses
	Period Ended December 31, 2009(a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Product-specific tooling assets (b)	\$ —	—	—	\$ —	\$ (2)
Equity and cost method investments (other than GMAC)	\$ 1	—	—	\$ 1	\$ (4)
Vehicles leased to rental car companies (c)	\$ 543-567	—	—	\$ 543-567	\$ (18)
GMAC common stock	\$ 970	—	—	\$ 970	\$ (270)
Intangible assets	\$ —	—	—	\$ —	\$ (21)
					\$ (315)

- (a) Amounts represent the fair value measure (or range of measures) during the period.
- (b) In the period July 10, 2009 through September 30, 2009 and in the fourth quarter of 2009 we recorded impairment charges of \$1 million each to write down product-specific tooling assets to their fair value of \$0.
- (c) In the period July 10, 2009 through September 30, 2009 we recorded impairment charges of \$12 million to write down vehicles leased to rental car companies to their fair value of \$543 million. In the fourth quarter we recorded an impairment charge of \$6 million to write down vehicles leased to rental car companies to their fair value of \$567 million.

	Fair Value Measurements Using				January 1, 2009 Through July 9, 2009 Total Losses
	Period Ended July 9, 2009(a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Product-specific tooling assets (b)	\$ 0-85	—	—	\$ 0-85	\$ (522)
Cancelled powertrain programs	\$ —	—	—	\$ —	\$ (42)
Other long-lived assets	\$ —	—	—	\$ —	\$ (2)
Equity and cost method investments (other than GMAC)	\$ —	—	—	\$ —	\$ (28)
Vehicles leased to rental car companies (c)	\$ 539- 2,057	—	—	\$ 539- 2,057	\$ (47)
Automotive retail leases	\$ 1,519	—	—	\$ 1,519	\$ (16)
					\$ (657)

- (a) Amounts represent the fair value measure (or range of measures) during the period.
- (b) In the first quarter we recorded impairment charges of \$285 million to write down product-specific tooling assets to their fair value of \$85 million. In the second quarter we recorded impairment charges of \$237 million to write down product-specific tooling assets to their fair value of \$0.
- (c) In the first quarter we recorded impairment charges of \$29 million to write down vehicles leased to rental car companies to their fair value \$2.1 billion. In the second quarter we recorded impairment charges of \$17 million to write down vehicles leased to rental car companies to their fair value of \$543 million. In the period July 1, 2009 through July 9, 2009 we recorded impairment charges of \$1 million to write down vehicles leased to rental car companies to their fair value of \$539 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31, 2008(a)	Fair Value Measurements Using			Year Ended December 31, 2008 Total Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
GMAC Common Membership interests (b)	\$ 612-5,391	—	—	\$ 612-5,391	\$ (7,099)
GMAC Preferred Membership interests (c)	\$ 43-902	—	—	\$ 43-902	\$ (1,001)
Equity and Cost Method Investments (other than GMAC) (d)	\$ 0-6	—	—	\$ 0-6	\$ (119)
					\$ (8,219)

- (a) Amounts represent the fair value measure (or range of measures) during the period.
- (b) In the first quarter we recorded an impairment charge of \$1.3 billion to write down our investment in GMAC Common Membership Interests to its fair value of \$5.4 billion. In the second quarter we recorded an impairment charge of \$726 million to write down our investment in GMAC Common Membership Interests to its fair value of \$3.5 billion. In the fourth quarter we recorded an impairment charge of \$5.1 billion to write down our investment in GMAC Common Membership Interests to its fair value of \$612 million.
- (c) In the first quarter we recorded an impairment charge of \$142 million to write down our investment in GMAC Preferred Membership Interests to its fair value of \$902 million. In the second quarter we recorded an impairment charge of \$608 million to write down our investment in GMAC Preferred Membership Interests to its fair value of \$294 million. In the third quarter we recorded an impairment charge of \$251 million to write down our investment in GMAC Preferred Membership Interests to its fair value of \$43 million.
- (d) In the fourth quarter, we recorded an impairment charge related to our investment in NUMMI of \$94 million to write our investment down to its fair value of \$0 and an impairment charge related to our investment in CAMI of \$25 million to write our investment down to its fair value of \$6 million.

As a result of the adoption of ASC 820-10 in January 2009 fair value disclosures related to nonfinancial assets and liabilities measured on a nonrecurring basis for the periods January 1, 2009 through July 9, 2009 and July 10, 2009 through December 31, 2009 are subsequently discussed.

**GM**

*July 10, 2009 Through December 31, 2009*

*GMNA*

Intangible assets related to product-specific technology were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$21 million in the period July 10, 2009 through December 31, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to technology.

GMNA recorded contract cancellation charges of \$80 million related to the cancellation of certain product programs.

*GME*

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$18 million in the period July 10, 2009 through December 31, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*GMIO*

GMIO recorded contract cancellation charges of \$2 million related to the cancellation of certain product programs.

*Corporate*

At July 10, 2009 our application of fresh-start reporting resulted in adjustments of \$1.3 billion and \$629 million to our investments in GMAC common and GMAC preferred stock to record these investments at their estimated fair value of \$1.3 billion and \$665 million. In the period July 10, 2009 through December 31, 2009 we received distributions on GMAC common stock of \$72 million which decreased the carrying amount of our investment in GMAC common stock.

At December 31, 2009 we determined that indicators were present that suggested our investments in GMAC common and preferred stock could be impaired. Such indicators included the continuing deterioration in GMAC's mortgage operations, as evidenced by the strategic actions GMAC took in December 2009 to position itself to sell certain mortgage assets. These actions resulted in GMAC recording an increase in its provision for loan losses of \$2.4 billion in the fourth quarter of 2009. These indicators also included GMAC's receipt of \$3.8 billion of additional financial support from the UST on December 30, 2009, which diluted our investment in GMAC common stock from 24.5% to 16.6%.

As a result of these impairment indicators, we evaluated the fair value of our investments in GMAC common and preferred stock and recorded an impairment charge of \$270 million related to our GMAC common stock to record the investment at its estimated fair value of \$970 million. We determined the fair value of these investments using valuation methodologies that were consistent with those we used in our application of fresh-start reporting. In applying these valuation methodologies at December 31, 2009, however, we updated the analyses to reflect changes in market comparables and other relevant assumptions.

**Old GM**

***January 1, 2009 Through July 9, 2009***

*GMNA*

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$278 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

Cancelled powertrain programs were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$42 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized discounted projected cash flows.

GMNA recorded contract cancellation charges of \$157 million related to the cancellation of certain product programs.

CAMI at the time an equity method investee, was adjusted to its fair value, resulting in an impairment charge of \$28 million in the three months ended March 31, 2009. The fair value measurement utilized projected cash flows discounted at a rate commensurate with the perceived business risks related to the investment. In March 2009 Old GM determined that due to changes in contractual arrangements, CAMI became a VIE and Old GM was the primary beneficiary, and therefore CAMI was consolidated.

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$11 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

*GME*

Product-specific tooling assets were adjusted to their fair value at the time of impairments, resulting in impairment charges of \$237 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

GME recorded contract cancellation charges of \$12 million related to the cancellation of certain product programs.

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$36 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

*GMIO*

Product-specific tooling assets were adjusted to their fair value at the time of impairments, resulting in impairment charges of \$7 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized certain Level 3 inputs, which included projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

GMIO recorded contract cancellation charges of \$8 million related to the cancellation of certain product programs.

*Corporate*

Automotive retail leases were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$16 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized discounted projected cash flows from lease payments and anticipated future auction proceeds.

**2008**

*GMNA*

Goodwill impairment charges of \$154 million in the year ended 2008 related to sharply reduced forecasts of automotive sales in the near- and medium-term. Fair value measurements utilized discounted projected cash flows.

NUMMI and CAMI, at the time were equity method investees involved in various aspects of the development and production of vehicles, were adjusted to their fair value, resulting in impairment charges of \$94 million and \$25 million in the year ended 2008. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the investments.

*GME*

Goodwill impairment charges of \$456 million in the year ended 2008 related to sharply reduced forecasts of automotive sales in the near- and medium-term. Fair value measurements utilized discounted projected cash flows.

*Corporate*

In 2008 recessions in the United States and Western Europe and a slowdown in economic growth in the rest of the world negatively affected residential and homebuilding markets and consumer demand for less fuel efficient vehicles, particularly fullsize trucks and sport utility vehicles. In addition, instability of the credit and mortgage markets resulted in an extreme lack of liquidity resulting in prominent North American financial institutions declaring bankruptcy, being seized by the Federal Deposit Insurance Corporation or being sold at distressed valuations, and culminated in the U.S. and foreign governments providing various forms of capital infusions to financial institutions. These economic factors negatively affected GMAC's global automotive business as well as GMAC's mortgage operations, which resulted in significant losses including impairment charges of \$1.2 billion on GMAC's portfolio of automotive retail leases in the year ended 2008. As a result of these events, Old GM evaluated its investments in GMAC Common and Preferred Membership Interests, determined that they were impaired and recorded impairment charges on these investments of \$7.1 billion and \$1.0 billion in the year ended 2008.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In order to determine the fair value of Old GM's investment in GMAC Common Membership Interests at March 31, June 30 and September 30, 2008, Old GM determined GMAC's fair value by applying various valuation techniques, which used Level 3 inputs, to its significant business units and then applied its 49% equity interest to the resulting fair value.

- Auto Finance – Old GM obtained industry data, such as equity and earnings ratios for other industry participants, and developed average multiples for these companies based upon a comparison of their businesses to Auto Finance.
- Insurance – Old GM developed a peer group, based upon such factors as equity and earnings ratios and developed average multiples for these companies.
- Mortgage Operations – Old GM previously obtained industry data for an industry participant that Old GM believed to be comparable, and also utilized the implied valuation based on an acquisition of an industry participant who was believed to be comparable. Due to prevailing market conditions at September 30, 2008 Old GM did not believe that comparable industry participants existed; however, Old GM believed that previously available data, in conjunction with certain publicly available information incorporated into the analysis, resulted in an appropriate valuation at September 30, 2008.
- Commercial Finance Group – Old GM obtained industry data, such as price to earnings ratios, for other industry participants, and developed average multiples for these companies based upon a comparison of their businesses to the Commercial Finance Group.

At December 31, 2008 Old GM's determination of the fair value of GMAC Common Membership Interests used data from GMAC's discussions with the Board of Governors of the Federal Reserve System for approval to become a Bank Holding Company under the Bank Holding Company Act of 1956, as amended, in addition to Old GM's and GMAC's negotiations with the UST regarding potential borrowings or other capital infusions under the Automotive Industry Financing Program. As part of this process, Old GM and FIM Holdings agreed to convert Old GM's interests in the GMAC Participation Agreement to GMAC Common Membership Interests in December 2008, and to purchase additional GMAC Common Membership Interests subsequent to December 2008. The conversion of the GMAC Participation Agreement and the subsequent purchase of additional GMAC Common Membership Interests utilized a specified value per GMAC Common Membership Interest as determined and agreed to by the relevant parties to the various transactions, which Old GM subsequently utilized in its determination of GMAC's fair value, as it was believed the per share value was representative of fair value. Refer to Note 30 for additional information on the GMAC Participation Agreement.

In order to determine the fair value of Old GM's investment in GMAC Preferred Membership Interests at December 31, 2008, Old GM applied valuation techniques, which used certain Level 3 inputs, to various characteristics of the GMAC Preferred Membership Interests as follows:

- Using information as to the pricing on similar investments and changes in yields of other GMAC securities, Old GM developed a discount rate for the valuation.
- Using assumptions as to the receipt of dividends on the GMAC Preferred Membership Interests, the expected call date and a discounted cash flow model, Old GM developed a present value of the related cash flows.

At March 31, June 30, and September 30, 2008 Old GM also used these valuation techniques but the assumptions used at each valuation date varied due to differing market conditions in these periods.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 26. Other Expenses, net**

The following table summarizes the components of Other expenses, net (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Operating and other expenses (income)	\$ (35)	\$ 22	\$ 409	\$ 545
Pension benefits for certain current and future retirees of				
Delphi	—	—	—	552
Deconsolidation of Saab expenses, net	(60)	824	—	—
Saab impairment charges	—	88	—	—
Delphi related charges (Note 21)	8	184	4,797	1,547
Depreciation and amortization expense	89	101	749	1,259
Goodwill impairment charges (Note 25)	—	—	610	—
Interest expense	13	16	134	405
<b>Total other expenses, net</b>	<b>\$ 15</b>	<b>\$ 1,235</b>	<b>\$ 6,699</b>	<b>\$ 4,308</b>

Interest expense and depreciation and amortization expense recorded in Other expenses, net relates to a portfolio of automotive retail leases.

**Note 27. Stockholders' Equity (Deficit) and Noncontrolling Interests****GM****Common Stock**

We have 2.5 billion shares of common stock authorized, with a par value of \$0.01 per share. At December 31, 2009 we had 500 million shares issued and outstanding. Holders of our common stock are entitled to dividends at the sole discretion of our Board of Directors. However, the terms of the Series A Preferred Stock prohibit, subject to exceptions, the payment of dividends on our common stock, unless all accrued and unpaid dividends on the Series A Preferred Stock are paid in full. Holders of common stock are entitled to one vote per share on all matters submitted to our stockholders for a vote. The liquidation rights of holders of our common stock are secondary to the payment or provision for payment of all our debts and liabilities and to holders of our preferred stock, if any such shares are then outstanding. Pursuant to the terms of a Stockholders Agreement we entered into with certain of our stockholders, certain holders of our common stock are entitled to preemptive rights under certain circumstances.

**Warrants**

In connection with the 363 Sale, we issued two warrants, each to acquire 45.5 million shares of common stock, to MLC and one warrant to acquire 15.2 million shares of common stock to the New VEBA. The first of the MLC warrants is exercisable at any time prior to July 10, 2016 at an exercise price of \$30.00 per share, and the second of the MLC warrants is exercisable at any time prior to July 10, 2019 at an exercise price of \$55.00 per share. The New VEBA warrant is exercisable at any time prior to December 31, 2015 at an exercise price of \$126.92 per share. The number of shares of common stock underlying each of the warrants and the per share exercise price thereof are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

**Noncontrolling Interests**

In October 2009 we completed our participation in an equity rights offering in GM Daewoo, a majority-owned and consolidated subsidiary, for KRW 491 billion (equivalent to \$417 million when entered into). As a result of the participation in the equity rights



**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

offering, our ownership interest in GM Daewoo increased from 50.9% to 70.1%. Funds from our UST escrow were utilized for this rights offering.

In December 2009 we acquired the remaining noncontrolling interest of CAMI from Suzuki for \$100 million increasing our ownership interest from 50% to 100%. This transaction resulted in no charge to Capital surplus.

The table below summarizes the changes in equity resulting from Net loss attributable to common stockholders and transfers from (to) noncontrolling interests (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Net loss attributable to common stockholders	\$ (4,428)
Increase in capital surplus resulting from GM Daewoo equity rights offering	108
Changes from net loss attributable to common stockholders and transfers from (to) noncontrolling interests	<u>\$ (4,320)</u>

**Old GM*****Preferred Stock***

Old GM had 6 million shares of preferred stock authorized, without par value. The preferred stock ranked senior to its common stock and any other class of stock it previously issued. Holders of preferred stock were entitled to receive cumulative dividends, when and as declared by Old GM's Board of Directors on a quarterly basis. Old GM had no shares of preferred stock issued and outstanding at December 31, 2008.

***Preference Stock***

Old GM had 100 million shares of preference stock authorized, with a par value of \$0.10. The preference stock was issuable in series with such voting powers, designations, powers, privileges, and rights and such qualifications, limits, or restrictions as may be determined by Old GM's Board of Directors, without stockholder approval. The preference stock ranked junior to Old GM's preferred stock and senior to its common stock. Holders of preference stock were entitled to receive dividends, which may or may not have been cumulative when and as declared by Old GM's Board of Directors. Old GM had no shares of preference stock issued and outstanding at December 31, 2008.

***Common Stock***

Old GM had 2.0 billion shares of common stock authorized, with a par value of \$1 2/3. Old GM had 801 million shares issued and 610 million shares outstanding at December 31, 2008.

***Warrants***

As additional consideration for entering into the UST Loan Agreement, Old GM issued warrants to the UST for 122 million shares of common stock exercisable at \$3.57 per share, which was 19.99% of the number of shares of common stock outstanding at December 31, 2008. The warrants were perpetual and were assigned a fair value of \$164 million at December 31, 2008. In determining this value, Old GM utilized the observable market value of tradable call options on its common stock. The difference in terms between the warrants and the observable call options on its common stock was determined to have an insignificant effect on the value of the warrants. Key inputs in the value of the call options were Old GM's common stock price and its expected volatility on common stock returns. An increase of 10% in Old GM's common stock price would have increased the fair value of the warrants by

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$28 million and a decrease of 10% in Old GM's common stock price would have decreased the fair value of the warrants by \$26 million. An increase or decrease in volatility of 10% would have caused an increase or decrease in the fair value of the warrants of \$16 million. As the warrants did not meet the accounting requirements to be classified as an equity instrument, the warrants were recorded in Other liabilities and because the warrants met the definition of a derivative, they were recorded at fair value prospectively, with changes in fair value recognized in earnings. Old GM was entitled to repurchase the warrants or shares issued through the exercise of the warrants at fair value once it had repaid amounts outstanding under the UST Loan Agreement. In connection with the 363 Sale, the UST returned the warrants previously issued to it from Old GM.

**Treasury Stock**

Old GM held 190 million shares of treasury stock, net of re-issuances, at December 31, 2008. Old GM accounted for treasury stock at cost, with the amount in excess of par value charged to Capital surplus (principally additional paid-in capital).

**Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the components of Accumulated other comprehensive income (loss), net of taxes:

	Successor	Predecessor	
	December 31, 2009	December 31, 2008	December 31, 2007
Foreign currency translation adjustments	\$ 157	\$ (2,122)	\$ (967)
Net unrealized gain (loss) on derivatives	(1)	(490)	321
Net unrealized gain (loss) on securities	2	(33)	265
Defined benefit plans, net	1,430	(29,694)	(13,606)
Accumulated other comprehensive income (loss)	<u>\$ 1,588</u>	<u>\$ (32,339)</u>	<u>\$ (13,987)</u>

**Other Comprehensive Income (Loss)**

The following tables summarize the components of Other comprehensive income (loss) attributable to common stockholders:

	Successor		
	July 10, 2009 Through December 31, 2009		
	Pre-tax Amount	Tax Expense (Credit)	Net Amount
Foreign currency translation adjustments	\$ 135	\$ 11	\$ 124
Net unrealized gain on derivatives	(1)	—	(1)
Unrealized gain on securities	7	5	2
Defined benefit plans			
Prior service cost from plan amendments	112	130	(18)
Actuarial gain from plan measurements	2,702	1,247	1,455
Less: amortization of actuarial loss included in net periodic benefit cost	(6)	1	(7)
Net actuarial amounts	2,696	1,248	1,448
Defined benefit plans, net	2,808	1,378	1,430
Other comprehensive income (loss)	2,949	1,394	1,555
Less: other comprehensive (income) loss attributable to noncontrolling interests	(33)	—	(33)
Other comprehensive income (loss) attributable to common stockholders	<u>\$ 2,982</u>	<u>\$ 1,394</u>	<u>\$ 1,588</u>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor								
	January 1, 2009 Through July 9, 2009			Years Ended December 31,					
				2008			2007		
	Pre-tax Amount	Tax Expense (Credit)	Net Amount	Pre-tax Amount	Tax Expense (Credit)	Net Amount	Pre-tax Amount	Tax Expense (Credit)	Net Amount
Foreign currency translation gain (loss)	\$ 187	\$ 40	\$ 147	\$ (1,289)	\$ 27	\$ (1,316)	\$ 807	\$ (220)	\$ 1,027
Net unrealized gain (loss) on derivatives	145	(131)	276	(1,284)	(53)	(1,231)	(452)	(142)	(310)
Unrealized gain (loss) on securities	46	—	46	(298)	—	(298)	(23)	(6)	(17)
Defined benefit plans									
Prior service benefit (cost) from plan amendments	(3,882)	(1,551)	(2,331)	449	(1)	450	(2,813)	(700)	(2,113)
Amortization of prior service cost included in net periodic benefit cost	5,162	3	5,159	(5,063)	284	(5,347)	(5)	73	(78)
Net prior service benefit (cost)	1,280	(1,548)	2,828	(4,614)	283	(4,897)	(2,818)	(627)	(2,191)
Actuarial gain (loss) from plan measurements	(2,574)	1,532	(4,106)	(14,684)	(120)	(14,564)	8,910	2,066	6,844
Amortization of actuarial loss included in net periodic benefit cost	(2,109)	22	(2,131)	3,524	159	3,365	1,723	331	1,392
Net actuarial amounts	(4,683)	1,554	(6,237)	(11,160)	39	(11,199)	10,633	2,397	8,236
Net transition assets from plan initiations	6	1	5	—	—	—	—	—	—
Amortization of transition asset /obligation included in net periodic benefit cost	(5)	(1)	(4)	11	3	8	2	4	(2)
Net transition amounts	1	—	1	11	3	8	2	4	(2)
Defined benefit plans, net	(3,402)	6	(3,408)	(15,763)	325	(16,088)	7,817	1,774	6,043
Other comprehensive income (loss)	(3,024)	(85)	(2,939)	(18,634)	299	(18,933)	8,149	1,406	6,743
Less: other comprehensive (income) loss attributable to noncontrolling interests	92	—	92	(581)	—	(581)	(340)	(97)	(243)
Other comprehensive income (loss) attributable to common stockholders	<u>\$ (3,116)</u>	<u>\$ (85)</u>	<u>\$ (3,031)</u>	<u>\$ (18,053)</u>	<u>\$ 299</u>	<u>\$ (18,352)</u>	<u>\$ 8,489</u>	<u>\$ 1,503</u>	<u>\$ 6,986</u>

**Note 28. Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share have been computed by dividing Income (loss) from continuing operations attributable to common stockholders, Income from discontinued operations attributable to common stockholders or Net income (loss) attributable to common stockholders by the weighted-average common shares outstanding in the period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes basic and diluted earnings (loss) per share (in millions, except for per share amounts):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>	<u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Predecessor</u> <u>Year Ended</u> <u>December 31,</u> <u>2008</u>	<u>Year Ended</u> <u>December 31,</u> <u>2007</u>
<b>Basic</b>				
Income (loss) from continuing operations attributable to common stockholders (a)	\$ (10.73)	\$ 178.63	\$ (53.47)	\$ (76.16)
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders (a)	<u>\$ (10.73)</u>	<u>\$ 178.63</u>	<u>\$ (53.47)</u>	<u>\$ (68.12)</u>
Weighted-average common shares outstanding	413	611	579	566
<b>Diluted</b>				
Income (loss) from continuing operations attributable to common stockholders (a)	\$ (10.73)	\$ 178.55	\$ (53.47)	\$ (76.16)
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders (a)	<u>\$ (10.73)</u>	<u>\$ 178.55</u>	<u>\$ (53.47)</u>	<u>\$ (68.12)</u>
Weighted-average common shares outstanding	413	611	579	566

(a) The period July 10, 2009 through December 31, 2009 includes accumulated but unearned dividends of \$34 million on Series A Preferred Stock, which increases Net loss attributable to common stockholders, and excludes dividends of \$252 million on Series A Preferred Stock, which were paid to the New VEBA prior to December 31, 2009. The 260 million shares of Series A Preferred Stock issued to the New VEBA were not considered outstanding until December 31, 2009 due to the terms of the 2009 Revised UAW Settlement Agreement.

**GM**

Due to our net loss in the period July 10, 2009 through December 31, 2009 the assumed exercise of warrants outstanding had an antidilutive effect and were therefore excluded from the computation of diluted loss per share. The number of such warrants not included in the computation of diluted loss per share was 106 million in the period July 10, 2009 through December 31, 2009.

In connection with the 363 Sale, we issued 88 million shares of our common stock to the New VEBA, which were not considered outstanding for accounting purposes until December 31, 2009 as they did not qualify as plan assets. Because these shares were not considered outstanding until December 31, 2009 they did not affect the calculation of the weighted-average common shares outstanding. Refer to Note 19 for additional information on the 2009 Revised UAW Settlement Agreement.

Under the Purchase Agreement, we are obligated to issue Adjustment Shares in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum Adjustment Shares issued if estimated general unsecured claims total \$42.0 billion or more. We determined that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In that circumstance, under the terms of the Purchase Agreement, we would be required to issue 2.9 million Adjustment Shares to MLC as an adjustment to the purchase price. These Adjustment Shares were excluded from the computation of basic and diluted loss per share as they were not issued or outstanding at December 31, 2009 and the effect would have been anti-dilutive, however, they may be dilutive in the future.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In November and December 2009 we granted restricted stock units (RSUs) to certain global executives. Since awards will be payable in cash if settled prior to six months after a completion of a successful initial public offering, the salary stock awards are excluded from the computation of diluted loss per share. At December 31, 2009 0.3 million RSUs were outstanding. Refer to Note 29 for additional information on RSUs.

**Old GM**

In the period January 1, 2009 through July 9, 2009 diluted earnings per share included the potential effect of the assumed exercise of certain stock options. The number of stock options and warrants that were excluded in the computation of diluted earnings per share because the exercise price was greater than the average market price of the common shares was 208 million.

Due to Old GM's net losses in the years ended 2008 and 2007, the assumed exercise of stock options and warrants had an antidilutive effect and therefore was excluded from the computation of diluted loss per share. The number of such options and warrants not included in the computation of diluted loss per share was 101 million and 104 million in the years ended 2008 and 2007.

No shares potentially issuable to satisfy the in-the-money amount of Old GM's convertible debentures have been included in the computation of diluted income (loss) per share for the period January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007 as the conversion options in various series of convertible debentures were not in-the-money.

**Note 29. Stock Incentive Plans****GM**

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan (2009 GMLTIP) and the Salary Stock Plan (GMSSP). Both plans are administered by the Executive Compensation Committee of our Board of Directors. No awards were granted under the 2009 GMLTIP in the year ended 2009.

The following table summarizes compensation expense and total Income tax expense recorded for the GMSSP (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Compensation expense	\$ 23
Income tax expense	\$ 8

***Long-Term Incentive Plan***

The 2009 GMLTIP consists of RSUs that may be granted to global executives. The RSUs provide participants with the opportunity to earn shares of stock determined by dividing the award value by the fair market value per share on the grant date. The aggregate number of shares that may be granted under this plan and the GMSSP discussed below shall not exceed 10 million shares. There were no RSUs granted under this plan in the year ended 2009.

Awards granted under the 2009 GMLTIP will generally vest over a three year service period. Compensation cost for these awards will be recorded on a straight line basis over the vesting period. The awards for the Top 25 highest compensated employees will settle in 25% increments in conjunction with each 25% of our Troubled Asset Relief Program (TARP) obligations that are repaid. The awards for the non-top 25 highest compensated employees will settle in 25% increments in conjunction with each 25% of the U.S. and Canadian Government loans that are repaid.

Retirement eligible participants that are non-top 25 highest compensated employees, who retire during the service period, will retain and vest a pro-rata portion of RSUs. The vested award will be payable on the third anniversary date of the grant. Compensation cost for these employees will be recognized on a straight-line basis over the requisite service period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

All awards will be payable in cash if settled prior to six months after completion of an initial public offering, therefore awards granted will be classified as a liability until the completion of an initial public offering. In the event an initial public offering is completed, awards expected to settle six months after the initial public offering will be accounted for as a modification from a liability to equity award since the awards will then be required to be settled in our common stock.

**Salary Stock**

In November 2009 we began granting salary stock to certain global executives under the GMSSP. Under the GMSSP, a portion of each participant's total annual compensation is accrued and converted to RSUs at each salary payment date. Effective in 2010, a portion of each participant's salary accrued on each salary payment date will be converted to RSUs on a quarterly basis. The aggregate number of shares that may be granted under this plan and the 2009 GMLTIP shall not exceed 10 million shares.

The awards are fully vested and nonforfeitable upon grant, therefore compensation cost is fully recognized on the date of grant. The awards will be settled on each of the second, third, and fourth anniversary dates of grant with each installment redeemable one year earlier if we repay the financial assistance we received from the UST under the TARP program. The awards will be payable in cash if settled prior to six months after completion of an initial public offering; therefore, these awards will be classified as a liability until the completion of an initial public offering. In the event an initial public offering is completed, awards expected to settle six months after the initial public offering will be accounted for as a modification from a liability to equity award since the awards will then be required to be settled in our common stock.

The fair value of each RSU under the 2009 GMLTIP and GMSSP is based on the fair value of our common stock. Since there currently is no observable publicly traded price for our common stock, we have developed a methodology to calculate the value of our common stock based on our discounted cash flow analysis updated through December 31, 2009. Refer to Note 2 for additional information on the key assumptions used to estimate our reorganization value at July 10, 2009 and our discounted cash flow analysis.

The following table summarizes our RSU activity under the GMSSP in the period July 10, 2009 through December 31, 2009 (RSUs in millions):

	Successor RSUs			
	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
RSUs outstanding at July 10, 2009	—	\$ —		
Granted	0.3	\$ 49.16		
Exercised	—	\$ —		
Forfeited or expired	—	\$ —		
RSUs outstanding at December 31, 2009	0.3	\$ 49.16	—	\$ —
RSUs expected to vest at December 31, 2009	0.3	\$ 49.16	—	\$ —
RSUs exercisable at December 31, 2009	—	\$ —	—	\$ —

**Old GM**

Old GM's stock incentive plans were comprised of the 2007 Old GM Long-Term Incentive Plan (GMLTIP), the 2002 Old GM Stock Incentive Plan (GMSIP), the 2002 GMLTIP, the 1998 Old GM Salaried Stock Option Plan (GMSSOP), the 2007 Old GM Cash-Based Restricted Stock Unit Plan (GMCRSU) and the 2006 GMCRSU, or collectively the Old GM Stock Incentive Plans. The

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GMLTIP, GMSIP and the GMCRSU plans were administered by Old GM's Executive Compensation Committee of its Board of Directors. The GMSSOP was administered by Old GM's Vice President of Global Human Resources. In connection with the 363 Sale, MLC retained the awards granted under the Old GM Stock Incentive Plans.

The following table summarizes compensation expense (benefit) and total Income tax expense (benefit) recorded for the Old GM Stock Incentive Plans (dollars in millions):

	<u>Predecessor</u>		
	<u>January 1, 2009 Through July 9, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Compensation expense (benefit)	\$ (10)	\$ (65)	\$ 136
Income tax expense (benefit) (a)	\$ —	\$ 3	\$ (21)

(a) Income tax expense (benefit) does not include U.S. and non-U.S. jurisdictions which have full valuation allowances.

In 2008 Old GM extended voluntary early retirement offers under its 2008 Salaried Window Program to certain of its U.S. salaried employees, including certain U.S. executives, as part of its plan to reduce salary related expenses. Under the terms of the 2008 Salaried Window Program, option awards granted to executives were modified to vest immediately and remain exercisable until the expiration date of the grant. Approximately 200 U.S. executives accepted the 2008 Salaried Window Program. The modifications of the stock option awards were accounted for as a cancellation of the original award and the issuance of a new award. The effect of this award modification on compensation expense was \$6 million.

In August 2007 Old GM completed the sale of the commercial and military operations of its Allison business. Allison employees who participated in Old GM's stock incentive plans were considered terminated employees on the date of sale. Based on this change in employment status, certain outstanding nonvested share-based payment awards were forfeited. The remaining outstanding share-based payment awards were prorated for previous employment services as provided for under the original terms of the award and would remain exercisable for the earlier of three years from the date of termination, or the expiration of the option.

**Stock Options**

Under the GMSIP, 27 million shares of Old GM's common stock were eligible for grants from June 2002 through May 2007. Stock option grants awarded since 1997 were generally exercisable one-third after one year, another one-third after two years and fully exercisable three years from the date of grant. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years from the date of grant, subject to earlier termination under certain conditions. Old GM's policy was to issue treasury shares upon exercise of employee stock options.

In 2007 the GMSIP was replaced with the 2007 GMLTIP. Under the 2007 GMLTIP, 16 million shares of Old GM's common stock were eligible for grants from June 2007 through May 2012. Stock options granted under this plan were generally exercisable one-third after one year, another one-third after two years and fully exercisable three years from the date of grant. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years from the date of grant, subject to earlier termination under certain conditions. Old GM's policy was to issue treasury shares upon exercise of employee stock options.

The GMSSOP commenced in January 1998 and no shares were available for grants after December 2006. The number of shares that could be awarded each year was determined by Old GM's management and stock options awarded under this plan were exercisable two years from the date of grant. There were no option grants made under the plan after 2004. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years and two days from the date of grant subject to earlier termination under certain conditions.

The fair value of each option grant, except for the performance-contingent option awards as subsequently discussed, was estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions discussed in the following table. Expected volatility was based on both the implied and historical volatilities of Old GM's common stock. The expected term of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

options represented the period of time that the options were expected to be outstanding. Old GM used historical data to estimate option exercise and employee termination within the valuation model. For option grants made prior to 2008 Old GM used the modified prospective application method. The dividend yield was based on Old GM's stock price at the date of grant. The interest rate during the expected term of the option was based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table summarizes assumptions used to estimate the date of grant fair value of Old GM's stock options:

	Predecessor		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	2007 GMLTIP	2007 GMLTIP	GMSIP
Interest rate	—%	3.0%	5.0%
Expected term (years)	—	7.3	6.0
Expected volatility	—%	44.6%	35.8%
Dividend yield	—%	4.3%	3.4%

The following table summarizes changes in the status of Old GM's outstanding stock options, including performance-contingent stock options which are subsequently discussed (options in millions):

	Predecessor			
	2007 GMLTIP			
	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2009	76	\$ 50.90		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited or expired	(11)	\$ 68.50		
Options outstanding at July 9, 2009	65	\$ 47.92	3.5	\$ —
Options expected to vest at July 9, 2009	4	\$ 24.69	8.4	\$ —
Options vested and exercisable at July 9, 2009	61	\$ 49.24	3.2	\$ —

	Predecessor			
	GMSSOP			
	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2009	22	\$ 55.44		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited or expired	(4)	\$ 67.40		
Options outstanding at July 9, 2009	18	\$ 52.90	2.6	\$ —
Options vested and exercisable at July 9, 2009	18	\$ 52.90	2.6	\$ —



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes Old GM's stock options granted or exercised under the 2007 GMLTIP and GMSIP (options in millions):

	Predecessor		GMSIP
	2007 GMLTIP		
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Options granted	—	4	3
Weighted-average grant date fair value	\$ —	\$ 7.29	\$ 8.76
Options exercised	—	—	—
Intrinsic value of options exercised	\$ —	\$ —	\$ 3

There were no GMSSOP options granted or exercised in the period January 1, 2009 through July 9, 2009, and the years ended 2008 and 2007. There were no tax benefits realized from the exercise of share-based payment arrangements in the period January 1, 2009 through July 9, 2009, and the years ended 2008 and 2007.

**Market-Contingent Stock Options**

In March 2008 Old GM granted market-contingent option awards under the 2007 GMLTIP. These awards had a minimum one-year service vesting period followed by a four-year performance period in which all options would vest once Old GM's common stock traded at or above \$40 for any 10 days within a 30 day trading period. If both vesting conditions were met, the option would expire seven years from the date of grant. If, however, the market condition was not met, the option would expire five years from the date of grant. Option prices were 100% of the fair value on the date of grant.

Old GM recognized the fair value of these options over the weighted-average derived service period of 1.8 years in the year ended 2008. The interest rates that Old GM used to determine the grant date fair value of these options were based on the term structure of the U.S. Treasury yield curve on the grant date. The volatility used was a blend of implied and historical volatilities of Old GM's common stock. The expected term was derived using the Monte-Carlo simulation model to determine fair value. The dividend yield was based upon historical dividend yields.

The following table summarizes the assumptions used to estimate the grant date fair value of the market-contingent stock options:

	Predecessor	
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Interest rate	—	1.7% - 3.1%
Expected term (years)	—	1.8
Expected volatility	—	44.0%
Dividend yield	—	3.2%

The following tables summarize Old GM's market-contingent stock options (options in millions):

	Predecessor	
	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
Options granted	—	0.7
Weighted-average grant date fair value	—	\$ 7.00
Options exercised	—	—
Weighted-average exercise price	—	\$ 23.13
Options forfeited or expired	—	—

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	<b>Predecessor July 9, 2009</b>
Options outstanding	0.7
Aggregate intrinsic value	\$ —
Weighted-average contractual term (years)	5.7

**Summary of Nonvested Awards**

The following table summarizes the status of Old GM's nonvested awards (option awards in millions):

	<b>Predecessor</b>	
	<b>Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Nonvested at January 1, 2009	7	\$ 7.67
Granted	—	\$ —
Vested	(3)	\$ 7.65
Forfeited	—	\$ 8.15
Nonvested at July 9, 2009	4	\$ 7.68

At July 9, 2009 the total unrecognized compensation expense related to nonvested option awards granted under the Old GM Stock Incentive Plans was \$2 million. This expense was expected to be recorded over a weighted-average period of 1.2 years.

The following table summarizes cash received from option exercises (dollars in millions):

	<b>Predecessor</b>		
	<b>January 1, 2009 Through July 9, 2009</b>	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2007</b>
Cash received	\$ —	\$ —	\$ 1

**Stock Performance Plans**

The 2007 GMLTIP, formerly the 2002 GMLTIP, was comprised of awards granted to participants based on a minimum percentile ranking of Old GM's total stockholder return compared to all other companies in the S&P 500 for the same performance period. The target number of shares of Old GM's common stock that could be granted each year was determined by Old GM's management. The 2008 and 2007 grants each had four separate performance periods consisting of three one-year performance periods and one three-year performance period. The final award payouts could vary based on Old GM's total shareholder return, as previously discussed. There were no stock performance plan shares granted in the period January 1, 2009 to July 9, 2009.

The following table summarizes outstanding stock performance plan shares at July 9, 2009 (shares in millions):

	<b>Predecessor</b>	
	<b>Shares(a)</b>	<b>Weighted-Average Grant-Date Fair Value</b>
<b>Granted</b>		
2007	1	\$ 33.70
2008	1	\$ 18.43
<b>Total outstanding</b>	<b>2</b>	

(a) Excludes shares that have not met performance condition.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Old GM was required to settle these awards in cash. As a result, these cash-settled awards were recorded as a liability until the date of final award payout. The fair value of each cash-settled award was remeasured at the end of each reporting period and the liability and expense adjusted based on the change in fair value. The shares indicated in the preceding table were the targeted number of shares that would be used in the final award calculation should the targeted performance condition have been achieved. Final payout was subject to approval by Old GM's Executive Compensation Committee of the Board of Directors.

The fair value of each cash-settled award under the GMLTIP plans was estimated on the date of grant, and for each subsequent reporting period, remeasured using a Monte-Carlo simulation model that used the multiple input variables. Expected volatility was based upon a combination of the implied volatility from Old GM's tradable options and historical volatility, including the historical volatilities of other stocks in the S&P 500. The expected term of these target awards represented the remaining time in the performance period. The risk-free rate for periods during the contractual life of the performance shares was based on the U.S. Treasury yield curve in effect at the time of valuation. Since the payout depended on Old GM's total stockholder return performance ranked with the total stockholder return performance of all other S&P 500 companies, the valuation also depended on the performance of all stocks in the S&P 500 from the date of grant to the exercise date as well as estimates of the correlations among their future performance. The fair value of the performance plan shares was \$0 at July 9, 2009 for the awards granted in the years ended 2008 and 2007.

The weighted-average remaining contractual term was 0.8 years for target awards outstanding at July 9, 2009. As the threshold performance required for a payment under the 2006-2008 award was not achieved, there were no cash payments made for this award in the period January 1, 2009 through July 9, 2009. There will be no cash payments for the 2007-2009 and 2008-2010 performance periods.

***Cash-Based Restricted Stock Units***

The 2007 and 2006 GMCRSU plans provided cash equal to the value of underlying restricted share units to certain of Old GM's global executives at predetermined vesting dates. Awards under the plan vested and were paid in one-third increments on each anniversary date of the award. Compensation expense was recorded on a straight-line basis over the requisite service period for each separately vesting portion of the award. Since the awards were settled in cash, they were recorded as a liability until the date of payment. The fair value of each cash-settled award was remeasured at the end of each reporting period and the liability and related expense adjusted based on the new fair value.

The fair value of each GMCRSU was based on Old GM's common stock price on the date of grant and each subsequent reporting period until the date of settlement.

The following tables summarize GMCRSUs (GMCRSUs in millions):

	<b>Predecessor</b>		
	<b>January 1, 2009 Through July 9, 2009</b>	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2007</b>
Number of GMCRSUs granted	—	6	5
Weighted-average date of grant fair value	\$ 2.24	\$ 23.01	\$ 29.39
Total payments made for GMCRSUs vested (millions)	\$ 10	\$ 60	\$ 42
			<b>Predecessor July 9, 2009</b>
GMCRSUs outstanding			5
Fair value per share			\$ 0.84
Weighted-average remaining contractual term (years)			1.4

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 30. Transactions with GMAC**

Old GM entered into various operating and financing arrangements with GMAC (GMAC Services Agreements), a related party. In connection with the 363 Sale, we assumed the terms and conditions of the GMAC Services Agreements. The following tables describe the financial statement effects of and maximum obligations under these agreements (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
Operating lease residuals		
Residual support (a)		
Liabilities recorded	\$ 369	\$ 705
Maximum obligation	\$ 1,159	\$ 1,432
Risk sharing (a)		
Liabilities recorded	\$ 366	\$ 1,233
Maximum obligation	\$ 1,392	\$ 1,724
Note payable to GMAC	\$ 35	\$ 35
Vehicle repurchase obligations		
Maximum obligations	\$ 14,249*	\$ 19,836
Fair value of guarantee	\$ 46	\$ 8

\* Amount originally reported as \$14,058 in our 2009 Form 10-K. Refer to Note 3.

(a) Represents liabilities recorded and maximum obligations for agreements entered into prior to December 31, 2008. Agreements entered into in 2009 do not include residual support or risk sharing programs.

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>	<u>Predecessor</u> <u>January 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Year Ended</u> <u>December 31,</u> <u>2008</u>	<u>Year Ended</u> <u>December 31,</u> <u>2007</u>
Marketing incentives and operating lease residual payments (a)	\$ 695	\$ 601	\$ 3,400	\$ 4,533
Exclusivity fee revenue	\$ 47	\$ 52	\$ 105	\$ 105
Royalty income	\$ 7	\$ 8	\$ 16	\$ 18

(a) Payments to GMAC related to U.S. marketing incentive and operating lease residual programs. Excludes payments to GMAC related to the contractual exposure limit, as subsequently discussed.

**Marketing Incentives and Operating Lease Residuals**

As a marketing incentive, interest rate support, residual support, risk sharing, capitalized cost reduction and lease pull-ahead programs are initiated as a way to lower customers' monthly lease and retail contractual payments.

Under an interest rate support program, GMAC is paid an amount at the time of lease or retail contract origination to adjust the interest rate in the retail contract or implicit in the lease below GMAC's standard interest rate. Such marketing incentives are referred to as rate support or subvention and the amount paid at contract origination represents the present value of the difference between the customer's contractual rate and GMAC's standard rate for a given program.

Under a residual support program, a customer's contract residual value is adjusted above GMAC's standard residual value. GMAC is reimbursed to the extent that sales proceeds are less than the customer's contract residual value, limited to GMAC's standard residual value. As it relates to GMAC's U.S. lease originations and U.S. balloon retail contract originations occurring after April 30, 2006, Old GM agreed to pay the present value of the expected residual support owed to GMAC at the time of contract origination as opposed to after contract termination when the off-lease vehicles are sold. The actual residual support amount owed to GMAC is calculated as the contracts terminate and, in cases where the actual amount differs from the expected amount paid at contract origination, the difference is paid to or paid by GMAC, depending if sales proceeds are lower or higher than estimated at contract origination.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Under a risk-sharing arrangement, residual losses are shared equally with GMAC to the extent that remarketing proceeds are below GMAC's standard residual value (limited to a floor). As a result of revisions to the risk-sharing arrangement, Old GM agreed to pay GMAC a quarterly fee through 2014. Old GM accrued \$108 million in the year ended 2008 related to this arrangement.

In the event it is publicly announced that a GM vehicle brand will be discontinued, phased-out, sold or other strategic options are being considered, the residual value of the related vehicles may change. If such an announcement in the U.S. or Canada results in an estimated decrease in the residual value of the related vehicles, GMAC will be reimbursed for the estimated decrease for certain vehicles for a certain period of time. If such an announcement results in an increase in the residual value of the related vehicles, GMAC will pay the increase in the sale proceeds received at auction. Announcements made in the periods January 1, 2009 through July 9, 2009 and July 10, 2009 through December 31, 2009 to discontinue, phase-out or sell a GM vehicle brand did not have a significant effect on residual values of the related vehicles. In the year ended 2008 we recorded a liability of \$148 million related to announcements to discontinue, phase-out or sell certain GM vehicle brands.

Under a capitalized cost reduction program, GMAC is paid an amount at the time of lease or retail contract origination to reduce the principal amount implicit in the lease or retail contract below the standard manufacturers' suggested retail price.

Under a lease pull-ahead program, a customer is encouraged to terminate their lease early and buy or lease a new GM vehicle. As part of such a program, GMAC waives the customer's remaining payment obligation under their current lease, and GMAC is compensated for any foregone revenue from the waived payments. Since these programs generally accelerate the resale of the vehicle, the proceeds are typically higher than if the vehicle had been sold at contract maturity. The reimbursement to GMAC for the foregone payments is reduced by the amount of this benefit. Anticipated payments are made to GMAC each month based on the estimated number of customers expected to participate in a lease-pull ahead program. These estimates are adjusted once all vehicles that could have been pulled-ahead have terminated and the vehicles have been sold. Any differences between the estimates and the actual amounts owed to or from GMAC are subsequently settled.

The terms and conditions of interest rate support, residual support, risk sharing, capitalized cost reduction, and lease pull-ahead programs are included in the GMAC Services Agreements. In December 2008 Old GM and GMAC agreed, among other things, to modify certain terms and conditions of the GMAC Services Agreements pursuant to a preliminary term sheet (GMAC Term Sheet). A primary objective of the GMAC Services Agreements continues to be supporting the distribution and marketing of our and previously Old GM's products. In May 2009 Old GM entered into the Amended and Restated United States Consumer Financing Services Agreement (Amended Financing Agreement) with an effective date of December 29, 2008. The terms of the Amended Financing Agreement were consistent with the GMAC Term Sheet.

**Exclusivity Arrangement**

In November 2006 Old GM granted GMAC exclusivity for U.S., Canadian and international GM-sponsored consumer and wholesale marketing incentives for products in specified markets around the world, with the exception of Saturn branded products. In return for exclusivity, GMAC paid an annual exclusivity fee of \$105 million (\$75 million for the U.S. retail business, \$15 million for the Canadian retail business, \$10 million for the international operations retail business, and \$5 million for the dealer business).

As a result of the Amended Financing Agreement, Old GM and GMAC agreed to modify certain terms related to the exclusivity arrangements: (1) for a two-year period, retail financing incentive programs can be offered through a third party financing source under certain specified circumstances, and in some cases subject to the limitation that pricing offered by such third party meets certain restrictions, and after such two-year period any such incentive programs can be offered on a graduated basis through third parties on a non-exclusive, side-by-side basis with GMAC provided that pricing with such third parties meets certain requirements; (2) GMAC has no obligation to provide financing; and (3) GMAC has no targets against which it could be assessed penalties. After December 24, 2013, we will have the right to offer retail financing incentive programs through any third party financing source, including GMAC, without any restrictions or limitations.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Beginning in 2009 under the Amended Financing Agreement, Old GM agreed to pro-rate the exclusivity fee in the U.S. and Canada under certain circumstances if incentives were offered through a third party financing source. The international exclusivity fee arrangement remains unchanged and the dealer exclusivity fee was terminated.

**Participation Agreement**

In June 2008 Old GM, along with FIM Holdings entered into the GMAC Participation Agreement with GMAC, which provided that both parties would provide specified loan amounts to GMAC to fund ResCap. Through December 2008 Old GM funded the maximum obligation of \$368 million. Old GM recorded interest income of \$21 million in the year ended 2008 related to the GMAC Participation Agreement.

In December 2008 Old GM and FIM Holdings entered into the GMAC Exchange Agreement with GMAC. Pursuant to the GMAC Exchange Agreement, Old GM and FIM Holdings exchanged their respective amounts funded under the GMAC Participation Agreement for 79,368 Class B Common Membership Interests and 82,608 Class A Common Membership Interests. As the carrying amount of the amount funded under the GMAC Participation Agreement approximated fair value, Old GM did not recognize a gain or loss on the exchange.

**Contractual Exposure Limit**

An agreement between GMAC and Old GM limited certain unsecured obligations to GMAC in the U.S. arising from the GMAC Services Agreements to \$1.5 billion. In accordance with the Amended Financing Agreement, Old GM and GMAC agreed to increase the probable potential unsecured exposure limit from \$1.5 billion in the United States to \$2.1 billion globally. In addition, GMAC's maximum potential unsecured exposure to us cannot exceed \$4.1 billion globally. Old GM and GMAC also agreed to reduce the global unsecured obligation limit from \$2.1 billion to \$1.5 billion by December 30, 2010. Additionally, Old GM and GMAC agreed that the sum of the maximum unsecured and committed secured exposures at December 30, 2010 will not exceed the greater of \$3.0 billion or 15% of GMAC's capital.

**Vehicle Repurchase Obligations**

In May 2009 Old GM and GMAC agreed to expand Old GM's repurchase obligations for GMAC financed inventory at certain dealers in Europe, Asia, Brazil and Mexico. In November 2008 Old GM and GMAC agreed to expand repurchase obligations for GMAC financed inventory at certain dealers in the United States and Canada. Prior to November 2008, Old GM was obligated, pursuant to dealer agreements, to repurchase certain GMAC financed inventory, limited to current model year vehicles and prior model year vehicles in dealer inventory less than 120 days, in the event of a termination of the related dealer's sales and service agreement. The current agreement with GMAC requires the repurchase of GMAC financed inventory invoiced to dealers after September 1, 2008, with limited exclusions, in the event of a qualifying voluntary or involuntary termination of the dealer's sales and service agreement. Repurchase obligations exclude vehicles which are damaged, have excessive mileage or have been altered. The repurchase obligation ended in August 2009 for vehicles invoiced through August 2008, ends in August 2010 for vehicles invoiced through August 2009 and ends August 2011 for vehicles invoiced through August 2010.

The maximum potential amount of future payments required to be made to GMAC under this guarantee would be based on the repurchase value of total eligible vehicles financed by GMAC in dealer stock. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer. The fair value of the guarantee, which considers the likelihood of dealers terminating and estimated loss exposure for ultimate disposition of vehicles, was recorded as a reduction of revenue.

**Automotive Retail Leases**

In November 2006 GMAC transferred automotive retail leases to Old GM, along with related debt and other assets. GMAC retained an investment in a note, which is secured by the automotive retail leases. GMAC continues to service the portfolio of automotive retail leases and related debt and receives a servicing fee. GMAC is obligated, as servicer, to repurchase any equipment on

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

operating leases that are in breach of any of the covenants in the securitization agreements. In addition, in a number of the transactions securitizing the equipment on operating leases, the trusts issued one or more series of floating rate debt obligations and entered into derivative transactions to eliminate the market risk associated with funding the fixed payment lease assets with floating interest rate debt. To facilitate these securitization transactions, GMAC entered into secondary derivative transactions with the primary derivative counterparties, essentially offsetting the primary derivatives. As part of the transfer, Old GM assumed the rights and obligations of the primary derivative while GMAC retained the secondary, leaving both companies exposed to market value movements of their respective derivatives. Old GM subsequently entered into derivative transactions with GMAC that are intended to offset the exposure each party has to its component of the primary and secondary derivatives.

**Royalty Arrangement**

For certain insurance products, Old GM entered into 10-year intellectual property license agreements with GMAC giving GMAC the right to use the GM name on certain products. In exchange, GMAC pays a royalty fee of 3.25% of revenue, net of cancellations, related to these products with a minimum annual guarantee of \$15 million in the United States.

**Balance Sheet**

The following table summarizes the balance sheet effects of transactions with GMAC (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>	<u>Predecessor</u> <u>December 31,</u> <u>2008</u>
<b>Assets</b>		
Accounts and notes receivable, net (a)	\$ 404	\$ 661
Restricted cash and marketable securities (b)	\$ 127	\$ 481
Other assets (c)	\$ 27	\$ 3
<b>Liabilities</b>		
Accounts payable (d)	\$ 131	\$ 294
Short-term debt and current portion of long-term debt (e)	\$ 1,077	\$ 2,295
Accrued expenses and other liabilities (f)	\$ 817	\$ 569
Long-term debt (g)	\$ 59	\$ 101
Other non-current liabilities (h)	\$ 383	\$ 1,389

- (a) Represents wholesale settlements due from GMAC, amounts owed by GMAC with respect to automotive retail leases and receivables for exclusivity fees and royalties.
- (b) Represents certificates of deposit purchased from GMAC that are pledged as collateral for certain guarantees provided to GMAC in Brazil in connection with dealer floor plan financing.
- (c) Primarily represents distributions due from GMAC on our investments in GMAC preferred stock and Preferred Membership Interests.
- (d) Primarily represents amounts billed to us and Old GM and payable related to incentive programs.
- (e) Represents wholesale financing, sales of receivable transactions and the short-term portion of term loans provided to certain dealerships which Old GM owned and which we subsequently purchased or in which we have and Old GM had an equity interest. In addition, it includes borrowing arrangements with various foreign locations and arrangements related to GMAC's funding of company-owned vehicles, rental car vehicles awaiting sale at auction and funding of the sale of vehicles to which title is retained while the vehicles are consigned to GMAC or dealers, primarily in the United Kingdom. Financing remains outstanding until the title is transferred to the dealers. This amount also includes the short-term portion of a note payable related to automotive retail leases.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- (f) Primarily represents accruals for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by GMAC in North America. This includes the estimated amount of residual support accrued under the residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to GMAC to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and amounts owed under lease pull-ahead programs. In addition it includes interest accrued on the transactions in (e) above.
- (g) Primarily represents the long-term portion of term loans from GMAC to certain consolidated dealerships and a note payable with respect to automotive retail leases.
- (h) Primarily represents long-term portion of liabilities for marketing incentives on vehicles financed by GMAC.

**Statement of Operations**

The following table summarizes the income statement effects of transactions with GMAC (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net sales revenue (reduction) (a)	\$ (259)	\$ 207	\$ (2,350)	\$ (4,041)
Cost of sales and other expenses (b)	\$ 113	\$ 180	\$ 688	\$ 590
Interest income and other non-operating income, net (c)	\$ 127	\$ 166	\$ 192	\$ 433
Interest expense (d)	\$ 121	\$ 100	\$ 221	\$ 229
Servicing expense (e)	\$ 22	\$ 16	\$ 144	\$ 167
Derivative gains (losses) (f)	\$ (1)	\$ (2)	\$ (4)	\$ 19

- (a) Primarily represents the (reduction) or increase in net sales and revenues for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by GMAC. This includes the estimated amount of residual support accrued under residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to GMAC to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and costs under lease pull-ahead programs. This amount is offset by net sales for vehicles sold to GMAC for employee and governmental lease programs and third party resale purposes.
- (b) Primarily represents cost of sales on the sale of vehicles to GMAC for employee and governmental lease programs and third party resale purposes. Also includes miscellaneous expenses on services performed by GMAC.
- (c) Represents income on our investments in GMAC preferred stock and Preferred Membership Interests, exclusivity and royalty fee income and reimbursements by GMAC for certain services provided to GMAC. Included in this amount is rental income related to GMAC's primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan. The lease agreement expires in November 2016.
- (d) Represents interest incurred on term loans, notes payable and wholesale settlements.
- (e) Represents servicing fees paid to GMAC on certain automotive retail leases.
- (f) Represents amounts recorded in connection with a derivative transaction entered into with GMAC as the counterparty.

**Note 31. Transactions with MLC**

In connection with the 363 Sale, we and MLC entered into a Transition Services Agreement (TSA), pursuant to which, among other things, we provide MLC with certain transition services and support functions in connection with their operation and ultimate liquidation in bankruptcy. MLC is required to pay the applicable usage fees specified with respect to various types of services under



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the TSA. The obligation to provide services under the TSA will terminate on the applicable dates specified in the agreement with respect to each such service, the latest such date being December 31, 2013. Types of services provided under the TSA included: (1) property management; (2) assistance in idling certain facilities; (3) provisions of access rights and storage of personal property at certain facilities; (4) security; (5) administrative services including accounting, treasury and tax; (6) purchasing; (7) information systems and services support; (8) communication services to the public; and (9) splinter union services including payroll and benefits administration. Services MLC provides to us under the TSA include: (1) provisions of access rights and storage of personal property at certain facilities; (2) assistance in obtaining certain permits and consents to permit us to own and operate purchased assets in connection with the 363 Sale; (3) allowing us to manage and exercise our rights under the TSA; and (4) use of certain real estate and equipment while we are in negotiation to assume or renegotiate certain leases or enter into agreements to purchase certain lease-related assets. At December 31, 2009 we are only obligated to provide tax services under the TSA.

**Statement of Operations**

The following table summarizes the income statement effects of transactions with MLC (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Cost of sales (a)	\$ (8)
Interest income and other non-operating income, net	\$ 1

(a) Primarily related to royalty income partially offset by reimbursements for engineering expenses incurred by MLC.

**Balance Sheet**

The following table summarizes the balance sheet effects of transactions with MLC (dollars in millions):

	<u>Successor</u> <u>December 31,</u> <u>2009</u>
Accounts and notes receivable, net (a)	\$ 16
Other assets	\$ 1
Accounts payable (a)	\$ 59
Accrued expenses and other liabilities	\$ (1)

(a) Primarily related to the purchase and sale of component parts.

**Cash Flow**

The following table summarizes the cash flow effects of transactions with MLC (dollars in millions):

	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>December 31, 2009</u>
Operating (a)	\$ (88)
Financing (b)	\$ 25

(a) Primarily includes payments to and from MLC related to the purchase and the sale of component parts.

(b) Funding provided to a facility in Strasbourg, France, that MLC retained. We have reserved \$16 million against the advanced amounts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 32. Supplementary Quarterly Financial Information (Unaudited)**

The following tables summarize supplementary quarterly financial information (dollars in millions, except for per share amounts):

	Successor		Predecessor		
	July 10, 2009 Through September 30, 2009	4th Quarter	1st Quarter	2nd Quarter	July 1, 2009 Through July 9, 2009
<b>2009</b>					
Net sales and revenue	\$ 25,147	\$ 32,327	\$ 22,431	\$ 23,047	\$ 1,637
Gross margin (loss)	\$ 1,593	\$ (500)	\$ (2,180)	\$ (6,337)	\$ (182)
Net income (loss)	\$ (571)	\$ (3,215)	\$ (5,899)	\$ (13,237)	\$ 128,139
Net income (loss) attributable to common stockholders	\$ (908)	\$ (3,520)	\$ (5,975)	\$ (12,905)	\$ 127,998
Net income (loss) attributable to common stockholders, per share, basic	\$ (2.20)	\$ (8.53)	\$ (9.78)	\$ (21.12)	\$ 209.49
Net income (loss) attributable to common stockholders, per share, diluted	\$ (2.20)	\$ (8.53)	\$ (9.78)	\$ (21.12)	\$ 209.38

	Predecessor Quarters			
	1st	2nd	3rd	4th
<b>2008</b>				
Net sales and revenue	\$42,383	\$ 38,010	\$37,808	\$30,778
Gross margin (loss)	\$ 4,231	\$ (5,482)	\$ 3,287	\$ (2,314)
Net loss	\$ (3,209)	\$ (15,580)	\$ (2,610)	\$ (9,652)
Net loss attributable to common stockholders	\$ (3,282)	\$ (15,513)	\$ (2,552)	\$ (9,596)
Net loss attributable to common stockholders, per share, basic and diluted	\$ (5.80)	\$ (27.40)	\$ (4.47)	\$ (15.71)

**GM**

Results for the three months ended December 31, 2009 included:

- Impairment charges of \$270 million related to our investment in GMAC common stock.
- Settlement loss of \$2.6 billion related to the 2009 UAW Settlement Agreement.

Results for the period July 10, 2009 through September 30, 2009 included:

- Charges of \$195 million related to dealer wind-down agreements.

**Old GM**

Results for the period July 1, 2009 through July 9, 2009 included:

- Accelerated debt discount amortization of \$600 million on the DIP Facility.
- Reorganization gains, net of \$129.3 billion. Refer to Note 2 for additional information on these gains.
- Charges of \$398 million related to dealer wind-down agreements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Results for the three months ended June 30, 2009 included:

- Gain of \$2.5 billion on the disposition of GMAC Common Membership Interests partially offset by a loss on extinguishment of the UST GMAC Loan of \$2.0 billion.
- Accelerated debt discount amortization of \$1.6 billion on the DIP Facility.
- Charges of \$1.9 billion related to U.S. salaried and hourly headcount reduction programs.
- Restructuring charges of \$1.1 billion related to SUB and TSP.
- Reorganization costs of \$1.1 billion, primarily related to loss on extinguishment of debt of \$958 million.
- Impairment charges of \$239 million related to product-specific tooling assets.

Results for the three months ended March 31, 2009 included:

- Old GM amended the terms of its U.S. term loan and recorded a gain of \$906 million on the extinguishment of the original loan facility.
- Upon Saab's filing for reorganization, Old GM recorded charges of \$618 million related to its net investment in, and advances to, Saab and other commitments and obligations.
- Impairment charges of \$327 million related to product-specific tooling assets and cancelled powertrain programs.

Results for the three months ended December 31, 2008 included:

- Impairment charges of \$5.1 billion related to Old GM's investment in GMAC Common Membership Interests and its proportionate share of GMAC's net income of \$3.7 billion which included a \$5.6 billion gain related to GMAC's bond exchange.
- Charges of \$1.1 billion related to establishing valuation allowances against Old GM's net deferred tax assets in various tax jurisdictions.
- Impairment charges of \$2.5 billion related to long-lived assets, Equipment on operating leases, net and goodwill.
- Charges of \$662 million related to Old GM's estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.
- Charges of \$604 million related to capacity actions in the U.S. and Canada.

Results for the three months ended September 30, 2008 included:

- Impairment charges of \$251 million related to Old GM's investment in GMAC Preferred Membership Interests.
- Charges of \$652 million related to Old GM's estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- A net curtailment gain of \$4.9 billion related to the accelerated recognition of unamortized net prior service credit due to the 2008 UAW Settlement Agreement becoming effective.
- Charges of \$1.7 billion related to the settlement loss associated with the elimination of healthcare coverage for U.S. salaried retirees over age 65.
- Charges of \$591 million related to capacity actions in the U.S. and Canada.

Results for the three months ended June 30, 2008 included:

- Impairment charges of \$1.3 billion related to Old GM's investment in GMAC Common and Preferred Membership Interests.
- Charges of \$2.8 billion related to Old GM's estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.
- Curtailment and other charges of \$3.3 billion related to the 2008 UAW and IUE-CWA Special Attrition Programs.
- Charges of \$1.1 billion related to capacity actions in the U.S. and Canada.
- An immaterial correction of Old GM's previous accounting for derivatives by recording in Net sales and revenue losses of \$407 million which had been inappropriately deferred in Accumulated other comprehensive income (loss). Of this amount, \$250 million should have been recorded in earnings in the three months ended March 31, 2008 and the remainder should have been recorded in prior periods, predominantly in the year ended 2007.

Results for the three months ended March 31, 2008 included:

- Impairment charges of \$1.5 billion related to Old GM's investment in GMAC Common and Preferred Membership Interests.
- Charges of \$394 million related to deferred tax asset valuation allowances in Spain and the United Kingdom.

**Note 33. Segment Reporting**

We develop, produce and market cars, trucks and parts worldwide. We do so through our three segments: GMNA, GME and GMIO.

In the three months ended June 30, 2010 we changed our managerial reporting structure so that certain entities geographically located within Russia and Uzbekistan were transferred from our GME segment to our GMIO segment. We have revised the segment presentation for all periods presented.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through the network of dealers and in some cases sold directly to fleet customers. Retail and fleet customers can obtain a wide range of aftersale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following core brands:

- Buick
- Cadillac
- Chevrolet
- GMC

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Cadillac
- Chevrolet
- Daewoo
- GMC
- Holden
- Isuzu
- Opel
- Vauxhall

At December 31, 2009 we also had equity ownership stakes directly or indirectly through various regional subsidiaries, including GM Daewoo, SGM, SGMW and FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM). These companies design, manufacture and market vehicles under the following brands:

- Buick
- Cadillac
- Chevrolet
- Daewoo
- FAW
- GMC
- Holden
- Jiefang
- Wuling

Nonsegment operations are classified as Corporate. Corporate includes investments in GMAC, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements and a portfolio of automotive retail leases.

All intersegment balances and transactions have been eliminated in consolidation.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following tables summarize key financial information by segment (dollars in millions):

	Successor					Total
	GMNA	GME	GMIO	Eliminations	Corporate	
<b>At and For the Period July 10, 2009 Through December 31, 2009</b>						
<b>Sales</b>						
External customers	\$31,454	\$11,340	\$14,535	\$ —	\$ —	\$ 57,329
Intersegment	972	139	981	(2,092)	—	—
<b>Total sales</b>	<b>32,426</b>	<b>11,479</b>	<b>15,516</b>	<b>(2,092)</b>	<b>—</b>	<b>57,329</b>
Other revenue	—	—	—	—	145	145
<b>Total net sales and revenue</b>	<b>\$32,426</b>	<b>\$11,479</b>	<b>\$15,516</b>	<b>\$ (2,092)</b>	<b>\$ 145</b>	<b>\$ 57,474</b>
Income (loss) attributable to common stockholders before interest and income taxes	\$ (4,719)	\$ (814)	\$ 1,196	\$ (26)	\$ (323)	\$ (4,686)
Interest income	—	—	—	—	184	184
Interest expense	—	—	—	—	694	694
Loss on extinguishment of debt	(101)	—	—	—	—	(101)
Income (loss) attributable to stockholders before income taxes	(4,820)	(814)	1,196	(26)	(833)	(5,297)
Income tax expense (benefit)	—	—	—	—	(1,000)	(1,000)
<b>Net income (loss) attributable to stockholders</b>	<b>\$ (4,820)</b>	<b>\$ (814)</b>	<b>\$ 1,196</b>	<b>\$ (26)</b>	<b>\$ 167</b>	<b>\$ (4,297)</b>
Equity in net assets of nonconsolidated affiliates	\$ 1,928	\$ 180	\$ 5,801	\$ —	\$ 27	\$ 7,936
Total assets	\$78,719	\$18,824	\$26,673	\$ (25,187)	\$ 37,266	\$136,295
Goodwill	\$26,409	\$ 3,335	\$ 928	\$ —	\$ —	\$ 30,672
Expenditures for property	\$ 959	\$ 547	\$ 407	\$ —	\$ 1	\$ 1,914
Depreciation, amortization and impairment	\$ 2,732	\$ 938	\$ 461	\$ —	\$ 110	\$ 4,241
Equity income (loss), net of tax	\$ (7)	\$ 8	\$ 496	\$ —	\$ —	\$ 497
<b>Significant noncash charges</b>						
Impairment charges related to investment in GMAC common stock	\$ —	\$ —	\$ —	\$ —	\$ 270	\$ 270
UAW OPEB healthcare settlement	2,571	—	—	—	—	2,571
<b>Total significant noncash charges</b>	<b>\$ 2,571</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 270</b>	<b>\$ 2,841</b>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor					Total
	GMNA	GME	GMIO	Eliminations	Corporate	
<b>At and For the Period January 1, 2009 Through July 9, 2009</b>						
<b>Sales</b>						
External customers	\$ 23,490	\$12,419	\$10,878	\$ —	\$ —	\$ 46,787
Intersegment	701	133	820	(1,654)	—	—
Total sales	<u>24,191</u>	<u>12,552</u>	<u>11,698</u>	<u>(1,654)</u>	<u>—</u>	<u>46,787</u>
Other revenue	—	—	—	—	328	328
Total net sales and revenue	<u>\$ 24,191</u>	<u>\$12,552</u>	<u>\$11,698</u>	<u>\$ (1,654)</u>	<u>\$ 328</u>	<u>\$ 47,115</u>
Income (loss) attributable to common stockholders before interest and income taxes	\$(11,092)	\$(2,815)	\$(964)	\$ 102	\$ 899	\$(13,870)
Interest income	—	—	—	—	183	183
Interest expense	—	—	—	—	5,428	5,428
Reorganization gains, net (a)	—	—	—	—	128,155	128,155
Loss on extinguishment of debt	—	—	—	—	(1,088)	(1,088)
Income (loss) attributable to stockholders before income taxes	<u>(11,092)</u>	<u>(2,815)</u>	<u>(964)</u>	<u>102</u>	<u>122,721</u>	<u>107,952</u>
Income tax expense (benefit)	—	—	—	—	(1,166)	(1,166)
Net income (loss) attributable to stockholders	<u>\$(11,092)</u>	<u>\$(2,815)</u>	<u>\$(964)</u>	<u>\$ 102</u>	<u>\$ 123,887</u>	<u>\$ 109,118</u>
Expenditures for property	\$ 2,282	\$ 795	\$ 416	\$ —	\$ 24	\$ 3,517
Depreciation, amortization and impairment	\$ 4,759	\$ 1,492	\$ 480	\$ —	\$ 142	\$ 6,873
Equity in income (loss) of and disposition of interest in GMAC	\$ —	\$ —	\$ —	\$ —	\$ 1,380	\$ 1,380
Equity income (loss), net of tax	\$ (277)	\$ 3	\$ 334	\$ —	\$ 1	\$ 61
<b>Significant noncash charges (gains)</b>						
Gain on extinguishment of debt	\$ —	\$ —	\$ —	\$ —	\$ (906)	\$ (906)
Loss on extinguishment of UST GMAC Loan	—	—	—	—	1,994	1,994
Gain on conversion of UST GMAC Loan	—	—	—	—	(2,477)	(2,477)
Reversal of valuation allowances against deferred tax assets	—	—	—	—	(751)	(751)
Impairment charges related to equipment on operating leases	11	36	—	—	16	63
Impairment charges related to long-lived assets	320	237	9	—	—	566
Reorganization gains, net (a)	—	—	—	—	(128,563)	(128,563)
Total significant noncash charges (gains)	<u>\$ 331</u>	<u>\$ 273</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$(130,687)</u>	<u>\$(130,074)</u>

(a) Refer to Note 2 for additional information on Reorganization gains, net.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor					Total
	GMNA	GME	GMIO	Eliminations	Corporate	
<b>At and For the Year Ended December 31, 2008</b>						
<b>Sales</b>						
External customers	\$ 82,938	\$32,440	\$32,354	\$ —	\$ —	\$147,732
Intersegment	3,249	2,207	4,990	(10,446)	—	—
Total sales	<u>86,187</u>	<u>34,647</u>	<u>37,344</u>	<u>(10,446)</u>	<u>—</u>	<u>147,732</u>
Other revenue	—	—	—	—	1,247	1,247
Total net sales and revenue	<u>\$ 86,187</u>	<u>\$34,647</u>	<u>\$37,344</u>	<u>\$ (10,446)</u>	<u>\$ 1,247</u>	<u>\$148,979</u>
Income (loss) attributable to common stockholders before interest and income taxes	\$(12,203)	\$(2,625)	\$ 471	\$ 41	\$(13,034)	\$(27,350)
Interest income	—	—	—	—	655	655
Interest expense	—	—	—	—	2,525	2,525
Gain on extinguishment of debt	—	—	—	—	43	43
Income (loss) attributable to stockholders before income taxes	(12,203)	(2,625)	471	41	(14,861)	(29,177)
Income tax expense (benefit)	—	—	—	—	1,766	1,766
Net income (loss) attributable to stockholders	<u>\$(12,203)</u>	<u>\$(2,625)</u>	<u>\$ 471</u>	<u>\$ 41</u>	<u>\$(16,627)</u>	<u>\$(30,943)</u>
Equity in net assets of nonconsolidated affiliates	\$ 32	\$ 207	\$ 1,393	\$ —	\$ 514	\$ 2,146
Total assets	\$ 63,207	\$22,378	\$18,731	\$ (70,704)	\$ 57,427	\$ 91,039
Expenditures for property	\$ 4,242	\$ 1,345	\$ 1,406	\$ —	\$ 537	\$ 7,530
Depreciation, amortization and impairment	\$ 5,910	\$ 2,353	\$ 943	\$ —	\$ 808	\$ 10,014
Equity in income (loss) of and disposition of interest in GMAC	\$ —	\$ —	\$ —	\$ —	\$ (6,183)	\$ (6,183)
Equity income (loss), net of tax	\$ (201)	\$ 31	\$ 354	\$ —	\$ 2	\$ 186
<b>Significant noncash charges (gains)</b>						
Impairment charges related to investment in GMAC Common Membership Interests	\$ —	\$ —	\$ —	\$ —	\$ 7,099	\$ 7,099
Impairment charges related to investment in GMAC Preferred Membership Interests	—	—	—	—	1,001	1,001
Impairment charges related to equipment on operating leases	380	222	—	—	157	759
Impairment charges related to investments in NUMMI and CAMI	119	—	—	—	—	119
Other than temporary impairment charges related to debt and equity securities	47	—	—	—	15	62
Impairment charges related to goodwill	154	456	—	—	—	610
Impairment charges related to long-lived assets	411	497	102	—	—	1,010
Net curtailment gain related to finalization of Settlement Agreement	(4,901)	—	—	—	—	(4,901)
Salaried post-65 healthcare settlement	1,704	—	—	—	—	1,704
CAW settlement	340	—	—	—	—	340
Valuation allowances against deferred tax assets	—	—	—	—	1,450	1,450
Total significant noncash charges (gains)	<u>\$ (1,746)</u>	<u>\$ 1,175</u>	<u>\$ 102</u>	<u>\$ —</u>	<u>\$ 9,722</u>	<u>\$ 9,253</u>



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor					Total
	GMNA	GME	GMIO	Eliminations	Corporate	
<b>At and For the Year Ended December 31, 2007</b>						
<b>Sales</b>						
External customers	\$ 109,024	\$ 35,562	\$ 33,008	\$ —	\$ —	\$ 177,594
Intersegment	3,424	1,775	4,052	(9,251)	—	—
Total sales	<u>112,448</u>	<u>37,337</u>	<u>37,060</u>	<u>(9,251)</u>	<u>—</u>	<u>177,594</u>
Other revenue	—	—	—	—	2,390	2,390
Total net sales and revenue	<u>\$ 112,448</u>	<u>\$ 37,337</u>	<u>\$ 37,060</u>	<u>\$ (9,251)</u>	<u>\$ 2,390</u>	<u>\$ 179,984</u>
Income (loss) attributable to common stockholders before interest and income taxes	\$ (2,673)	\$ (447)	\$ 1,947	\$ (34)	\$ (3,173)	\$ (4,380)
Interest income	—	—	—	—	1,228	1,228
Interest expense	—	—	—	—	3,076	3,076
Loss on extinguishment of debt	—	—	—	—	—	—
Income (loss) attributable to stockholders before income taxes	<u>(2,673)</u>	<u>(447)</u>	<u>1,947</u>	<u>(34)</u>	<u>(5,021)</u>	<u>(6,228)</u>
Income tax expense (benefit)	—	—	—	—	36,863	36,863
Income from discontinued operations, net of tax	256	—	—	—	—	256
Gain on sale of discontinued operations, net of tax	4,293	—	—	—	—	4,293
Net income (loss) attributable to stockholders	<u>\$ 1,876</u>	<u>\$ (447)</u>	<u>\$ 1,947</u>	<u>\$ (34)</u>	<u>\$ (41,884)</u>	<u>\$ (38,542)</u>
Expenditures for property	\$ 5,029	\$ 1,234	\$ 1,196	\$ —	\$ 83	\$ 7,542
Depreciation, amortization and impairment	\$ 5,660	\$ 1,679	\$ 878	\$ —	\$ 1,296	\$ 9,513
Equity in income (loss) of and disposition of interest in GMAC	\$ —	\$ —	\$ —	\$ —	\$ (1,245)	\$ (1,245)
Equity income (loss), net of tax	\$ 22	\$ 25	\$ 475	\$ —	\$ 2	\$ 524
<b>Significant noncash charges</b>						
Impairment charges related to equipment on operating leases	\$ 44	\$ 90	\$ —	\$ —	\$ —	\$ 134
Impairment charges related to long-lived assets	240	—	19	—	—	259
Other than temporary impairment charges related to debt and equity securities	72	—	—	—	—	72
Change in amortization period for pension prior service cost	1,561	—	—	—	—	1,561
Valuation allowances against deferred tax assets	—	—	—	—	37,770	37,770
Total significant noncash charges	<u>\$ 1,917</u>	<u>\$ 90</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 37,770</u>	<u>\$ 39,796</u>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Revenue is attributed to geographic areas based on the country in which the product is sold, except for revenue from certain joint ventures. In such case, the revenue is attributed based on the geographic location of the joint venture. The following table summarizes information concerning principal geographic areas (dollars in millions):

	Successor		Predecessor					
	At and For the Period July 10, 2009 Through December 31, 2009		At and For the Period January 1, 2009 Through July 9, 2009		At and For the Year Ended 2008		At and for the Year Ended 2007	
	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets
<b>North America</b>								
U.S.	\$28,007	\$ 9,487	\$21,152	\$ 20,742	\$ 75,382	\$25,105	\$100,144	\$32,293
Canada and Mexico	4,682	2,728	3,486	5,943	12,983	5,898	14,758	5,772
Total North America	32,689	12,215	24,638	26,685	88,365	31,003	114,902	38,065
<b>Europe</b>								
France	923	17	1,024	67	2,629	264	2,699	309
Germany	2,851	2,299	3,817	3,670	6,663	4,013	6,147	4,172
Italy	1,119	192	1,221	169	3,169	183	3,671	256
Russia	246	118	430	264	2,061	237	1,516	81
Spain	862	778	609	1,206	1,711	1,230	2,911	1,359
Sweden	—	—	76	—	1,195	833	2,330	1,207
United Kingdom	2,531	815	2,749	1,189	7,142	1,066	7,950	1,214
Other	2,800	797	2,518	1,557	7,939	1,332	8,273	2,266
Total Europe	11,332	5,016	12,444	8,122	32,509	9,158	35,497	10,864
<b>International Operations</b>								
Brazil	4,910	1,142	3,347	1,081	8,329	890	6,477	1,026
Venezuela	850	46	981	43	2,107	43	3,169	41
Australia	1,653	388	1,201	1,066	3,355	1,014	3,744	1,452
Korea	3,014	982	2,044	1,941	7,131	2,115	9,219	2,443
Thailand	166	151	103	383	560	395	457	433
Other	2,210	411	1,825	580	5,201	501	5,072	514
Total International Operations	12,803	3,120	9,501	5,094	26,683	4,958	28,138	5,909
All Other	650	1,066	532	92	1,422	130	1,447	187
Total consolidated	\$57,474	\$ 21,417	\$47,115	\$ 39,993	\$148,979	\$45,249	\$179,984	\$55,025

The following table summarizes the aggregation of principal geographic information by U.S. and non-U.S. (dollars in millions):

	Successor		Predecessor					
	At and For the Period July 10, 2009 Through December 31, 2009		At and For the Period January 1, 2009 Through July 9, 2009		At and For the Year Ended 2008		At and For the Year Ended 2007	
	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets	Net Sales & Revenue	Long Lived Assets
U.S.	\$28,007	\$ 9,487	\$21,152	\$ 20,742	\$ 75,382	\$25,105	\$100,144	\$32,293
Non-U.S.	29,467	11,930	25,963	19,251	73,597	20,144	79,840	22,732
Total U.S. and non-U.S.	\$57,474	\$ 21,417	\$47,115	\$ 39,993	\$148,979	\$45,249	\$179,984	\$55,025

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 34. Supplemental Information for Consolidated Statements of Cash Flows**

The following table summarizes the sources (uses) of cash provided by changes in other operating assets and liabilities (dollars in millions):

	Successor	Predecessor		
	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Accounts receivable	\$ 660*	\$ (268)	\$ 1,315	\$ (821)
Prepaid expenses and other deferred charges	315*	1,416	(287)	(660)
Inventories	(315)*	3,509	77	(768)
Accounts payable	5,363*	(8,846)	(4,556)	1,119
Income taxes payable	401*	606	1,044	(1,311)
Accrued expenses and other liabilities	(3,225)*	(6,815)	1,607	(851)
Fleet rental — acquisitions	(1,198)	(961)	(4,157)	(6,443)
Fleet rental — liquidations	1,371	1,130	5,051	6,323
<b>Total</b>	<b>\$ 3,372</b>	<b>\$ (10,229)</b>	<b>\$ 94</b>	<b>\$ (3,412)</b>
Cash paid for interest	\$ 618	\$ 2,513	\$ 2,484	\$ 3,346

\* Amounts originally reported as \$178, \$433, \$(906), \$5,051, \$589 and \$(2,913) in our 2009 Form 10-K. The column total has been corrected accordingly. Refer to Note 3.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(In millions, except per share amounts)**  
**(Unaudited)**

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
<b>Net sales and revenue</b>	<b>\$ 64,650</b>	<b>\$ 45,478</b>
<b>Costs and expenses</b>		
Cost of sales	56,350	53,995
Selling, general and administrative expense	5,307	5,433
Other expenses, net	85	1,154
Total costs and expenses	61,742	60,582
Operating income (loss)	2,908	(15,104)
Equity in income of and disposition of interest in Ally Financial	—	1,380
Interest expense	(587)	(4,605)
Interest income and other non-operating income, net	544	833
Loss on extinguishment of debt	(1)	(1,088)
Reorganization expenses, net (Note 2)	—	(1,157)
Income (loss) before income taxes and equity income	2,864	(19,741)
Income tax expense (benefit)	870	(559)
Equity income (loss), net of tax	814	46
<b>Net income (loss)</b>	<b>2,808</b>	<b>(19,136)</b>
Less: Net income (loss) attributable to noncontrolling interests	204	(256)
<b>Net income (loss) attributable to stockholders</b>	<b>2,604</b>	<b>(18,880)</b>
Less: Cumulative dividends on preferred stock	405	—
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 2,199</b>	<b>\$ (18,880)</b>
<b>Earnings (loss) per share (Note 22)</b>		
<b>Basic</b>		
Net income (loss) attributable to common stockholders	\$ 4.40	\$ (30.91)
Weighted-average common shares outstanding	500	611
<b>Diluted</b>		
Net income (loss) attributable to common stockholders	\$ 4.21	\$ (30.91)
Weighted-average common shares outstanding	522	611

Reference should be made to the notes to the condensed consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share amounts)  
(Unaudited)

	Successor	
	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 26,773	\$ 22,679
Marketable securities	4,761	134
Total cash, cash equivalents and marketable securities	31,534	22,813
Restricted cash and marketable securities	1,393	13,917
Accounts and notes receivable (net of allowance of \$272 and \$250)	8,662	7,518
Inventories	11,533	10,107
Assets held for sale	—	388
Equipment on operating leases, net	3,008	2,727
Other current assets and deferred income taxes	1,677	1,777
Total current assets	57,807	59,247
<b>Non-Current Assets</b>		
Equity in net assets of nonconsolidated affiliates	8,296	7,936
Assets held for sale	—	530
Property, net	18,106	18,687
Goodwill	30,186	30,672
Intangible assets, net	12,820	14,547
Other assets	4,684	4,676
Total non-current assets	74,092	77,048
<b>Total Assets</b>	<b>\$131,899</b>	<b>\$ 136,295</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable (principally trade)	\$ 20,755	\$ 18,725
Short-term debt and current portion of long-term debt (including debt at GM Daewoo of \$1,021 at June 30, 2010; Note 10)	5,524	10,221
Liabilities held for sale	—	355
Accrued expenses (including derivative liabilities at GM Daewoo of \$352 at June 30, 2010; Note 10)	24,068	23,134
Total current liabilities	50,347	52,435
<b>Non-Current Liabilities</b>		
Long-term debt (including debt at GM Daewoo of \$722 at June 30, 2010; Note 10)	2,637	5,562
Liabilities held for sale	—	270
Postretirement benefits other than pensions	8,649	8,708
Pensions	25,990	27,086
Other liabilities and deferred income taxes	13,377	13,279
Total non-current liabilities	50,653	54,905
<b>Total Liabilities</b>	<b>101,000</b>	<b>107,340</b>
Commitments and contingencies (Note 17)		
Preferred stock, \$0.01 par value (1,000,000,000 shares authorized, 360,000,000 shares issued and outstanding (each with a \$25.00 liquidation preference) at June 30, 2010 and December 31, 2009)	6,998	6,998
<b>Equity</b>		
Common stock, \$0.01 par value (2,500,000,000 shares authorized, 500,000,000 shares issued and outstanding at June 30, 2010 and December 31, 2009)	5	5
Capital surplus (principally additional paid-in capital)	24,052	24,050
Accumulated deficit	(2,195)	(4,394)
Accumulated other comprehensive income	1,153	1,588
Total stockholders' equity	23,015	21,249
Noncontrolling interests	886	708
Total equity	23,901	21,957
<b>Total Liabilities and Equity</b>	<b>\$131,899</b>	<b>\$ 136,295</b>

Reference should be made to the notes to the condensed consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)**
**(In millions)**
**(Unaudited)**

	Common Stockholders'				Noncontrolling Interests	Comprehensive Income (Loss)	Total Equity (Deficit)
	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)			
<b>Balance December 31, 2008, Predecessor</b>	<u>\$ 1,017</u>	<u>\$16,489</u>	<u>\$ (70,727)</u>	<u>\$ (32,339)</u>	<u>\$ 484</u>		<u>\$ (85,076)</u>
Net income (loss)	—	—	(18,880)	—	(256)	\$ (19,136)	(19,136)
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	115	1	116	
Cash flow hedging gain, net	—	—	—	81	193	274	
Unrealized gain on securities	—	—	—	48	—	48	
Defined benefit plans							
Net prior service benefit	—	—	—	2,869	—	2,869	
Net actuarial loss	—	—	—	(6,317)	—	(6,317)	
Net transition asset / obligation	—	—	—	1	—	1	
Other comprehensive income (loss)	—	—	—	(3,203)	194	(3,009)	(3,009)
Comprehensive income (loss)						<u>\$ (22,145)</u>	
Dividends declared or paid to noncontrolling interests	—	—	—	—	(17)		(17)
Other	1	6	(1)	—	(39)		(33)
<b>Balance June 30, 2009, Predecessor</b>	<u>\$ 1,018</u>	<u>\$16,495</u>	<u>\$ (89,608)</u>	<u>\$ (35,542)</u>	<u>\$ 366</u>		<u>\$ (107,271)</u>
<b>Balance December 31, 2009, Successor</b>	<u>\$ 5</u>	<u>\$24,050</u>	<u>\$ (4,394)</u>	<u>\$ 1,588</u>	<u>\$ 708</u>		<u>\$ 21,957</u>
Net income (loss)	—	—	2,604	—	204	\$ 2,808	2,808
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	—	—	—	(189)	(27)	(216)	
Cash flow hedging loss, net	—	—	—	(15)	—	(15)	
Unrealized loss on securities	—	—	—	(1)	—	(1)	
Defined benefit plans							
Net prior service cost	—	—	—	(5)	—	(5)	
Net actuarial loss	—	—	—	(225)	—	(225)	
Other comprehensive income (loss)	—	—	—	(435)	(27)	(462)	(462)
Comprehensive income (loss)						<u>\$ 2,346</u>	
Effects of adoption of amendments to ASC 810-10 regarding variable interest entities (Note 3)	—	—	—	—	76		76
Cash dividends paid to GM preferred stockholders	—	—	(405)	—	—		(405)
Dividends declared or paid to noncontrolling interests	—	—	—	—	(59)		(59)
Repurchase of noncontrolling interest shares	—	2	—	—	(9)		(7)
Other	—	—	—	—	(7)		(7)
<b>Balance June 30, 2010, Successor</b>	<u>\$ 5</u>	<u>\$24,052</u>	<u>\$ (2,195)</u>	<u>\$ 1,153</u>	<u>\$ 886</u>		<u>\$ 23,901</u>

Reference should be made to the notes to the condensed consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In millions)**  
**(Unaudited)**

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 5,695</b>	<b>\$ (15,086)</b>
<b>Cash flows from investing activities</b>		
Expenditures for property	(1,851)	(3,134)
Investments in available-for-sale marketable securities, acquisitions	(4,621)	(202)
Investments in trading marketable securities, acquisitions	(178)	—
Investments in available-for-sale marketable securities, liquidations	—	185
Investments in trading marketable securities, liquidations	163	—
Investment in Ally Financial	—	(884)
Investment in companies, net of cash acquired	(50)	—
Operating leases, liquidations	298	1,122
Change in restricted cash and marketable securities	12,616	(643)
Other	33	27
<b>Net cash provided by (used in) investing activities</b>	<b>6,410</b>	<b>(3,529)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term debt	(223)	(1,033)
Proceeds from debt owed to UST, EDC and German government	—	29,937
Proceeds from other debt	434	335
Payments on debt owed to UST and EDC	(7,153)	—
Payments on other debt	(438)	(7,446)
Payments to acquire noncontrolling interest	(6)	(5)
Fees paid for debt modification	—	(63)
Dividends paid to GM preferred stockholders	(405)	—
<b>Net cash provided by (used in) financing activities</b>	<b>(7,791)</b>	<b>21,725</b>
Effect of exchange rate changes on cash and cash equivalents	(611)	207
Net increase (decrease) in cash and cash equivalents	3,703	3,317
Cash and cash equivalents reclassified (to) from assets held for sale	391	—
Cash and cash equivalents at beginning of the period	22,679	14,053
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 26,773</b>	<b>\$ 17,370</b>

Reference should be made to the notes to the condensed consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Operations**

General Motors Company was formed by the United States Department of the Treasury (UST) in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company, which on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation (363 Sale) and changed its name to General Motors Company, is sometimes referred to in this Quarterly Report on Form 10-Q for the periods on or subsequent to July 10, 2009 as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM,” and is the successor entity solely for accounting and financial reporting purposes (Successor). General Motors Corporation is sometimes referred to in this Quarterly Report on Form 10-Q, for the periods on or before July 9, 2009, as “Old GM.” Prior to July 10, 2009 Old GM operated the business of the Company, and pursuant to the agreement with the Securities and Exchange Commission (SEC) Staff, as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009, regarding GM filing requirements and those of MLC, the accompanying condensed consolidated financial statements include the financial statements and related information of Old GM as it is our predecessor entity solely for accounting and financial reporting purposes (Predecessor). In connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Company, which is sometimes referred to in this Quarterly Report on Form 10-Q, for the periods on or after July 10, 2009, as “MLC.” MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities.

We develop, produce and market cars, trucks and parts worldwide. We analyze the results of our business through our three segments: General Motors North America (GMNA), General Motors International Operations (GMIO) and General Motors Europe (GME). Nonsegment operations are classified as Corporate. Corporate includes investments in Ally Financial Inc., formerly GMAC Inc. (Ally Financial), certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements (as subsequently defined in Note 17) and a portfolio of automotive retail leases.

**Note 2. Chapter 11 Proceedings and the 363 Sale**

**Background**

As a result of historical unfavorable economic conditions and a rapid decline in sales in the three months ended December 31, 2008 Old GM determined that, despite the previous actions it had then taken to restructure its U.S. business, it would be unable to pay its obligations in the normal course of business in 2009 or service its debt in a timely fashion, which required the development of a new plan that depended on financial assistance from the U.S. government.

In December 2008 Old GM requested and received financial assistance from the U.S. government and entered into a loan and security agreement with the UST, which was subsequently amended (UST Loan Agreement). In early 2009 Old GM's business results and liquidity continued to deteriorate, and, as a result, Old GM obtained additional funding from the UST under the UST Loan Agreement. Old GM, through its wholly owned subsidiary GMCL, also received funding from Export Development Canada (EDC), a corporation wholly-owned by the Government of Canada, under a loan and security agreement entered into in April 2009 (EDC Loan Facility).

As a condition to obtaining the loans under the UST Loan Agreement, Old GM was required to submit a plan in February 2009 that included specific actions intended to demonstrate that it was a viable entity and to use its best efforts to achieve certain debt reduction, labor modification and VEBA modification targets.

On March 30, 2009 the Presidential Task Force on the Auto Industry (Auto Task Force) determined that the plan was not viable and required substantial revisions. In conjunction with the March 30, 2009 announcement, the administration announced that it would offer Old GM adequate working capital financing for a period of 60 days while it worked with Old GM to develop and implement a more accelerated and aggressive restructuring that would provide a sound long-term foundation.

Old GM made further modifications to its plan in an attempt to satisfy the Auto Task Force requirement that Old GM undertake a substantially more accelerated and aggressive restructuring plan. The additional significant cost reduction and restructuring actions included reducing Old GM's indebtedness and VEBA obligations in addition to other cost reduction and restructuring actions.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Our audited consolidated financial statements included elsewhere in this prospectus for the year ended December 31, 2009 provide additional detail on Old GM's liquidity constraints, the terms and conditions of its various funding arrangements with U.S. and Canadian governmental entities, and its various cost reduction and restructuring activities.

**Chapter 11 Proceedings**

Old GM was not able to complete the cost reduction and restructuring actions, including the debt reductions and VEBA modifications, which resulted in extreme liquidity constraints. As a result, on June 1, 2009 Old GM and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the U.S. Bankruptcy Court for the Southern District of New York (Bankruptcy Court).

In connection with the Chapter 11 Proceedings, Old GM entered into a secured superpriority debtor-in-possession credit agreement with the UST and EDC (DIP Facility) and received additional funding commitments from EDC to support Old GM's Canadian operations.

**363 Sale**

On July 10, 2009 we completed the acquisition of substantially all of the assets and assumed certain liabilities of Old GM and certain of its direct and indirect subsidiaries (collectively, the Sellers). The 363 Sale was consummated in accordance with the Amended and Restated Master Sale and Purchase Agreement, dated June 26, 2009, as amended, (Purchase Agreement) between us and the Sellers, and pursuant to the Bankruptcy Court's sale order dated July 5, 2009.

**Accounting for the Effects of the Chapter 11 Proceedings and the 363 Sale**

*Chapter 11 Proceedings*

Accounting Standards Codification (ASC) 852, "Reorganizations," (ASC 852) is applicable to entities operating under Chapter 11 of the Bankruptcy Code. ASC 852 generally does not affect the application of U.S. GAAP that we and Old GM followed to prepare the consolidated financial statements, but it does require specific disclosures for transactions and events that were directly related to the Chapter 11 Proceedings and transactions and events that resulted from ongoing operations.

Old GM prepared its consolidated financial statements in accordance with the guidance in ASC 852 in the period June 1, 2009 through June 30, 2009. Revenues, expenses, realized gains and losses, and provisions for losses directly related to the Chapter 11 Proceedings were recorded in Reorganization expenses, net. Reorganization expenses, net do not constitute an element of operating loss due to their nature and due to the requirement of ASC 852 that they be reported separately. Old GM's balance sheet prior to the 363 Sale distinguished prepetition liabilities subject to compromise from prepetition liabilities not subject to compromise and from postpetition liabilities.

*Application of Fresh-Start Reporting*

The Bankruptcy Court did not determine a reorganization value in connection with the 363 Sale. Reorganization value is defined as the value of our assets without liabilities. In order to apply fresh-start reporting, ASC 852 requires that total postpetition liabilities and allowed claims be in excess of reorganization value and prepetition stockholders receive less than 50.0% of our common stock. Based on our estimated reorganization value, we determined that on July 10, 2009 both the criteria of ASC 852 were met and, as a result, we applied fresh-start reporting. In applying fresh-start reporting at July 10, 2009, which generally follows the provisions of ASC 805, "Business Combinations," (ASC 805) we recorded the assets acquired and the liabilities assumed from Old GM at fair value except for deferred income taxes and certain liabilities associated with employee benefits. Our consolidated balance sheet at July 10, 2009, which includes the adjustments to Old GM's consolidated balance sheet as a result of the 363 Sale and the application of fresh-start reporting, and related disclosures are discussed in Note 2 to our consolidated financial statements in our 2009 Form 10-K. These adjustments are final and no determinations of fair value are considered provisional.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Reorganization Expenses, net**

The following table summarizes Old GM's Reorganization expenses, net in the six months ended June 30, 2009 prior to the 363 Sale (dollars in millions):

	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Loss from the extinguishment of debt resulting from Old GM's repayment of credit facilities and U.S. term loan	\$ (958)
Loss on contract rejections, settlements of claims and other lease terminations	(408)
Professional fees	(38)
Gain related to release of accumulated other comprehensive income (loss) associated with derivatives	247
<b>Total reorganization expenses, net</b>	<b>\$ (1,157)</b>

**Note 3. Basis of Presentation and Recent Accounting Standards**

We filed a Registration Statement on Form 10 on April 7, 2010, as amended on May 17, 2010, pursuant to an agreement with the SEC Staff, as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009 regarding our filing requirements and those of MLC. On June 7, 2010 our Registration Statement on Form 10 became effective and we became subject to the filing requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934. In accordance with the agreement with the SEC Staff, the accompanying unaudited condensed consolidated financial statements include the financial statements and related information of Old GM, for the period prior to July 10, 2009, our predecessor entity solely for accounting and financial purposes and the entity from whom we purchased substantially all of its assets and assumed certain of its liabilities.

The 363 Sale resulted in a new entity, General Motors Company, which is the successor entity solely for accounting and financial reporting purposes. Because we are a new reporting entity, our financial statements are not comparable to the financial statements of Old GM.

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying condensed consolidated financial statements include all adjustments, comprised of normal recurring adjustments, considered necessary by management to fairly state our results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

In the three months ended June 30, 2010 we changed our managerial reporting structure so that certain entities geographically located within Russia and Uzbekistan were transferred from our GME segment to our GMIO segment. We have revised the segment presentation for all periods presented.

**Use of Estimates in the Preparation of the Financial Statements**

The condensed consolidated financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Principles of Consolidation**

Our condensed consolidated financial statements include our accounts and those of our subsidiaries that we control due to ownership of a majority voting interest. In addition, we consolidate variable interest entities (VIEs) when we are the VIE's primary beneficiary. Our share of earnings or losses of nonconsolidated affiliates are included in our consolidated operating results using the equity method of accounting when we are able to exercise significant influence over their operating and financial decisions. When we are not able to exercise significant influence over such affiliates, we use the cost method of accounting. All intercompany balances and transactions have been eliminated in consolidation. Old GM utilized the same principles of consolidation in its condensed consolidated financial statements.

**Correction of Presentation in Condensed Consolidated Statement of Cash Flows**

In the three months ended June 30, 2010 we identified several items which had not been properly classified in our condensed consolidated statement of cash flows for the three months ended March 31, 2010. We determined that we had not properly classified the effects of the devaluation of Venezuelan Bolivar Fuerte (BsF), which reduced our cash balance by \$199 million. This reduction should have been presented as part of the Effect of exchange rate changes on cash and cash equivalents rather than a reduction of Net cash provided by operating activities. Additionally, the change in the cash component of the Saab Automobile AB (Saab) assets classified as held for sale of \$330 million should have been presented as part of Cash and cash equivalents reclassified (to) from assets held for sale rather than an increase in Net cash flows from operating activities. The net effects of the remaining corrections are included in the table below. For the six months ended June 30, 2010, we have correctly presented these items in our condensed consolidated statement of cash flows. Although we do not consider the effects of these errors to be material, we intend to correct our condensed consolidated statement of cash flows for the three months ended March 31, 2010 in our Quarterly Report on Form 10-Q for the three months ending March 31, 2011 when filed. The originally reported and corrected amounts are summarized in the following table (dollars in millions):

	As Originally Reported	Adjustments	As Corrected
Net cash provided by (used in) operating activities	\$ 1,746	\$ 104	\$ 1,850
Net cash provided by (used in) investing activities	646	(195)	451
Net cash provided by (used in) financing activities	(1,688)	(50)	(1,738)
Effect of exchange rate changes on cash and cash equivalents	(53)	(250)	(303)
Cash and cash equivalents reclassified (to) from assets held for sale	(20)	391	371
Cash and cash equivalents at beginning of the period	22,679	—	22,679
Cash and cash equivalents at end of the period	<u>\$ 23,310</u>	<u>\$ —</u>	<u>\$ 23,310</u>

**Venezuelan Exchange Regulations**

Our Venezuelan subsidiaries changed their functional currency from the BsF, the local currency, to the U.S. Dollar, our reporting currency, on January 1, 2010 because of the hyperinflationary status of the Venezuelan economy. Further, pursuant to the official devaluation of the Venezuelan currency and establishment of the dual fixed exchange rates in January 2010, we remeasured the BsF denominated monetary assets and liabilities held by our Venezuelan subsidiaries at the nonessential rate of 4.30 BsF to \$1.00. The remeasurement resulted in a charge of \$25 million recorded in Cost of sales in the six months ended June 30, 2010. During the six months ended June 30, 2010 all BsF denominated transactions have been remeasured at the nonessential rate of 4.30 BsF to \$1.00.

In June 2010, the Venezuelan government introduced additional foreign currency exchange control regulations, which imposed restrictions on the use of the parallel foreign currency exchange market, thereby making it more difficult to convert BsF to U.S. Dollars. We periodically accessed the parallel exchange market, which historically enabled entities to obtain foreign currency for transactions that could not be processed by the Commission for the Administration of Currency Exchange (CADIVI). The restrictions on the foreign currency exchange market could affect our Venezuelan subsidiaries' ability to pay its non-BsF denominated obligations that do not qualify to be processed by CADIVI at the official exchange rates as well as our ability to benefit from those operations.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table provides condensed financial information for our Venezuelan subsidiaries at and for the six months ended June 30, 2010, which includes amounts receivable from and payable to, and transactions with, affiliated entities (dollars in millions):

Total assets (a)	\$1,347
Total liabilities (b)	\$1,116
Revenue for six months ended June 30, 2010	\$ 443
Net income attributable to stockholders for six months ended June 30, 2010 (c)	\$ 215

- (a) Includes BsF denominated and non-BsF denominated monetary assets of \$273 million and \$720 million.
- (b) Includes BsF denominated and non-BsF denominated monetary liabilities of \$553 million and \$518 million.
- (c) Includes a gain of \$119 million related to the devaluation of the Bolivar in January 2010 and a gain of \$125 million due to favorable foreign currency exchanges that were processed by CADIVI in the three months ended June 30, 2010. The \$119 million gain on the devaluation was offset by a \$144 million loss recorded in the U.S. on BsF denominated assets, which is not included in the net income reported above.

In addition, the total amount pending government approval for settlement is BsF 1.2 billion (equivalent to \$428 million), for which the requests have been pending starting from 2007. The amount includes payables to affiliated entities of \$287 million, which includes dividends payable of \$144 million.

**Recently Adopted Accounting Principles*****Transfers of Financial Assets***

In January 2010 we adopted certain amendments to ASC 860-10, "Transfers and Servicing" (ASC 860-10). ASC 860-10 eliminates the concept of a qualifying special-purpose entity (SPE), establishes a new definition of participating interest that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer of financial assets to be accounted for as a sale, and changes the amount that can be recorded as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. The adoption of these amendments did not have a material effect on the condensed consolidated financial statements.

***Variable Interest Entities***

In January 2010 we adopted amendments to ASC 810-10, "Consolidation" (ASC 810-10). These amendments require an enterprise to qualitatively assess the determination of the primary beneficiary of a VIE based on whether the enterprise: (1) has the power to direct the activities of a VIE that most significantly affect the entity's economic performance; and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. These amendments also require, among other considerations, an ongoing reconsideration of the primary beneficiary. In February 2010 the Financial Accounting Standards Board (FASB) issued guidance that permitted an indefinite deferral of these amendments for entities that have all the attributes of an investment company or that apply measurement principles consistent with those followed by investment companies. An entity that qualifies for the deferral will continue to be assessed under the overall guidance on the consolidation of VIEs in effect prior to the adoption of these amendments. This deferral was applicable to certain investment funds associated with our employee benefit plans and investment funds managing investments on behalf of unrelated third parties.

The amendments were adopted prospectively. Upon adoption, we consolidated General Motors Egypt (GM Egypt) which resulted in an increase in Total assets of \$254 million, an increase in Total liabilities of \$178 million, and an increase in Noncontrolling interests of \$76 million. Due to our application of fresh-start reporting on July 10, 2009 and because our investment in GM Egypt was accounted for using the equity method of accounting, there was no difference between the net assets added to the condensed consolidated balance sheet upon consolidation and the amount of previously recorded interest in GM Egypt. As a result, there was no cumulative effect of a change in accounting principle to Accumulated deficit. The effect of these amendments was measured based on

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

the amount at which the asset, liability and noncontrolling interest would have been carried or recorded in the condensed consolidated financial statements if these amendments had been effective since inception of our relationship with GM Egypt. Refer to Note 10 for additional information on the effect of the adoption of these amendments.

**Accounting Standards Not Yet Adopted**

In September 2009 the FASB issued Accounting Standards Update (ASU) 2009-13, “Multiple-Deliverable Revenue Arrangements” (ASU 2009-13). ASU 2009-13 addresses the unit of accounting for multiple-element arrangements. In addition, ASU 2009-13 revises the method by which consideration is allocated among the units of accounting. The overall consideration is allocated to each deliverable by establishing a selling price for individual deliverables based on a hierarchy of evidence, including vendor-specific objective evidence, other third party evidence of the selling price, or the reporting entity’s best estimate of the selling price of individual deliverables in the arrangement. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently evaluating the effects, if any, that ASU 2009-13 will have on the condensed consolidated financial statements.

**Note 4. Acquisition and Disposals of Businesses**

**Acquisition of Delphi Businesses**

In July 2009 we entered into the Delphi Master Disposition Agreement (DMDA) with Delphi Corporation (Delphi) and other parties, which was consummated in October 2009. Under the DMDA, we agreed to acquire Delphi’s global steering business (Nexteer) and four domestic component manufacturing facilities as well as make an investment in a new entity, New Delphi, which acquired substantially all of Delphi’s remaining assets. At October 6, 2009 the fair value of Nexteer and the four domestic facilities was \$287 million and the assets acquired and liabilities assumed were consolidated and included in the results of our GMNA segment. Total assets of \$1.2 billion were comprised primarily of accounts and notes receivables, inventories and property, plant and equipment. Total liabilities of \$0.9 billion were comprised primarily of accounts payable, accrued expenses, short-term debt and other liabilities.

We funded the acquisitions, transaction-related costs and settlements of certain pre-existing arrangements through net cash payments of \$2.7 billion. We also assumed liabilities and wind-down obligations of \$120 million, waived our claims associated with the Delphi liquidity support agreements of \$850 million and waived our rights to claims associated with previously transferred pension costs for hourly employees. Of these amounts, we contributed \$1.7 billion to New Delphi and paid the Pension Benefit Guarantee Corporation (PBGC) \$70 million in October 2009. Our investment in New Delphi is accounted for using the equity method.

In January 2010 we announced that we intended to pursue a sale of Nexteer. In July 2010 we entered into a definitive agreement for the sale of Nexteer as discussed in Note 27 to our condensed consolidated financial statements.

**Sale of India Operations**

In December 2009 we and SAIC Motor Hong Kong Investment Limited (SAIC-HK) entered into a joint venture, SAIC GM Investment Limited (HKJV) to invest in automotive projects outside of markets in China, initially focusing on markets in India. On February 1, 2010 we sold certain of our operations in India (India Operations), part of our GMIO segment, in exchange for a promissory note due in 2013. The amount due under the promissory note may be partially reduced, or increased, based on the India Operation’s cumulative earnings before interest and taxes for the three year period ending December 31, 2012. In connection with the sale we recorded net consideration of \$190 million and an insignificant gain. The sale transaction resulted in a loss of control and the deconsolidation of the India Operations on February 1, 2010. Accordingly, we removed the assets and liabilities of the India Operations from our consolidated financial statements and recorded an equity interest in HKJV to reflect cash of \$50 million we contributed to HKJV and a \$123 million commitment to provide additional capital that we are required to make in accordance with the terms of the joint venture agreement. We have recorded a corresponding liability to reflect our obligation to provide additional capital.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Saab Bankruptcy and Sale**

In February 2009 Saab, part of the GME segment, filed for protection under the reorganization laws of Sweden in order to reorganize itself into a stand-alone entity. Old GM determined that the reorganization proceeding resulted in a loss of the elements of control necessary for consolidation and therefore Old GM deconsolidated Saab in February 2009. Old GM recorded a loss of \$824 million in Other expenses, net related to the deconsolidation. The loss reflects the remeasurement of Old GM's net investment in Saab to its estimated fair value of \$0, costs associated with commitments and obligations to suppliers and others, and a commitment to provide up to \$150 million of DIP financing. We acquired Old GM's investment in Saab in connection with the 363 Sale. In August 2009 Saab exited its reorganization proceeding, and we regained the elements of control and consolidated Saab at an insignificant fair value.

In February 2010 we completed the sale of Saab and in May 2010 we completed the sale of Saab Automobile GB (Saab GB) to Spyker Cars NV. Of the negotiated cash purchase price of \$74 million, we received \$50 million at closing and received the remaining \$24 million in July 2010. We also received preference shares in Saab with a face value of \$326 million and an estimated fair value that is insignificant and received \$114 million as repayment of the DIP financing that we provided to Saab during 2009. In the six months ended June 30, 2010 we recorded a gain of \$123 million in Interest income and other non-operating income, net reflecting cash received of \$166 million less net assets with a book value of \$43 million.

**Sale of 1% Interest in Shanghai General Motors Co., Ltd.**

In February 2010 we sold a 1% ownership interest in Shanghai General Motors Co., Ltd. (SGM) to SAIC-HK, reducing our ownership interest to 49%. The sale of the 1% ownership interest to SAIC was predicated on our ability to work with SAIC to obtain a \$400 million line of credit from a commercial bank to us. We also received a call option to repurchase the 1% which is contingently exercisable based on events which we do not unilaterally control. As part of the loan arrangement SAIC provided a commitment whereby, in the event of default, SAIC will purchase the ownership interest in SGM that we pledged as collateral for the loan. We recorded an insignificant gain on this transaction in the six months ended June 30, 2010.

**Acquisition of AmeriCredit Corp.**

Refer to Note 27 for information on the acquisition of AmeriCredit Corp.

**Note 5. Marketable Securities**

The following tables summarize information regarding investments in Marketable securities (dollars in millions):

	Successor		
	Six Months Ended June 30, 2010		June 30, 2010
	Unrealized		Fair Value
	Gains	Losses	
Trading securities:			
Equity	\$ —	\$ 5	\$ 30
United States government and agencies	—	—	12
Mortgage — and asset-backed	1	—	29
Foreign government	1	1	30
Corporate debt	1	1	29
Total trading securities	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 130</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor							
	June 30, 2010			Fair Value	December 31, 2009			
	Cost	Unrealized Gains	Unrealized Losses		Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:								
United States government and agencies	\$ 939	\$ —	\$ —	\$ 939	\$ 2	\$ —	\$ —	\$ 2
Certificates of deposit	1,326	—	—	1,326	8	—	—	8
Corporate debt	2,366	—	—	2,366	—	—	—	—
Total available-for-sale securities	<u>\$4,631</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$4,631</u>	<u>\$10</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10</u>

We maintained \$79 million of the available-for-sale securities as compensating balances to support letters of credit of \$66 million at June 30, 2010 and December 31, 2009. We have access to these securities in the normal course of business; however, the letters of credit may be withdrawn if the minimum collateral balance is not maintained.

In addition to the securities previously discussed, securities of \$16.2 billion and \$11.2 billion with original maturities of 90 days or less were classified as cash equivalents and marketable securities of \$1.5 billion and \$14.2 billion were classified as Restricted cash and marketable securities at June 30, 2010 and December 31, 2009.

The following table summarizes proceeds from and realized gains and losses on disposals of investments in marketable securities classified as available-for-sale (dollars in millions):

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
Sales proceeds	\$ 1	\$ 185
Realized gains	\$ —	\$ 3
Realized losses	\$ —	\$ 10

The following table summarizes the fair value of investments classified as available-for-sale securities by contractual maturity at June 30, 2010 (dollars in millions):

	Successor	
	Amortized Cost	Fair Value
Due in one year or less	\$ 4,630	\$4,630
Due after one year through five years	1	1
Due after five years through ten years	—	—
Due after ten years	—	—
Total contractual maturities of available-for-sale securities	<u>\$ 4,631</u>	<u>\$4,631</u>

Refer to Note 21 for the amounts recorded as a result of other than temporary impairments on debt and equity securities.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 6. Inventories**

The following table summarizes the components of our Inventories (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
Productive material, work in process, and supplies	\$ 5,199	\$ 4,201
Finished product, including service parts	6,334	5,906
<b>Total inventories</b>	<b>\$11,533</b>	<b>\$ 10,107</b>

**Note 7. Equity in Net Assets of Nonconsolidated Affiliates**

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used, due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

The following table summarizes information regarding equity in income (loss) of and disposition of interest in nonconsolidated affiliates (dollars in millions):

	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
SGM and SGMW (a)	\$ 734	\$ 289
Ally Financial (b)	—	(1,097)
Gain on Conversion of UST Ally Financial Loan (c)	—	2,477
Total equity in income of and disposition of interest in Ally Financial (b)	—	1,380
New United Motor Manufacturing, Inc. (d)	—	(243)
Others	80	—
<b>Total equity in income of nonconsolidated affiliates</b>	<b>\$ 814</b>	<b>\$ 1,426</b>

(a) Includes SGM (49%) in the six months ended June 30, 2010 and (50%) in the six months ended June 30, 2009 and SAIC-GM-Wuling Automobile Co., Ltd. (SGMW) (34%).

(b) Ally Financial converted its status to a C corporation effective June 30, 2009. At that date, Old GM began to account for its investment in Ally Financial using the cost method rather than the equity method as Old GM could not exercise significant influence over Ally Financial. Prior to converting to a C corporation, Old GM's investment in Ally Financial was accounted for in a manner similar to an investment in a limited partnership and the equity method was applied because Old GM's influence was more than minor. In connection with Ally Financial's conversion into a C corporation, each unit of each class of Ally Financial Membership Interests was converted into shares of capital stock of Ally Financial with substantially the same rights and preferences as such Membership Interests.

(c) In May 2009 the UST exercised its option to convert the outstanding amounts owed on the UST Ally Financial Loan (as subsequently defined) into shares of Ally Financial's Class B common Membership Interests.

(d) New United Motor Manufacturing (NUMMI) (50%) was retained by MLC as part of the 363 Sale.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Investment in Ally Financial**

As part of the approval process for Ally Financial to obtain Bank Holding Company status in December 2008, Old GM agreed to reduce its ownership in Ally Financial to less than 10% of the voting and total equity of Ally Financial by December 24, 2011. At June 30, 2010 our equity ownership in Ally Financial was 16.6% as subsequently discussed.

In December 2008 Old GM and FIM Holdings, an assignee of Cerberus ResCap Financing LLC, entered into a subscription agreement with Ally Financial under which each agreed to purchase additional Common Membership Interests in Ally Financial, and the UST committed to provide Old GM with additional funding in order to purchase the additional interests. In January 2009 Old GM entered into the UST Ally Financial Loan Agreement pursuant to which Old GM borrowed \$884 million (UST Ally Financial Loan) and utilized those funds to purchase 190,921 Class B Common Membership Interests in Ally Financial. The UST Ally Financial Loan was scheduled to mature in January 2012 and bore interest, payable quarterly, at the same rate of interest as the UST Loans. The UST Ally Financial Loan Agreement was secured by Old GM's Common and Preferred Membership Interests in Ally Financial. As part of this loan agreement, the UST had the option to convert outstanding amounts into a maximum of 190,921 shares of Ally Financial's Class B Common Membership Interests on a pro rata basis.

In May 2009 the UST exercised this option, the outstanding principal and interest under the UST Ally Financial Loan was extinguished, and Old GM recorded a net gain of \$483 million. The net gain was comprised of a gain on the disposition of Ally Financial Common Membership Interests of \$2.5 billion recorded in Equity in income of and disposition of interest in Ally Financial and, a loss on extinguishment of the UST Ally Financial Loan of \$2.0 billion recorded in Loss on extinguishment of debt. After the exchange, Old GM's ownership was reduced to 24.5% of Ally Financial's Common Membership Interests.

Ally Financial converted its status to a C corporation effective June 30, 2009. At that date, Old GM began to account for its investment in Ally Financial using the cost method rather than the equity method as Old GM could not exercise significant influence over Ally Financial. Prior to converting to a C corporation, Old GM's investment in Ally Financial was accounted for in a manner similar to an investment in a limited partnership and the equity method was applied because Old GM's influence was more than minor. In connection with Ally Financial's conversion into a C corporation, each unit of each class of Ally Financial Membership Interests was converted into shares of capital stock of Ally Financial with substantially the same rights and preferences as such Membership Interests. On July 10, 2009 we acquired the investment in Ally Financial's common and preferred stocks in connection with the 363 Sale.

In December 2009 the UST made a capital contribution to Ally Financial of \$3.8 billion consisting of the purchase of trust preferred securities of \$2.5 billion and mandatory convertible preferred securities of \$1.3 billion. The UST also exchanged all of its existing Ally Financial non-convertible preferred stock for newly issued mandatory convertible preferred securities valued at \$5.3 billion. In addition the UST converted mandatory convertible preferred securities valued at \$3.0 billion into Ally Financial common stock. These actions resulted in the dilution of our investment in Ally Financial common stock from 24.5% to 16.6%, of which 6.7% is held directly and 9.9% is held in an independent trust. Pursuant to previous commitments to reduce influence over and ownership in Ally Financial, the trustee, who is independent of us, has the sole authority to vote and is required to dispose of our 9.9% ownership in Ally Financial common stock held in the trust by December 24, 2011.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize financial information of Ally Financial for the period Ally Financial was accounted for as a nonconsolidated affiliate (dollars in millions):

	<b>Six Months Ended June 30, 2009</b>
<b>Consolidated Statements of Loss</b>	
Total financing revenue and other interest income	\$ 6,916
Total interest expense	\$ 3,936
Depreciation expense on operating lease assets	\$ 2,113
Gain on extinguishment of debt	\$ 657
Total other revenue	\$ 2,117
Total noninterest expense	\$ 3,381
Loss from continuing operations before income tax expense	\$ (2,260)
Income tax expense from continuing operations	\$ 972
Net loss from continuing operations	\$ (3,232)
Loss from discontinued operations, net of tax	\$ (1,346)
Net loss	\$ (4,578)
	<b>June 30, 2009</b>
<b>Condensed Consolidated Balance Sheet</b>	
Loans held for sale	\$ 11,440
Total finance receivables and loans, net	\$ 87,520
Investment in operating leases, net	\$ 21,597
Other assets	\$ 22,932
Total assets	\$ 181,248
Total debt	\$ 105,175
Accrued expenses and other liabilities	\$ 41,363
Total liabilities	\$ 155,202
Preferred stock held by UST	\$ 12,500
Preferred stock	\$ 1,287
Total equity	\$ 26,046

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Ally Financial – Preferred and Common Membership Interests*

The following tables summarize the activity with respect to the investment in Ally Financial Common and Preferred Membership Interests for the period Ally Financial was accounted for as a nonconsolidated affiliate (dollars in millions):

	Predecessor	
	Ally Financial Common Membership Interests	Ally Financial Preferred Membership Interests
Balance at January 1, 2009	\$ 491	\$ 43
Old GM's proportionate share of Ally Financial's losses	(1,130)	(7)
Investment in Ally Financial Common Membership Interests (a)	884	—
Gain on disposition of Ally Financial Common Membership Interests (b)	2,477	—
Conversion of Ally Financial Common Membership Interests (b)	(2,885)	—
Other, primarily accumulated other comprehensive loss	163	—
Balance at June 30, 2009	<u>\$ —</u>	<u>\$ 36</u>

- (a) Due to impairment charges and Old GM's proportionate share of Ally Financial's losses, the carrying amount of Old GM's investments in Ally Financial Common Membership Interests was reduced to \$0. Old GM recorded its proportionate share of Ally Financial's remaining losses to its investment in Ally Financial Preferred Membership Interests.
- (b) Due to the exercise of the UST's option to convert the UST Ally Financial Loan into Ally Financial Common Membership Interests, in connection with the UST Ally Financial Loan conversion, Old GM recorded a gain of \$2.5 billion on disposition of Ally Financial Common Membership Interests and a \$2.0 billion loss on extinguishment based on the carrying amount of the UST Ally Financial Loan and accrued interest of \$0.9 billion.

**Transactions with Nonconsolidated Affiliates**

Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and parts, and we purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. The following tables summarize the effects of transactions with nonconsolidated affiliates which are not eliminated in consolidation (dollars in millions):

	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
<b>Results of Operations</b>		
Net sales and revenue	\$ 909	\$ 549
Cost of sales	\$ 1,570	\$ 233
Selling, general and administrative expense	\$ (3)	\$ (5)
Interest income and other non-operating income, net	\$ —	\$ 1

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor	
	June 30, 2010	December 31, 2009
<b>Financial Position</b>		
Accounts and notes receivable, net	\$ 271	\$ 594
Accounts payable (principally trade)	\$ 341	\$ 396

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
	<b>Cash Flows</b>	
Operating	\$ 701	\$ 258
Investing	\$ 654	\$ 278
Financing	\$ —	\$ —

**Note 8. Goodwill**

The following table summarizes the changes in the carrying amount of Goodwill (dollars in millions):

	Successor			Total
	GMNA	GMIO	GME	
Balance at January 1, 2010	\$26,409	\$ 928	\$3,335	\$30,672
Effect of foreign currency translation	—	(29)	(457)	(486)
Balance at June 30, 2010	<u>\$26,409</u>	<u>\$ 899</u>	<u>\$2,878</u>	<u>\$30,186</u>

We recorded Goodwill of \$30.5 billion upon application of fresh-start reporting. If all identifiable assets and liabilities had been recorded at fair value upon application of fresh-start reporting, no goodwill would have resulted. However, when applying fresh-start reporting, certain accounts, primarily employee benefit plan and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value and the difference between the U.S. GAAP and fair value amounts gave rise to goodwill, which is a residual. Our employee benefit related accounts were recorded in accordance with ASC 712, "Compensation — Nonretirement Postemployment Benefits" and ASC 715, "Compensation — Retirement Benefits" and deferred income taxes were recorded in accordance with ASC 740, "Income Taxes." Further, we recorded valuation allowances against certain of our deferred tax assets, which under ASC 852 also resulted in Goodwill. These valuation allowances were due in part to Old GM's history of recurring operating losses, and our projections at the 363 Sale date of continued near-term operating losses in certain jurisdictions. While the 363 Sale constituted a significant restructuring that eliminated many operating and financing costs, Old GM had undertaken significant restructurings in the past that failed to return certain jurisdictions to profitability. At the 363 Sale date, we concluded that there was significant uncertainty as to whether the recent restructuring actions would return these jurisdictions to sustained profitability, thereby necessitating the establishment of a valuation allowance against certain deferred tax assets. None of the goodwill from this transaction is deductible for tax purposes.

In the three months ended June 30, 2010 there were event-driven changes in circumstances within our GME reporting unit that warranted the testing of goodwill for impairment. Anticipated competitive pressure on our margins in the near- and medium-term led us to believe that the goodwill associated with our GME reporting unit may be impaired. Utilizing the best available information as of June 30, 2010 we performed a step one goodwill impairment test for our GME reporting unit, and concluded that goodwill was not impaired. The fair value of our GME reporting unit was estimated to be approximately \$325 million over its carrying amount. If we had not passed step one, we believe the amount of any goodwill impairment would approximate \$140 million representing the net decrease, from July 9, 2009 through June 30, 2010, in the fair value to U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We utilized a discounted cash flow methodology to estimate the fair value of our GME reporting unit. The valuation methodologies utilized were consistent with those used in our application of fresh-start reporting on July 10, 2009, as discussed in Note 2 to our audited consolidated financial statements, and in our 2009 annual and event-driven GME impairment tests and result in Level 3 measures within the valuation hierarchy. Assumptions used in our discounted cash flow analysis that had the most significant effect on the estimated fair value of our GME reporting unit include:

- Our estimated weighted-average cost of capital (WACC);
- Our estimated long-term growth rates; and
- Our estimate of industry sales and our market share.

We used a WACC of 22.0% that considered various factors including bond yields, risk premiums, and tax rates; a terminal value that was determined using a growth model that applied a long-term growth rate of 0.5% to our projected cash flows beyond 2015; and industry sales of 18.4 million vehicles and a market share for Opel/Vauxhall of 6.45% based on vehicle sales volume in 2010 increasing to industry sales of 22.0 million vehicles and a market share of 7.4% in 2015.

Our fair value estimate assumes the achievement of the future financial results contemplated in our forecasted cash flows, and there can be no assurance that we will realize that value. The estimates and assumptions used are subject to significant uncertainties, many of which are beyond our control, and there is no assurance that anticipated financial results will be achieved.

**Note 9. Intangible Assets, net**

The following table summarizes the components of Intangible assets, net (dollars in millions):

	Successor					
	June 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Amortizing Intangibles</b>						
Technology and intellectual property	\$ 7,729	\$ 2,670	\$ 5,059	\$ 7,741	\$ 1,460	\$ 6,281
Brands	5,348	143	5,205	5,508	72	5,436
Dealer network and customer relationships	2,067	129	1,938	2,205	67	2,138
Favorable contracts	509	79	430	542	39	503
Other	19	6	13	17	3	14
<b>Total amortizing intangible assets</b>	<b>15,672</b>	<b>3,027</b>	<b>12,645</b>	<b>16,013</b>	<b>1,641</b>	<b>14,372</b>
Non amortizing in-process research and development	175	—	175	175	—	175
<b>Total intangible assets</b>	<b>\$15,847</b>	<b>\$ 3,027</b>	<b>\$12,820</b>	<b>\$ 16,188</b>	<b>\$ 1,641</b>	<b>\$ 14,547</b>

The following table summarizes amortization expense related to Intangible assets, net (dollars in millions):

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
Amortization expense related to intangible assets, net	\$ 1,403	\$ 43

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes estimated amortization expense related to Intangible assets, net in each of the next five fiscal years (dollars in millions):

	Estimated Amortization Expense
2011	\$ 1,785
2012	\$ 1,560
2013	\$ 1,227
2014	\$ 611
2015	\$ 314

**Note 10. Variable Interest Entities****Consolidated VIEs**

VIEs that we do not control through a majority voting interest that are consolidated because we are or Old GM was the primary beneficiary primarily include: (1) previously divested suppliers for which we provide or Old GM provided guarantees or financial support; (2) a program announced by the UST in March 2009 to provide financial assistance to automotive suppliers (Receivables Program); (3) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles in certain markets; (4) leasing SPEs which held real estate assets and related liabilities for which Old GM provided residual guarantees; and (5) an entity which manages certain private equity investments held by our and Old GM's defined benefit plans, along with six associated general partner entities.

Certain creditors and beneficial interest holders of these VIEs have or had limited, insignificant recourse to our general credit or Old GM's general credit. In the event that creditors or beneficial interest holders were to have such recourse to our or Old GM's general credit, we or Old GM could be held liable for certain of the VIEs' obligations. GM Daewoo Auto & Technology Co. (GM Daewoo), a non-wholly owned consolidated subsidiary that we control through a majority voting interest, is also a VIE because in the future it may require additional subordinated financial support. The creditors of GM Daewoo's short-term debt of \$1.0 billion, long-term debt of \$722 million and current derivative liabilities of \$352 million at June 30, 2010 do not have recourse to our general credit.

The following table summarizes the carrying amount of assets and liabilities of consolidated VIEs that we do not also control through a majority voting interest (dollars in millions):

	June 30, 2010 (a)(b)	Successor December 31, 2009 (a)
<b>Assets:</b>		
Cash and cash equivalents	\$ 81	\$ 15
Restricted cash	3	191
Accounts and notes receivable, net	121	14
Inventories	77	15
Other current assets	29	—
Property, net	52	5
Other assets	37	33
<b>Total assets</b>	<b>\$ 400</b>	<b>\$ 273</b>
<b>Liabilities:</b>		
Accounts payable (principally trade)	\$ 196	\$ 17
Short-term debt and current portion of long-term debt	1	205
Accrued expenses	22	10
Other liabilities and deferred income taxes	47	23
<b>Total liabilities</b>	<b>\$ 266</b>	<b>\$ 255</b>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) Amounts exclude GM Daewoo.
- (b) Amounts at June 30, 2010 reflect the effect of our adoption of amendments to ASC 810-10 in January 2010, which resulted in the consolidation of GM Egypt. At June 30, 2010 GM Egypt had Total assets of \$344 million and Total liabilities of \$238 million.

The following table summarizes the amounts recorded in earnings related to consolidated VIEs that we do not also control through a majority voting interest (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010 (a)(b)</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009 (a)</u>
Net sales and revenue	\$ 370	\$ 30
Cost of sales	287	6
Selling, general and administrative expense	17	28
Other expenses, net	2	2
Interest expense	4	1
Interest (income) and other non-operating (income), net	(3)	—
Income tax expense	8	—
Net income (loss)	<u>\$ 55</u>	<u>\$ (7)</u>

- (a) Amounts exclude GM Daewoo.
- (b) Amounts recorded in the six months ended June 30, 2010 reflect our adoption of amendments to ASC 810-10 in January 2010, which resulted in the consolidation of GM Egypt. In the six months ended June 30, 2010 GM Egypt recorded Net sales and revenue of \$349 million.

**GM Egypt**

GM Egypt is a 31% owned automotive manufacturing organization that was previously accounted for using the equity method. GM Egypt was founded in March 1983 to assemble and manufacture vehicles in Egypt. Certain voting and other rights permit us to direct those activities of GM Egypt that most significantly affect its economic performance. In connection with our adoption of amendments to ASC 810-10, we consolidated GM Egypt in January 2010.

**Receivables Program**

We determined that the Receivables Program was a VIE and that we and Old GM were the primary beneficiary. At December 31, 2009 our equity contributions were \$55 million and the UST had outstanding loans of \$150 million to the Receivables Program. In the three months ended March 31, 2010 we repaid these loans in full. The Receivables Program was terminated in accordance with its terms in April 2010. Upon termination, we shared residual capital of \$25 million in the program equally with the UST and paid a termination fee of \$44 million.

**Nonconsolidated VIEs**

VIEs that are not consolidated because we are not or Old GM was not the primary beneficiary primarily include: (1) troubled suppliers for which we provide or Old GM provided guarantees or financial support; (2) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles and related services; (3) leasing entities for which residual value guarantees were made; (4) certain research entities for which annual ongoing funding requirements exist; and (5) Ally Financial.

Guarantees and financial support are provided to certain current or previously divested suppliers in order to ensure that supply needs for production are not disrupted due to a supplier's liquidity concerns or possible shutdowns. Types of financial support that we provide and Old GM provided include, but are not limited to: (1) funding in the form of a loan; (2) guarantees of the supplier's debt or credit facilities; (3) one-time payments to fund prior losses of the supplier; (4) indemnification agreements to fund the suppliers'

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

future losses or obligations; (5) agreements to provide additional funding or liquidity to the supplier in the form of price increases or changes in payment terms; and (6) assisting the supplier in finding additional investors. The maximum exposure to loss related to these VIEs is not expected to be in excess of the amount of net accounts and notes receivable recorded with the suppliers and any related guarantees and loan commitments.

We have and Old GM had investments in joint ventures that manufacture, market and sell vehicles in certain markets. The majority of these joint ventures are typically self-funded and financed with no contractual terms that require us to provide future financial support. However, future funding is required for HKJV, as subsequently discussed. The maximum exposure to loss is not expected to be in excess of the carrying amount of the investments recorded in Equity in net assets of nonconsolidated affiliates, and any related capital funding requirements.

The following table summarizes the amounts recorded for nonconsolidated VIEs and the related off-balance sheet guarantees and maximum contractual exposure to loss, excluding Ally Financial, which is disclosed in Note 23 (dollars in millions):

	Successor			
	June 30, 2010		December 31, 2009	
	Carrying Amount	Maximum Exposure to Loss (a)	Carrying Amount	Maximum Exposure to Loss (b)
<b>Assets:</b>				
Accounts and notes receivable, net	\$ 60	\$ 60	\$ 8	\$ 8
Equity in net assets of nonconsolidated affiliates	285	285	96	50
Other assets	73	73	26	26
<b>Total assets</b>	<b>\$ 418</b>	<b>\$ 418</b>	<b>\$ 130</b>	<b>\$ 84</b>
<b>Liabilities:</b>				
Accounts payable	\$ 48	\$ (48)	\$ —	\$ —
Accrued expenses	12	15	—	—
Other liabilities	225	—	—	—
<b>Total liabilities</b>	<b>\$ 285</b>	<b>\$ (33)</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Off-Balance Sheet:</b>				
Residual value guarantees		\$ —		\$ 32
Loan commitments (c)		102		115
Other guarantees		3		4
Other liquidity arrangements (d)		230		—
<b>Total guarantees and liquidity arrangements</b>		<b>\$ 335</b>		<b>\$ 151</b>

- (a) Amounts at June 30, 2010 included \$128 million related to troubled suppliers.
- (b) Amounts at December 31, 2009 included \$139 million related to troubled suppliers.
- (c) Amount at June 30, 2010 included a second lien term facility provided to American Axle and Manufacturing Holdings, Inc. (American Axle) of \$100 million and other undrawn loan commitments of \$2 million. Amount at December 31, 2009 included a second lien term facility provided to American Axle of \$100 million and undrawn loan commitments of \$15 million.
- (d) Amounts at June 30, 2010 included capital funding requirements, primarily an additional contingent future funding requirement of up to \$223 million related to HKJV.

Stated contractual voting or similar rights for certain of our joint venture arrangements provide various parties with shared power over the activities that most significantly affect the economic performance of certain nonconsolidated VIEs. Such nonconsolidated VIEs are operating joint ventures located in developing international markets.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***American Axle***

In September 2009 we paid \$110 million to American Axle, a former subsidiary and current supplier, to settle and modify existing commercial arrangements and acquire warrants to purchase 4 million shares of American Axle's common stock. This payment was made in response to the liquidity needs of American Axle and our desire to modify the terms of our ongoing commercial arrangement. Under the new agreement, we also provided American Axle with a second lien term loan facility of up to \$100 million. Additional warrants will be granted if amounts are drawn on the second lien term loan facility.

As a result of these transactions, we concluded that American Axle was a VIE for which we were not the primary beneficiary. This conclusion did not change upon our adoption of amendments to ASC 810-10 in January 2010 because we lack the power through voting or similar rights to direct those activities of American Axle that most significantly affect its economic performance. Our variable interests in American Axle include the warrants we received and the second lien term loan facility, which expose us to possible future losses depending on the financial performance of American Axle. At June 30, 2010 no amounts were outstanding under the second lien term loan. At June 30, 2010 our maximum contractual exposure to loss related to American Axle was \$125 million, which represented the fair value of the warrants of \$25 million recorded in Non-current assets and the potential exposure of \$100 million related to the second lien term loan facility.

***Ally Financial***

We own 16.6% of Ally Financial's common stock and preferred stock with a liquidation preference of \$1.0 billion. We have previously determined that Ally Financial is a VIE as it does not have sufficient equity at risk; however, we are not the primary beneficiary. This conclusion did not change upon our adoption of amendments to ASC 810-10 in January 2010 because we lack the power through voting or similar rights to direct those activities of Ally Financial that most significantly affect its economic performance. Refer to Notes 7 and 23 for additional information on our investment in Ally Financial, our significant agreements with Ally Financial and our maximum exposure under those agreements.

***Saab***

In February 2010 we completed the sale of Saab and in May 2010 we completed the sale of Saab GB to Spyker Cars NV. Our primary variable interest in Saab is the preference shares that we received in connection with the sale, which have a face value of \$326 million and were recorded at an estimated fair value that is insignificant. We concluded that Saab is a VIE as it does not have sufficient equity at risk. We also determined that we are not the primary beneficiary because we lack the power to direct those activities that most significantly affect its economic performance. We continue to be obligated to fund certain Saab related liabilities, primarily warranty obligations related to vehicles sold prior to the disposition of Saab. At June 30, 2010 our maximum exposure to loss related to Saab was \$60 million. Refer to Note 4 for additional information on the sale of Saab.

***HKJV***

In December 2009 we established the HKJV operating joint venture to invest in automotive projects outside of China, initially focusing on markets in India. HKJV purchased our India Operations in February 2010. We determined that HKJV is a VIE because it will require additional subordinated financial support, and we determined that we are not the primary beneficiary because we share the power with SAIC-HK to direct the activities that most significantly affect HKJV's economic performance. We recorded a liability of \$123 million for our future capital funding commitment to HKJV and we have an additional contingent future funding requirement of up to \$223 million should certain conditions be met. Refer to Note 4 for additional information on HKJV.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 11. Depreciation and Amortization**

The following table summarizes depreciation and amortization, including asset impairment charges, included in Cost of sales and Selling, general and administrative expense (dollars in millions):

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
Depreciation and impairment of plants and equipment	\$ 1,010	\$ 3,870
Amortization and impairment of special tools	787	2,072
Depreciation and impairment of equipment on operating leases	253	319
Amortization of intangible assets	1,403	43
Total depreciation, amortization and asset impairment charges	<u>\$ 3,453</u>	<u>\$ 6,304</u>

Old GM initiated restructuring plans prior to the 363 Sale to reduce the total number of powertrain, stamping and assembly plants and to eliminate certain brands and nameplates. As a result, Old GM recorded incremental depreciation and amortization on certain of these assets as they were expected to be utilized over a shorter period of time than their previously estimated useful lives. We record incremental depreciation and amortization for changes in useful lives subsequent to the initial determination. In the six months ended June 30, 2009 Old GM recorded incremental depreciation and amortization of approximately \$2.3 billion.

**Note 12. Restricted Cash and Marketable Securities**

Cash and marketable securities subject to contractual restrictions and not readily available are classified as Restricted cash and marketable securities. Restricted cash and marketable securities are invested in accordance with the terms of the underlying agreements. Funds previously held in the UST Credit Agreement (as subsequently defined in Note 13) and currently held in the Canadian Health Care Trust (HCT) escrow and other accounts have been invested in government securities and money market funds in accordance with the terms of the escrow agreements. At June 30, 2010 and December 31, 2009 we held \$1.5 billion and \$13.6 billion of the Restricted cash and marketable securities balance in marketable securities. Refer to Note 19 for additional information. The following table summarizes the components of Restricted cash and marketable securities (dollars in millions):

	Successor June 30, 2010	December 31, 2009
<b>Current</b>		
UST Credit Agreement (a)	\$ —	\$ 12,475
Canadian Health Care Trust (b)	956	955
Receivables Program (c)	—	187
Securitization trusts	37	191
Pre-funding disbursements	235	94
Other (d)	165	15
Total current restricted cash and marketable securities	<u>1,393</u>	<u>13,917</u>
<b>Non-current (e)</b>		
Collateral for insurance related activities	638	658
Other non-current (d)	623	831
Total restricted cash and marketable securities	<u>\$ 2,654</u>	<u>\$ 15,406</u>

(a) In April 2010 the UST Loans and Canadian Loan (as subsequently defined in Note 13) were paid in full and funds remaining in escrow were no longer subject to restrictions.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (b) Under the terms of an escrow agreement between General Motors of Canada Limited (GMCL), the EDC and an escrow agent, GMCL established a CAD \$1.0 billion (equivalent to \$893 million when entered into) escrow to fund certain of its healthcare obligations.
- (c) The Receivables Program provided financial assistance to automotive suppliers by guaranteeing or purchasing certain receivables payable by us. In April 2010 the Receivable Program was terminated in accordance with its terms.
- (d) Includes amounts related to various letters of credit, deposits, escrows and other cash collateral requirements.
- (e) Non-current restricted cash and marketable securities is recorded in Other assets.

**Note 13. Short-Term and Long-Term Debt**

The following table summarizes the components of short-term and long-term debt (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
<b>Short-Term</b>		
UST Loans (a)	\$ —	\$ 5,712
Canadian Loan (a)	—	1,233
VEBA Notes	2,908	—
Short-term debt — third parties	1,051	1,475
Short-term debt — related parties (b)	893	1,077
Current portion of long-term debt	672	724
Total short-term debt and current portion of long-term debt	<u>5,524</u>	<u>10,221</u>
<b>Long-Term</b>		
VEBA Notes	—	2,825
Other long-term debt	2,637	2,737
Total debt	<u>\$ 8,161</u>	<u>\$ 15,783</u>
Available under line of credit agreements (c)	<u>\$ 1,115</u>	<u>\$ 618</u>

- (a) In April 2010 the UST Loans and Canadian Loan were paid in full.
- (b) Dealer financing from Ally Financial for dealerships we own.
- (c) Commitment fees are paid on credit facilities at rates negotiated in each agreement. Amounts paid and expensed for these commitment fees are insignificant.

**UST Loans and VEBA Notes**

As disclosed in our audited consolidated financial statements included elsewhere in this prospectus, Old GM received total proceeds of \$19.4 billion from the UST under the UST Loan Agreement entered into on December 31, 2008. In connection with the Chapter 11 Proceedings, Old GM obtained additional funding of \$33.3 billion from the UST and EDC under its DIP Facility. From these proceeds, there was no deposit remaining in escrow at June 30, 2010.

On July 10, 2009 we entered into the UST Credit Agreement and assumed debt of \$7.1 billion (UST Loans) maturing on July 10, 2015 which Old GM incurred under its DIP Facility. Immediately after entering into the UST Credit Agreement, we made a partial repayment due to the termination of the U.S. government sponsored warranty program, reducing the UST Loans principal balance to \$6.7 billion. In March 2010 and December 2009 we made quarterly payments of \$1.0 billion on the UST Loans. In April 2010 we repaid the full outstanding amount of \$4.7 billion using funds from our escrow account.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

While we have repaid the UST Loans in full, certain of the covenants in the UST Credit Agreement and the executive compensation and corporate governance provisions of Section 111 of the Emergency Stabilization Act of 2008, as amended (the EESA), including the Interim Final Rule implementing Section 111 (the Interim Final Rule), remain in effect until the earlier to occur of the UST ceasing to own direct or indirect equity interests in us or our ceasing to be a recipient of Exceptional Financial Assistance, as determined pursuant to the Interim Final Rule, and impose obligations on us with respect to, among other things, certain expense policies, executive privileges and compensation requirements.

In connection with the 363 Sale, we entered into the VEBA Note Agreement and issued VEBA Notes of \$2.5 billion to the UAW Retiree Medical Benefits Trust (New VEBA). The VEBA Notes have an implied interest rate of 9.0% per annum. The VEBA Notes and accrued interest are scheduled to be repaid in three equal installments of \$1.4 billion on July 15 of 2013, 2015 and 2017; however, we may prepay the VEBA Notes at any time prior to maturity.

We have entered into negotiations with financial institutions regarding a credit facility. If we successfully execute a credit facility, we expect to prepay the VEBA Notes with available cash. Accordingly, at June 30, 2010 we reclassified the VEBA Notes from long-term debt to short-term debt in the amount of \$2.9 billion (including unamortized premium of \$209 million).

The obligations under the VEBA Note Agreement are secured by substantially all of our U.S. assets, subject to certain exceptions, including our equity interests in certain of our foreign subsidiaries, limited in most cases to 65% of the equity interests of the pledged foreign subsidiaries due to tax considerations.

The following table summarizes interest expense and interest paid on the UST Loans and the loans under the UST Loan Agreement (UST Loan Facility) in the six months ended June 30, 2009 (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Interest expense	\$ 117	\$ 3,336
Interest paid	\$ 206	\$ 144

The following table summarizes interest expense on the VEBA Notes (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June</u> <u>30, 2010</u>
Interest expense	\$ 99

**Canadian Loan Agreement and EDC Loan Facility**

As disclosed in our audited consolidated financial statements included elsewhere in this prospectus, on July 10, 2009 we entered into the Canadian Loan Agreement and assumed a CAD \$1.5 billion (equivalent to \$1.3 billion when entered into) term loan (Canadian Loan) maturing on July 10, 2015. In March 2010 and December 2009 we made quarterly payments of \$194 million and \$192 million on the Canadian Loan. In April 2010 GMCL repaid in full the outstanding amount of the Canadian Loan of \$1.1 billion.

The following table summarizes interest expense and interest paid on the Canadian Loan in the six months ended June 30, 2010 and the EDC Loan Facility in the six months ended June 30, 2009 (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Interest expense	\$ 26	\$ 62
Interest paid	\$ 26	\$ 6

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**GM Daewoo Revolving Credit Facility**

In April 2010 GM Daewoo repaid KRW 250 billion (equivalent to \$225 million at the time of payment) of its KRW 1.4 trillion (equivalent of \$1.2 billion at the time of payment) revolving credit facility.

**German Revolving Bridge Facility**

In May 2009 Old GM entered into a revolving bridge facility with the German federal government and certain German states (German Facility) with a total commitment of up to Euro 1.5 billion (equivalent to \$2.1 billion when entered into). In November 2009 the debt was paid in full and extinguished.

The following table summarizes interest expense and interest paid by Old GM on the German Facility during the six months ended June 30, 2009 including amortization of related discounts (dollars in millions):

	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Interest expense	\$ 3
Interest paid	\$ —

**Other Debt**

In March 2009 Old GM entered into an agreement to amend its \$1.5 billion U.S. term loan. Because the terms of the amended U.S. term loan were substantially different than the original terms, primarily due to the revised borrowing rate, Old GM accounted for the amendment as a debt extinguishment. As a result, Old GM recorded the amended U.S. term loan at fair value and recorded a gain on the extinguishment of the original loan facility of \$906 million in the six months ended June 30, 2009.

In connection with the Chapter 11 Proceedings, Old GM's \$4.5 billion secured revolving credit facility, \$1.5 billion U.S. term loan and \$125 million secured credit facility were paid in full on June 30, 2009. Old GM recorded a loss of \$958 million in Reorganization expenses, net related to the extinguishments of the debt primarily due to the face value of the U.S. term loan exceeding the carrying amount.

**Technical Defaults and Covenant Violations**

Several of our loan facilities include clauses that may be breached by a change in control, a bankruptcy or failure to maintain certain financial metric limits. The Chapter 11 Proceedings and the change in control as a result of the 363 Sale triggered technical defaults in certain loans for which we have assumed the obligations. The total amount of the two loan facilities in technical default for these reasons at June 30, 2010 was \$203 million. We have classified these loans as short-term debt at June 30, 2010. In July 2010 we executed an agreement with the lenders of the \$150 million loan facility, which resulted in early repayment of the loan on July 26, 2010. On July 27, 2010 we executed an amendment with the lender of the second loan facility of \$53 million which cured the defaults.

Two of our loan facilities had financial covenant violations at December 31, 2009 related to exceeding financial ratios limiting the amount of debt held by the subsidiaries. One of these violations was cured within the 30 day cure period through the combination of an equity injection and the capitalization of intercompany loans. In May 2010 we obtained a waiver and cured the remaining financial covenant violation on a loan facility of \$70 million related to our 50% owned powertrain subsidiary in Italy.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 14. Product Warranty Liability**

The following table summarizes activity for policy, product warranty, recall campaigns and certified used vehicle warranty liabilities (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Beginning balance	\$ 7,030	\$ 8,491
Warranties issued and assumed in period	1,534	1,077
Payments	(1,711)	(1,833)
Adjustments to pre-existing warranties	67	(138)
Effect of foreign currency translation	(160)	89
Liability adjustment, net due to the deconsolidation of Saab	—	(77)
Ending balance	<u>\$ 6,760</u>	<u>\$ 7,609</u>

**Note 15. Pensions and Other Postretirement Benefits**

The following tables summarize the components of pension and other postemployment benefits (OPEB) (income) expense (dollars in millions):

	U.S. Plans Pension Benefits	
	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
<b>Components of (income) expense</b>		
Service cost	\$ 259	\$ 233
Interest cost	2,676	2,934
Expected return on plan assets	(3,275)	(3,641)
Amortization of prior service cost (credit)	(1)	411
Amortization of transition obligation	—	—
Recognized net actuarial loss	—	676
Curtailments, settlements and other	—	1,718
Net periodic pension (income) expense	<u>\$ (341)</u>	<u>\$ 2,331</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Non-U.S. Plans Pension Benefits	
	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
<b>Components of (income) expense</b>		
Service cost	\$ 189	\$ 151
Interest cost	596	566
Expected return on plan assets	(491)	(342)
Amortization of prior service credit	(1)	(7)
Amortization of transition obligation	—	1
Recognized net actuarial loss	5	182
Curtailments, settlements and other	39	92
Net periodic pension expense	<u>\$ 337</u>	<u>\$ 643</u>

	U.S. Plans Other Benefits	
	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
<b>Components of (income) expense</b>		
Service cost	\$ 10	\$ 66
Interest cost	144	1,541
Expected return on plan assets	—	(423)
Amortization of prior service credit	—	(92)
Amortization of transition obligation	—	—
Recognized net actuarial loss	—	29
Curtailments, settlements and other	—	19
Net periodic OPEB expense	<u>\$ 154</u>	<u>\$ 240</u>

	Non-U.S. Plans Other Benefits	
	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
<b>Components of (income) expense</b>		
Service cost	\$ 16	\$ 11
Interest cost	98	98
Expected return on plan assets	—	—
Amortization of prior service credit	(4)	(59)
Amortization of transition obligation	—	—
Recognized net actuarial loss	—	21
Curtailments, settlements and other	3	(123)
Net periodic OPEB (income) expense	<u>\$ 113</u>	<u>\$ (52)</u>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**Significant Plan Amendments, Benefit Modifications and Related Events**
**Six Months Ended June 30, 2010**
*Remeasurement*

In the three months ended June 30, 2010 certain pension plans in GME were remeasured as part of our Goodwill impairment analysis, resulting in an increase of \$388 million to Pensions and Other comprehensive loss.

*Patient Protection and Affordable Care Act*

The Patient Protection and Affordable Care Act was signed into law in March 2010 and contains provisions that require all future reimbursement receipts under the Medicare Part D retiree drug subsidy program to be included in taxable income. This taxable income inclusion will not significantly affect us because effective January 1, 2010 we no longer provide prescription drug coverage to post-age 65 Medicare-eligible participants and we have a full valuation allowance against our net deferred tax assets in the U.S. We have assessed the other provisions of this new law, based on information known at this time, and we believe that the new law will not have a significant effect on our consolidated financial statements.

**Six Months Ended June 30, 2009**

The following table summarizes the significant defined benefit plan interim remeasurements, the related changes in accumulated postretirement benefit obligations (APBO), projected benefit obligations (PBO) and the associated curtailments, settlements and termination benefits recorded in the earnings of Old GM in the six months ended June 30, 2009 (dollars in millions):

Event and Remeasurement Date When Applicable	Affected Plans	Predecessor		Increase (Decrease) Since the Most Recent Remeasurement Date	Gain (Loss)			Termination Benefits and Other
		Change in Discount Rate			PBO/APBO	Curtailments	Settlements	
		From	To					
2009 Special Attrition Programs — June 30	U.S. hourly defined benefit pension plan	6.15%	6.25%	\$ 7	\$ (1,390)	\$ —	\$ (12)	
Global salaried workforce reductions — June 1	U.S. salaried defined benefit pension plan	—	—	24	(327)	—	—	
U.S. salaried benefits changes — February 1	U.S. salaried retiree life insurance plan	7.25%	7.15%	(420)	—	—	—	
U.S. salaried benefits changes — June 1	U.S. salaried retiree health care program	—	—	(265)	—	—	—	
2009 CAW Agreement — June 1	Canadian hourly defined benefit pension plan	6.75%	5.65%	340	—	—	(26)	
2009 CAW Agreement — June 1	CAW hourly retiree healthcare plan and CAW retiree life plan	7.00%	5.80%	(143)	93	—	—	
<b>Total</b>				<b>\$ (457)</b>	<b>\$ (1,624)</b>	<b>\$ —</b>	<b>\$ (38)</b>	



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*2009 Special Attrition Programs*

In February and June 2009 Old GM announced the 2009 Special Attrition Programs for eligible International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) represented employees, offering cash and other incentives for individuals who elected to retire or voluntarily terminate employment. In the six months ended June 2009 Old GM recorded postemployment benefit charges for 13,000 employees. Refer to Note 20 for additional information on the postemployment benefit charges.

Old GM remeasured the U.S. hourly defined benefit pension plan in June 2009 based on the 7,800 irrevocable acceptances through that date as these acceptances of the special attrition programs yielded a significant reduction in the expected future years of service of active participants.

*Global Salaried Workforce Reductions*

In February and June 2009 Old GM announced its intention to reduce global salaried headcount. In June 2009 Old GM remeasured the U.S. salaried defined benefit pension plan based upon an estimated significant reduction in the expected future years of service of active participants.

The U.S. salaried employee reductions related to this initiative were to be accomplished primarily through a salaried separation window program or through a severance program funded from operating cash flows. These programs were involuntary programs subject to management approval where employees were permitted to express interest in retirement or separation, for which the charges for the salaried separation window program were recorded as special termination benefits funded from the U.S. salaried defined benefit pension plan and other applicable retirement benefit plans. The costs associated with the total targeted headcount reductions expected to terminate under the programs was determined to be probable and estimable and severance charges of \$250 million were recorded in the six months ended June 30, 2009. Refer to Note 20 for additional information on the involuntary severance program.

*U.S. Salaried Benefits Changes*

In February 2009 Old GM reduced salaried retiree life insurance benefits for U.S. salaried employees and remeasured its U.S. salaried retiree life insurance plan. In June 2009 Old GM approved and communicated negative plan amendments associated with the U.S. salaried retiree health care program, including reduced coverage and increased cost sharing. The plan was remeasured in June 2009.

In June 2009 Old GM communicated additional changes in benefits for retired salaried employees including an acceleration and further reduction in retiree life insurance, elimination of the supplemental executive life insurance benefit, and reduction in the supplemental executive retirement plan. These plan changes were contingent on completion of the 363 Sale and the effects of these amendments were included in the fresh-start remeasurements in July 2009.

*2009 Revised UAW Settlement Agreement*

In May 2009 Old GM and the UAW agreed to a revised settlement agreement that was related to the UAW hourly retiree medical plan and a 2008 settlement agreement that permanently shifted responsibility for providing retiree health care from Old GM to a new healthcare plan funded by the New VEBA. We and the UAW executed the revised settlement agreement on July 10, 2009 in connection with the 363 Sale. The most significant changes to the agreement, which were not yet in effect at June 30, 2009, included:

- The implementation date changed from January 1, 2010 to the later of December 31, 2009 or the closing date of the 363 Sale, which occurred on July 10, 2009;
- The timing of payments to the new VEBA changed as subsequently discussed;
- The form of consideration changed as subsequently discussed;

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- The contribution of employer securities changed such that they were to be contributed directly to the New VEBA in connection with the successful completion of the 363 Sale;
- Certain coverages will be eliminated and certain cost sharing provisions will increase; and
- The flat monthly special lifetime pension benefit that was scheduled to commence on January 1, 2010 was eliminated.

There was no change to the timing of our existing internal VEBA asset transfer to the New VEBA in that the internal VEBA asset transfer was to occur within 10 business days after December 31, 2009 under both the 2008 settlement agreement and the 2009 revised settlement agreements with the UAW.

The new payment terms to the New VEBA under the 2009 revised settlement agreement, which were subject to the successful completion of the 363 Sale that had not yet occurred at June 30, 2009, were:

- VEBA Notes of \$2.5 billion plus accrued interest, at an implied interest rate of 9.0% per annum, scheduled to be repaid in three equal installments of \$1.4 billion in July of 2013, 2015 and 2017;
- 260 million shares of our Series A Fixed Rate Cumulative Perpetual Preferred Stock (Series A Preferred Stock) that accrue cumulative dividends at 9.0% per annum;
- 88 million shares (17.5%) of our common stock;
- A warrant to acquire 15 million shares (2.5%) of our common stock at \$126.92 per share at any time prior to December 31, 2015;
- Two years funding of claims costs for individuals that elected the special attrition programs announced in 2009; and
- The existing internal VEBA assets.

Under the terms of the 2009 revised settlement agreement, we are released from UAW retiree health care claims incurred after December 31, 2009. All obligations of ours and any other entity or benefit plan of ours for retiree medical benefits for the class and the covered group arising from any agreement between us and the UAW were terminated at December 31, 2009. Our obligations to the new healthcare plan and the New VEBA are limited to the terms of the 2009 revised settlement agreement.

*2009 CAW Agreement*

In March 2009 Old GM announced that the members of the CAW had ratified an agreement intended to reduce manufacturing costs in Canada by closing the competitive gap with transplant automakers in the United States on active employee labor costs and reducing legacy costs through introducing co-payments for healthcare benefits, increasing employee healthcare cost sharing, freezing pension benefits, and eliminating cost of living adjustments to pensions for retired hourly workers. This agreement was conditioned on Old GM receiving longer term financial support from the Canadian and Ontario governments.

GMCL subsequently entered into additional negotiations with the CAW which resulted in a further addendum to the 2008 collective agreement which was ratified by the CAW members in May 2009. In June 2009 the governments of Ontario and Canada agreed to the terms of a loan agreement, approved the GMCL viability plan and provided funding to GMCL. The Canadian hourly defined benefit pension plan, the CAW hourly retiree healthcare plan and the CAW retiree life plan were remeasured in June 2009.

As a result of the termination of the employees from the former Oshawa, Ontario truck facility (Oshawa Facility), the CAW hourly retiree healthcare plan and the CAW retiree life plan were remeasured in June 2009 and a curtailment gain associated with the CAW hourly retiree healthcare plan was also recorded in the three months ended June 30, 2009.

In June 2009 GMCL and the CAW agreed to the terms of the HCT to provide retiree health care benefits to certain active and retired employees. The HCT will be implemented when certain preconditions are achieved, including certain changes to the Canadian Income Tax Act and the favorable completion of a class action process to bind existing retirees to the Trust. The latter is subject to the

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

agreement of the representative retirees and the courts. The preconditions have not been achieved and the HCT is not yet implemented at June 30, 2010. Under the terms of the HCT agreement, GMCL is obligated to make a payment of CAD \$1.0 billion on the HCT implementation date which it will fund out of its CAD \$1.0 billion escrow funds, and the HCT is obligated to reimburse GMCL for the cost of benefits paid for claims incurred by plan participants during the period January 1, 2010 through the implementation date. GMCL will provide a CAD \$800 million note payable to the HCT on the HCT implementation date which will accrue interest at an annual rate of 7.0% with five equal annual installments of CAD \$256 million due December 2014 through 2018. Concurrent with the implementation of the HCT, GMCL will be legally released from all obligations associated with the cost of providing retiree health care benefits to CAW active and retired employees bound by the class action process, and we will account for the related termination of CAW hourly retiree healthcare benefits as a settlement, based upon the difference between the fair value of the notes and cash contributed and the health care plan obligation at the settlement date. As a result of the conditions precedent to this agreement not having yet been achieved, there was no accounting recognition for the health care trust at June 30, 2010.

**Note 16. Derivative Financial Instruments and Risk Management**

**Risk Management**

We enter and Old GM entered into a variety of foreign currency exchange, interest rate and commodity forward contracts and options to manage exposures arising from market risks resulting from changes in foreign currency exchange rates, interest rates and certain commodity prices. We do not enter into derivative transactions for speculative purposes.

Our overall financial risk management program is under the responsibility of the Risk Management Committee, which reviews and, where appropriate, approves strategies to be pursued to mitigate these risks. A risk management control framework is utilized to monitor the strategies, risks and related hedge positions, in accordance with the policies and procedures approved by the Risk Management Committee. At June 30, 2010 and June 30, 2009 we and Old GM did not have any derivatives designated in a hedge accounting relationship.

In August 2010 we changed our risk management policy. Under our prior policy we intended to reduce volatility of forecasted cash flows primarily through the use of forward contracts and swaps. The intent of the new policy is primarily to protect against risk arising from extreme adverse market movements on our key exposures and involves a shift to greater use of purchased options.

Subsequent to the 363 Sale, our ability to manage risks using derivative financial instruments was limited as most derivative counterparties were unwilling to enter into forward or swap transactions with us. In December 2009 we began purchasing commodity and foreign currency exchange options to manage these exposures. These nondesignated derivatives have original expiration terms of up to 12 months. In August 2010 we executed new agreements with counterparties that enable us to enter into forward contracts and swaps.

**Counterparty Credit Risk**

Derivative financial instruments contain an element of credit risk attributable to the counterparties' ability to meet the terms of the agreements. The maximum amount of loss due to credit risk that we would incur if the counterparties to the derivative instruments failed completely to perform according to the terms of the contract was \$103 million at June 30, 2010. Agreements are entered into with counterparties that allow the set-off of certain exposures in order to manage the risk. The total net derivative asset position for all counterparties with which we were in a net asset position at June 30, 2010 was \$74 million.

Counterparty credit risk is managed and monitored by our Risk Management Committee, which establishes exposure limits by counterparty. At June 30, 2010 a majority of all counterparty exposures were with counterparties that were rated A or higher.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Credit Risk Related Contingent Features**

At June 30, 2010 no collateral was posted related to derivative instruments and we did not have any agreements with counterparties to derivative instruments containing covenants requiring the maintenance of certain credit rating levels or credit risk ratios that would require the posting of collateral in the event that certain standards are violated or when a derivative instrument is in a liability position. In August 2010 we executed new agreements with counterparties that will require us to provide cash collateral for net liability positions or receive cash collateral for net asset positions that we would have with these counterparties.

**Derivatives and Hedge Accounting**

Our derivative instruments consist of nondesignated derivative contracts or economic hedges, including forward contracts and options that we acquired from Old GM or purchased directly from counterparties. At June 30, 2010 no outstanding derivative contracts were designated in hedging relationships. In the six months ended June 30, 2010 and 2009, we and Old GM accounted for changes in the fair value of all outstanding contracts by recording the gains and losses in earnings. Refer to Note 19 for additional information on the fair value measurements of our derivative instruments.

**Cash Flow Hedges**

We and Old GM was exposed to certain foreign currency exchange risks associated with buying and selling automotive parts and vehicles and foreign currency exposure to long-term debt. We partially manage these risks through the use of nondesignated derivative instruments. At June 30, 2010 we did not have any financial instruments designated as cash flow hedges for accounting purposes.

Old GM previously designated certain financial instruments as cash flow hedges to manage its exposure to certain foreign currency exchange risks. For foreign currency transactions, Old GM typically hedged forecasted exposures for up to three years in the future. For foreign currency exposure on long-term debt, Old GM typically hedged exposures for the life of the debt.

For derivatives that were previously designated as qualifying cash flow hedges, the effective portion of the unrealized and realized gains and losses resulting from changes in fair value were recorded as a component of Accumulated other comprehensive income (loss). Subsequently, those cumulative gains and losses were reclassified to earnings contemporaneously with and to the same line item as the earnings effects of the hedged item. However, if it became probable that the forecasted transaction would not occur, the cumulative change in the fair value of the derivative recorded in Accumulated other comprehensive income (loss) was reclassified into earnings immediately.

The following table summarizes total activity in Accumulated other comprehensive income (loss) associated with cash flow hedges, primarily related to the release of previously deferred cash flow hedge gains and losses from Accumulated other comprehensive income (loss) into earnings (dollars in millions):

	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
<b>Foreign Currency Exchange Contracts</b>	
Sales	\$ (326)
Cost of sales	20
Reorganization expenses, net	247
Total gains (losses) reclassified from accumulated other comprehensive income (loss)	<u>\$ (59)</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In connection with the Chapter 11 Proceedings, at June 1, 2009 Accumulated other comprehensive income (loss) balances of \$247 million associated with previously designated financial instruments were reclassified into Reorganization expenses, net because the underlying forecasted debt and interest payments were probable not to occur. At June 30, 2009 Old GM had deferred cash flow hedge gains and losses of \$409 million in Accumulated other comprehensive income (loss).

The following table summarizes gains and (losses) that were reclassified from Accumulated other comprehensive income (loss) for cash flow hedges associated with previously forecasted transactions that subsequently became probable not to occur (dollars in millions):

	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Sales	\$ (180)
Reorganization expenses, net	247
Total gains (losses) reclassified from accumulated other comprehensive income (loss)	<u>\$ 67</u>

In connection with our investment in New Delphi, which we account for using the equity method, we record our share of New Delphi's Other comprehensive income (loss) in Accumulated other comprehensive income (loss). In the six months ended June 30, 2010 we recorded cash flow hedge losses of \$15 million related to our share of New Delphi's hedging losses.

**Fair Value Hedges**

We and Old GM was subject to market risk from exposures to changes in interest rates that affect the fair value of long-term, fixed rate debt. At June 30, 2010 we did not have any financial instruments designated as fair value hedges to manage this risk.

Old GM previously used interest rate swaps designated as fair value hedges to manage certain of its exposures associated with this debt. Old GM hedged its exposures to the maturity date of the underlying interest rate exposure.

Gains and losses on derivatives designated and qualifying as fair value hedges, as well as the offsetting gains and losses on the debt attributable to the hedged interest rate risk, were recorded in Interest expense to the extent the hedge was effective. The gains and losses related to the hedged interest rate risk were recorded as an adjustment to the carrying amount of the debt. Previously recorded adjustments to the carrying amount of the debt were amortized to Interest expense over the remaining debt term. In the six months ended June 30, 2009 Old GM amortized previously deferred fair value hedge gains and losses of \$3 million to Interest expense.

In connection with the Chapter 11 Proceedings, at June 1, 2009 Old GM recorded basis adjustments of \$18 million to the carrying amount of debt that ceased to be amortized to Interest expense. At June 1, 2009 the debt related to these basis adjustments was classified as Liabilities subject to compromise and no longer subject to interest accruals or amortization. We did not assume this debt from Old GM in connection with the 363 Sale.

**Net Investment Hedges**

We and Old GM was subject to foreign currency exposure related to net investments in certain foreign operations. At June 30, 2010 we did not have any hedges of a net investment in a foreign operation.

Old GM previously used foreign currency denominated debt to hedge this foreign currency exposure. For nonderivative instruments that were designated as, and qualified as, a hedge of a net investment in a foreign operation, the effective portion of the unrealized and realized gains and losses were recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss). At June 30, 2009 Old GM had outstanding Euro denominated debt of \$2.1 billion that qualified as a hedge of a net investment in a foreign operation.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the gains and (losses) related to hedges of net investments in foreign operations that were recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss) (dollars in millions):

	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Effective portion of net investment hedge gains (losses)	\$ (8)

**Derivatives Not Designated for Hedge Accounting**

Derivatives not designated in a hedging relationship, such as forward contracts, swaps, and options, are used to economically hedge certain risk exposures. Unrealized and realized gains and losses related to all of our nondesignated derivative hedges, regardless of type of exposure, are recorded in Interest income and other non-operating income, net. Derivative purchases and settlements are presented in Net cash provided by (used in) operating activities.

Old GM previously entered into a variety of foreign currency exchange, interest rate and commodity forward contracts and options to maintain a desired level of exposure arising from market risks resulting from changes in foreign currency exchange rates, interest rates and certain commodity prices. Unrealized and realized gains and losses related to Old GM's nondesignated derivative hedges were recorded in earnings based on the type of exposure, as subsequently discussed.

In May 2009 Old GM reached agreements with certain of the counterparties to its derivative contracts to terminate the derivative contracts prior to stated maturity. Commodity, foreign currency exchange, and interest rate forward contracts were settled for cash of \$631 million, resulting in a loss of \$537 million. The loss was recorded in Sales, Cost of sales and Interest expense in the amounts of \$22 million, \$457 million and \$58 million.

When an exposure economically hedged with a derivative contract is no longer forecasted to occur, in some cases a new derivative instrument is entered into to offset the exposure related to the existing derivative instrument. In some cases, counterparties are unwilling to enter into offsetting derivative instruments and, as such, there is exposure to future changes in the fair value of these derivatives with no underlying exposure to offset this risk.

The following table summarizes gains and (losses) recorded for nondesignated derivatives originally entered into to hedge exposures that subsequently became probable not to occur (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Interest income and other non-operating income, net	\$ —	\$ 90

**Commodity Derivatives**

Certain raw materials, parts with significant commodity content, and energy are purchased for use in production. Exposure to commodity price risk may be managed by entering into commodity derivative instruments such as forward and option contracts. We currently manage this exposure using commodity options. At June 30, 2010, we had not entered into any commodity forward contracts.

Old GM hedged commodity price risk by entering into commodity forward and option contracts. Old GM recorded all commodity derivative gains and losses in Cost of sales.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the notional amounts of nondesignated commodity derivative contracts (units in thousands):

Commodity	Units	Successor	
		Contract Notional	
		June 30, 2010	December 31, 2009
Aluminum and aluminum alloy	Metric tons	205	39
Copper	Metric tons	21	4
Lead	Metric tons	36	7
Heating oil	Gallons	83,296	10,797
Natural gas	MMBTU	9,226	1,355
Natural gas	Gigajoules	1,185	150

**Interest Rate Swap Derivatives**

At June 30, 2010, we did not have any nondesignated interest rate swap derivatives.

Old GM previously used interest rate swap derivatives to economically hedge exposure to changes in the fair value of fixed rate debt. Gains and losses related to the changes in the fair value of these nondesignated derivatives were recorded in Interest expense.

**Foreign Currency Exchange Derivatives**

Foreign currency exchange derivatives are used to economically hedge exposure to foreign currency exchange risks associated with: (1) forecasted foreign currency denominated purchases and sales of vehicles and parts; and (2) variability in cash flows related to interest and principal payments on foreign currency denominated debt. At June 30, 2010 we managed foreign currency exchange risk through the use of foreign currency options and forward contracts.

The following table summarizes the total notional amounts of nondesignated foreign currency exchange derivatives (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
Nondesignated foreign currency exchange derivatives	\$ 4,135	\$ 6,333

Old GM recorded gains and losses related to these foreign currency exchange derivatives in: (1) Sales for derivatives that economically hedged sales of parts and vehicles; (2) Cost of sales for derivatives that economically hedged purchases of parts and vehicles; and (3) Cost of sales for derivatives that economically hedged foreign currency risk related to foreign currency denominated debt.

**Other Derivatives**

In September 2009 in connection with an agreement with American Axle, we received warrants to purchase 4 million shares of American Axle common stock exercisable at \$2.76 per share. The fair value of the warrants on the date of receipt was recorded as a Non-current asset. Gains and losses related to these warrants were recorded in Interest income and other non-operating income, net. At June 30, 2010 the fair value of these warrants was \$25 million.

On July 10, 2009 in connection with the 363 Sale, we issued warrants to MLC and the New VEBA to acquire shares of our common stock. These warrants are classified in equity and indexed to our common stock.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In connection with the UST Loan Agreement, Old GM granted warrants to the UST for 122 million shares of its common stock exercisable at \$3.57 per share. Old GM recorded the warrants as a liability and recorded gains and losses related to this derivative in Interest income and other non-operating income, net. At June 30, 2009 Old GM determined that the fair value of the warrants issued to the UST was \$0 as a result of the Chapter 11 Proceedings. In connection with the 363 Sale, the UST returned the warrants and they were cancelled.

*Fair Value of Nondesignated Derivatives*

The following table summarizes the fair value of our nondesignated derivative instruments (dollars in millions):

	June 30, 2010		Successor	
	Asset Derivatives (a)(b)	Liability Derivatives (c)(d)	Asset Derivatives (a)(b)	Liability Derivatives (c)(d)
<b>Current Portion</b>				
Foreign currency exchange derivatives	\$ 53	\$ 355	\$ 104	\$ 568
Commodity derivatives	24	—	11	—
Total current portion	\$ 77	\$ 355	\$ 115	\$ 568
<b>Non-Current Portion</b>				
Foreign currency exchange derivatives	\$ 1	\$ 15	\$ 19	\$ 146
Other derivatives	25	—	25	—
Total non-current portion	\$ 26	\$ 15	\$ 44	\$ 146

- (a) Recorded in Other current assets and deferred income taxes.
- (b) Recorded in Other assets.
- (c) Recorded in Accrued expenses.
- (d) Recorded in Other liabilities and deferred income taxes.

*Gains and (Losses) on Nondesignated Derivatives*

The following schedule summarizes gains and (losses) recorded in earnings on nondesignated derivatives (dollars in millions):

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
<b>Foreign Currency Exchange Derivatives</b>		
Sales	\$ —	\$ (726)
Cost of sales	—	(218)
Interest income and other non-operating income, net	30	90
<b>Interest Rate Swap Derivatives</b>		
Interest expense	—	(38)
<b>Commodity Derivative Contracts</b>		
Cost of sales	—	(334)
Interest income and other non-operating income, net	(53)	—
<b>Other Derivatives</b>		
Interest income and other non-operating income, net	—	164
Total gains (losses) recorded in earnings	\$ (23)	\$ (1,062)



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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Change in Accumulated Other Comprehensive Income (Loss)

The following table summarizes the net change in Accumulated other comprehensive income (loss) related to cash flow hedging activities (dollars in millions):

	<u>Predecessor Six Months Ended June 30, 2009</u>
Beginning net unrealized gain (loss) on derivatives	\$ (490)
Change in fair value	—
Reclassification to earnings	81
Ending net unrealized gain (loss) on derivatives	<u>\$ (409)</u>

Note 17. Commitments and Contingencies

The following tables summarize information related to Commitments and contingencies (dollars in millions):

	Successor			
	June 30, 2010		December 31, 2009	
	Liability Recorded	Maximum Liability (a)	Liability Recorded	Maximum Liability (a)
<b>Guarantees</b>				
Operating lease residual values (b)	\$ —	\$ 71	\$ —	\$ 79
Supplier commitments and other related obligations	\$ 2	\$ 190	\$ 3	\$ 218*
Ally Financial commercial loans (c)	\$ —	\$ 29	\$ 2	\$ 167
Other product-related claims	\$ 54	\$ 553	\$ 54	\$ 553

\* Amount originally reported as \$43 in our 2009 Form 10-K. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

(a) Calculated as future undiscounted payments.

(b) Excludes residual support and risk sharing programs related to Ally Financial.

(c) At December 31, 2009 includes \$127 million related to a guarantee provided to Ally Financial in Brazil in connection with dealer floor plan financing. At December 31, 2009 this guarantee was collateralized by certificates of deposit of \$127 million purchased from Ally Financial to which we have title and which are recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which we have recorded a corresponding deposit liability of \$104 million, which was recorded in Other liabilities at December 31, 2009. In the six months ended June 30, 2010 this guarantee was terminated.

	Successor	
	June 30, 2010 Liability Recorded	December 31, 2009 Liability Recorded
Environmental liability (a)	\$ 196	\$ 190
Product liability	\$ 280	\$ 319
Liability related to contingently issuable shares	\$ 162	\$ 162
Other litigation-related liabilities (b)	\$ 1,277	\$ 1,192

(a) Of the amounts we recorded, \$29 million and \$28 million were recorded in Accrued expenses at June 30, 2010 and December 31, 2009, and the remainder was recorded in Other liabilities.

(b) Consists primarily of tax related litigation not recorded pursuant to ASC 740-10, "Income Taxes," (ASC 740-10) as well as various non-U.S. labor related items.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Guarantees**

We have provided guarantees related to the residual value of certain operating leases. These guarantees terminate in years ranging from 2011 to 2035. Certain leases contain renewal options.

We have agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and other related obligations. These guarantees expire in years ranging from 2010 to 2013, or are ongoing or upon the occurrence of specific events.

In some instances, certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered.

We also provide payment guarantees on commercial loans made by Ally Financial and outstanding with certain third parties, such as dealers or rental car companies. These guarantees either expire in years ranging from 2010 to 2029 or are ongoing. We determined the value ascribed to the guarantees to be insignificant based on the credit worthiness of the third parties. Refer to Note 23 for additional information on guarantees that we provide to Ally Financial.

In connection with certain divestitures, we have provided guarantees with respect to benefits to be paid to former employees relating to pensions, postretirement health care and life insurance. Aside from indemnifications and guarantees related to Delphi, as subsequently discussed, it is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. No amounts have been recorded for such obligations as they are not probable or estimable at this time.

In addition to the guarantees and indemnifying agreements mentioned previously, we periodically enter into agreements that incorporate indemnification provisions in the normal course of business. Due to the nature of these agreements, the maximum potential amount of future undiscounted payments to which we may be exposed cannot be estimated. No amounts have been recorded for such indemnities as our obligations under them are not probable or estimable at this time.

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees expire in 2022.

**Environmental**

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. We are in various stages of investigation or remediation for sites where contamination has been alleged. We are involved in a number of actions to remediate hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. An environmental reserve is recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. This practice is followed whether the claims are asserted or unasserted. Liabilities have been recorded for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

For many sites, the remediation costs and other damages for which we ultimately may be responsible may vary because of uncertainties with respect to factors such as the connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation).

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The final outcome of environmental matters cannot be predicted with certainty at this time. Accordingly, it is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition and results of operations. At June 30, 2010 we estimate that remediation losses could range from \$140 million to \$375 million.

**Product Liability**

With respect to product liability claims involving our and Old GM's products, it is believed that any judgment against us for actual damages will be adequately covered by our recorded accruals and, where applicable, excess insurance coverage. Although punitive damages are claimed in some of these lawsuits, and such claims are inherently unpredictable, accruals incorporate historic experience with these types of claims. Liabilities have been recorded for the expected cost of all known product liability claims plus an estimate of the expected cost for all product liability claims that have already been incurred and are expected to be filed in the future for which we are self-insured. These amounts were recorded within Accrued expenses and Other liabilities and deferred income taxes and exclude Old GM's asbestos claims, which are discussed separately.

In accordance with our assumption of dealer sales and service agreements, we indemnify dealers for certain product liability related claims. Our experience related to dealer indemnification obligations where we are not a party arising from incidents prior to July 10, 2009 is limited. We monitor actual claims experience for consistency with this estimate and make periodic adjustments as appropriate. Since July 10, 2009, the volume of product liability claims against us has been less than projected. In addition, as of this time due to the relatively short period for which we have been directly responsible for such claims, we have fewer pending matters than Old GM had in the past and than we expect in the future. Based on both management judgments concerning the projected number and value of both dealer indemnification obligations and product liability claims against us, we have estimated the associated liability. We have lowered our overall product liability estimate for dealer indemnifications and our exposure in the six months ended June 30, 2010 resulting in a \$132 million favorable adjustment driven primarily by a lower than expected volume of claims. We expect our product liability reserve to rise in future periods as new claims arise from incidents subsequent to July 9, 2009.

**Liability Related to Contingently Issuable Shares**

We are obligated to issue additional shares of our common stock to MLC (Adjustment Shares) in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares issued if estimated general unsecured claims total \$42.0 billion or more. We determined that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In the circumstance where estimated general unsecured claims equal \$37.0 billion, under the terms of the Purchase Agreement, we would be required to issue 2.9 million Adjustment Shares to MLC.

**Other Litigation-Related Liability**

Various legal actions, governmental investigations, claims and proceedings are pending against us or MLC including a number of shareholder class actions, bondholder class actions and class actions under the Employee Retirement Income Security Act of 1974, as amended, and other matters arising out of alleged product defects, including asbestos-related claims; employment-related matters; governmental regulations relating to safety, emissions, and fuel economy; product warranties; financial services matters; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740-10 and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which it is believed that losses are probable and can be reasonably estimated, the majority of which are associated with tax-related matters not recorded pursuant to ASC 740-10 as well as various non-U.S. labor-related matters. Tax related matters not recorded pursuant to ASC 740-10 are items being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non-U.S. labor-related matters include claims from current and former employees related to

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alleged unpaid wage, benefit, severance, and other compensation matters. Certain South American administrative and legal proceedings are tax-related and may require that we deposit funds in escrow, such escrow deposits may range from \$725 million to \$900 million. Some of the matters may involve compensatory, punitive, or other treble damage claims, environmental remediation programs, or sanctions, that if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at June 30, 2010. We believe that appropriate accruals have been established for such matters based on information currently available. Reserves for litigation losses are recorded in Accrued expenses and Other liabilities and deferred income taxes. These accrued reserves represent the best estimate of amounts believed to be our and Old GM's liability in a range of expected losses. Litigation is inherently unpredictable, however, and unfavorable resolutions could occur. Accordingly, it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our or Old GM's financial condition, results of operations and cash flows in any particular reporting period.

**Asbestos-Related Liability**

In connection with the 363 Sale, MLC retained substantially all of the asbestos-related claims outstanding. At June 30, 2009 Old GM's liability recorded for asbestos-related matters was \$636 million.

Like most automobile manufacturers, Old GM had been subject to asbestos-related claims in recent years. These claims primarily arose from three circumstances:

- A majority of these claims sought damages for illnesses alleged to have resulted from asbestos used in brake components;
- Limited numbers of claims have arisen from asbestos contained in the insulation and brakes used in the manufacturing of locomotives; and
- Claims brought by contractors who allege exposure to asbestos-containing products while working on premises Old GM owned.

Old GM had resolved many of the asbestos-related cases over the years for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts. The amount expended on asbestos-related matters in any period depended on the number of claims filed, the amount of pre-trial proceedings and the number of trials and settlements in the period.

Old GM recorded the estimated liability associated with asbestos personal injury claims where the expected loss was both probable and could reasonably be estimated. Old GM retained a firm specializing in estimating asbestos claims to assist Old GM in determining the potential liability for pending and unasserted future asbestos personal injury claims. The analyses relied on and included the following information and factors:

- A third party forecast of the projected incidence of malignant asbestos-related disease likely to occur in the general population of individuals occupationally exposed to asbestos;
- Old GM's Asbestos Claims Experience, based on data concerning claims filed against Old GM and resolved, amounts paid, and the nature of the asbestos-related disease or condition asserted during approximately the four years prior;
- The estimated rate of asbestos-related claims likely to be asserted against MLC in the future based on Old GM's Asbestos Claims Experience and the projected incidence of asbestos-related disease in the general population of individuals occupationally exposed to asbestos;
- The estimated rate of dismissal of claims by disease type based on Old GM's Asbestos Claims Experience; and
- The estimated indemnity value of the projected claims based on Old GM's Asbestos Claims Experience, adjusted for inflation.

Old GM reviewed a number of factors, including the analyses provided by the firm specializing in estimating asbestos claims in order to determine a reasonable estimate of the probable liability for pending and future asbestos-related claims projected to be asserted over the next 10 years, including legal defense costs. Old GM monitored actual claims experience for consistency with this estimate and made periodic adjustments as appropriate.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Old GM believed that the analyses were based on the most relevant information available combined with reasonable assumptions, and that Old GM may prudently rely on their conclusions to determine the estimated liability for asbestos-related claims. Old GM noted, however, that the analyses were inherently subject to significant uncertainties. The data sources and assumptions used in connection with the analyses may not prove to be reliable predictors with respect to claims asserted against Old GM. Old GM's experience in the past included substantial variation in relevant factors, and a change in any of these assumptions — which include the source of the claiming population, the filing rate and the value of claims — could significantly increase or decrease the estimate. In addition, other external factors such as legislation affecting the format or timing of litigation, the actions of other entities sued in asbestos personal injury actions, the distribution of assets from various trusts established to pay asbestos claims and the outcome of cases litigated to a final verdict could affect the estimate.

**GME Planned Spending Guarantee**

As part of our Opel/Vauxhall restructuring plan, agreed to with European labor representatives, we have committed in principle to achieve specified milestones associated with planned spending from 2011 to 2014 on certain product programs. If we fail to accomplish the requirements set out under the expected final agreement, we will be required to pay certain amounts up to Euro 265 million for each of those years, and/or interest on those amounts, to our employees. Management has the intent and believes it has the ability to meet the requirements under the agreement, which we expect to be finalized during the three months ending September 30, 2010.

**Delphi Corporation**

***Benefit Guarantee***

In 1999 Old GM spun-off Delphi Automotive Systems Corporation, which became Delphi. At the time of the spin-off, employees of Delphi Automotive Systems Corporation became employees of Delphi. As part of the separation agreements, Delphi assumed the pension and other postretirement benefit obligations for the transferred U.S. hourly employees who retired after October 1, 2000. Additionally at the time of the spin-off, Old GM entered into the Delphi Benefit Guarantee Agreements with the UAW, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers — Communication Workers of America (IUE-CWA) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW). The Delphi Benefit Guarantee Agreements provided that in the event that Delphi or its successor companies ceased doing business, terminated its pension plan or ceased to provide credited service or OPEB benefits at certain levels due to financial distress, Old GM could be liable to provide the corresponding benefits for certain covered employees at the required level and to the extent the pension benefits Delphi and the PBGC provided fall short of the guaranteed amount.

In October 2005 Old GM received notice from Delphi it would become obligated to provide benefits pursuant to the Delphi Benefit Guarantee Agreements in connection with Delphi's commencement in October 2005 of Chapter 11 proceedings under the Bankruptcy Code. In June 2007 Old GM entered into a memorandum of understanding with Delphi and the UAW (Delphi UAW MOU) that included terms relating to the consensual triggering, under certain circumstances, of the Delphi Benefit Guarantee Agreements as well as additional terms relating to Delphi's restructuring. Under the Delphi UAW MOU, Old GM also agreed to pay for certain health care costs of covered Delphi retirees and their beneficiaries in order to provide a level of benefits consistent with those provided to Old GM's retirees and their beneficiaries, if Delphi terminated OPEB benefits. In August 2007 Old GM also entered into memoranda of understanding with Delphi and the IUE-CWA and with Delphi and the USW containing terms consistent with the comprehensive Delphi UAW MOU.

***Delphi-GM Settlement Agreements***

In September 2007 and as amended at various times through September 2008, Old GM entered into agreements with Delphi. In September 2008 Old GM also entered into agreements with Delphi and the UAW, IUE-CWA and the USW. All of these agreements were intended to resolve, among other items, outstanding issues between Delphi and Old GM, govern certain aspects of Old GM's ongoing commercial relationship with Delphi, address a limited transfer of pension assets and liabilities, and address the triggering of the Delphi Benefit Guarantee Agreements. In September 2008 these agreements became effective.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Upon consummation of the DMDA, these agreements were terminated with limited exceptions.

***Delphi Liquidity Support Agreements***

Beginning in 2008 Old GM entered into various agreements and amendments to such agreements to advance a maximum of \$950 million to Delphi, subject to Delphi's continued satisfaction of certain conditions and milestones. Old GM also agreed to accelerate payment of North American payables to Delphi at various amounts up to a maximum of \$300 million. As of June 30, 2009 we had advanced \$700 million under these agreements. Upon consummation of the DMDA, we waived our rights to advanced amounts and accelerated payments of \$850 million that became consideration to Delphi and other parties under the DMDA.

***Delphi Master Disposition Agreement***

In October 2009 we consummated the transaction contemplated by the DMDA with Delphi, New Delphi, Old GM, and other parties to the DMDA, as described in Note 4. Upon consummation of the DMDA, the Delphi-GM Settlement Agreements and Delphi liquidity support agreements discussed previously were terminated with limited exceptions, and we and Delphi waived all claims against each other. We maintain certain obligations relating to Delphi hourly employees to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements.

The DMDA established our ongoing commercial relationship with New Delphi. This included the continuation of all existing Delphi supply agreements and purchase orders for GMNA to the end of the related product program and New Delphi agreed to provide us with access rights designed to allow us to operate specific sites on defined triggering events to provide us with protection of supply. In addition, we and a class of New Delphi investors agreed to establish a secured delayed draw term loan facility for New Delphi, with each committing to provide loans of up to \$500 million.

***Delphi Charges***

In the six months ended June 30, 2009 Old GM recorded charges of \$284 million. These charges, which were recorded in Cost of sales and Other expenses, net, reflected the best estimate of obligations associated with the various Delphi agreements.

**Note 18. Income Taxes**

For interim income tax reporting we estimate our annual effective tax rate and apply it to year-to-date ordinary income/loss. The tax effect of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur. Tax jurisdictions with a projected or year-to-date loss for which a tax benefit cannot be realized are excluded. The effective tax rate fluctuated in the six months ended June 30, 2010 primarily as a result of changes in the mix of earnings in valuation allowance and non-valuation allowance jurisdictions.

In the six months ended June 30, 2010 income tax expense of \$870 million primarily resulted from income tax provisions for profitable entities and a taxable foreign currency gain in Venezuela. As a result of the official devaluation of the Venezuelan currency in the six months ended June 30, 2010, we recorded income tax expense related to the foreign currency exchange gain on the net monetary position of our foreign currency denominated assets.

In the six months ended June 30, 2009 income tax benefit of \$559 million primarily resulted from resolution of a U.S. and Canada transfer pricing matter and other discrete items offset by income tax provisions for profitable entities.

Most of the tax attributes generated by Old GM and its domestic and foreign subsidiaries (net operating loss carryforwards and various income tax credits) survived the Chapter 11 Proceedings and we expect to use these tax attributes to reduce future tax liabilities. The ability to utilize certain of the U.S. tax attributes in future tax periods could be limited by Section 382(a) of the Internal

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Revenue Code. In Germany, we have net operating loss carryforwards for corporate income tax and trade tax purposes. We have received a ruling from the German tax authorities confirming the availability of those losses under the prerequisite that an agreement with the unions as to employment costs will be achieved. This ruling is subject to the outcome of infringement proceedings initiated by the European Union with respect to the German law on which the ruling is based. If the European Union proceedings have a positive outcome we will be able to utilize those losses despite the reorganizations that have taken place in Germany in 2008 and 2009. In Australia, we have net operating loss carryforwards which are now subject to meeting an annual "Same Business Test" requirement. We will assess our ability to utilize these carryforward losses annually.

We file and Old GM filed income tax returns in multiple jurisdictions, which are subject to examination by taxing authorities throughout the world. We have open tax years from 1999 to 2009 with various significant tax jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. Given the global nature of our operations, there is a risk that transfer pricing disputes may arise. We have continuing responsibility for Old GM's open tax years. We record, and Old GM previously recorded, a tax benefit only for those positions that meet the more likely than not standard.

In May 2009 the U.S. and Canadian governments resolved a transfer pricing matter with Old GM, which covered the tax years 2001 through 2007. In the six months ended June 30, 2009 this resolution resulted in a tax benefit of \$692 million and interest income of \$229 million. Final administrative processing of the Canadian case closing occurred in late 2009, and final administrative processing of the U.S. case closing occurred in February 2010.

In June 2010, a Mexican income tax audit covering the 2002 and 2003 years was concluded and an assessment of \$159 million, including tax, interest and penalties was issued. We do not agree with the assessment and intend to appeal. We believe we have adequate reserves established and collection of the assessment will be suspended during the appeal period and any subsequent proceedings through U.S. and Mexican competent authorities.

At June 30, 2010, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits over the next 12 months.

**Note 19. Fair Value Measurements**

**Fair Value Measurements**

A three-level valuation hierarchy is used for fair value measurements. The three-level valuation hierarchy is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for *identical* instruments in active markets;
- Level 2 — Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3 — Instruments whose significant inputs are *unobservable*.

Financial instruments are transferred in and/or out of Level 3 in the valuation hierarchy based upon the significance of the unobservable inputs to the overall fair value measurement. Level 3 financial instruments typically include, in addition to the unobservable inputs, observable components that are validated to external sources.

Securities are classified in Level 1 of the valuation hierarchy when quoted prices in an active market for identical securities are available. If quoted market prices are not available, fair values of securities are determined using prices from a pricing vendor, pricing models, quoted prices of securities with similar characteristics or discounted cash flow models and are generally classified in Level 2

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

of the valuation hierarchy. Our pricing vendor utilizes industry-standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. Securities are classified in Level 3 of the valuation hierarchy in certain cases where there are unobservable inputs to the valuation in the marketplace.

Annually, we conduct a review of our pricing vendor. This review includes discussion and analysis of the inputs used by the pricing vendor to provide prices for the types of securities we hold. These inputs included interest rate yields, bid/ask quotes, prepayment speeds and prices for comparable securities. Based on our review we believe the prices received from our pricing vendor are a reliable representation of exit prices.

All derivatives are recorded at fair value. Internal models are used to value a majority of derivatives. The models use, as their basis, readily observable market inputs, such as time value, forward interest rates, volatility factors, and current and forward market prices for commodities and foreign currency exchange rates. Level 2 of the valuation hierarchy includes certain foreign currency derivatives, commodity derivatives and warrants. Derivative contracts that are valued based upon models with significant unobservable market inputs, primarily estimated forward and prepayment rates, are classified in Level 3 of the valuation hierarchy. Level 3 of the valuation hierarchy includes warrants issued prior to July 10, 2009 to the UST, certain foreign currency derivatives, certain long-dated commodity derivatives and interest rate swaps with notional amounts that fluctuated over time.

The valuation of derivative liabilities takes into account our and Old GM's nonperformance risk. For the periods presented after June 1, 2009, our and Old GM's nonperformance risk was not observable through the credit default swap market as a result of the Chapter 11 Proceedings for Old GM and the lack of traded instruments for us. As a result, an analysis of comparable industrial companies was used to determine the appropriate credit spread which would be applied to us by market participants. In these periods, all derivatives whose fair values contained a significant credit adjustment based on our nonperformance risk were classified in Level 3 of the valuation hierarchy.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**
**Fair Value Measurements on a Recurring Basis**

The following tables summarize the financial instruments measured at fair value on a recurring basis (dollars in millions):

	Successor			
	Fair Value Measurements on a Recurring Basis at			
	June 30, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents				
United States government and agency	\$ —	\$ 2,456	\$ —	\$ 2,456
Certificates of deposit	—	3,719	—	3,719
Money market funds	2,699	—	—	2,699
Commercial paper	—	7,293	—	7,293
Marketable securities				
Trading securities				
Equity	16	14	—	30
United States government and agency	—	12	—	12
Mortgage and asset-backed	—	29	—	29
Foreign government	—	30	—	30
Corporate debt	—	29	—	29
Available-for-sale securities				
United States government and agency	—	939	—	939
Certificates of deposit	—	1,326	—	1,326
Corporate debt	—	2,366	—	2,366
Restricted cash and marketable securities				
United States government and agency	—	160	—	160
Government of Canada bonds	—	956	—	956
Money market funds	389	—	—	389
Other assets				
Equity	8	—	—	8
Derivatives				
Commodity	—	24	—	24
Foreign currency	—	25	29	54
Other	—	25	—	25
Total assets	<u>\$ 3,112</u>	<u>\$ 19,403</u>	<u>\$ 29</u>	<u>\$ 22,544</u>
<b>Liabilities</b>				
Other liabilities				
Options	\$ —	\$ —	\$ 24	\$ 24
Derivatives				
Foreign currency	—	3	367	370
Total liabilities	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 391</u>	<u>\$ 394</u>

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Successor			
	Fair Value Measurements on a Recurring Basis at December 31, 2009			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents				
United States government and agency	\$ —	\$ 580	\$ —	\$ 580
Certificates of deposit	—	2,140	—	2,140
Money market funds	7,487	—	—	7,487
Commercial paper	—	969	—	969
Marketable securities				
Trading securities				
Equity	15	17	—	32
United States government and agency	—	17	—	17
Mortgage and asset-backed	—	22	—	22
Foreign government	—	24	—	24
Corporate debt	—	29	—	29
Available-for-sale securities				
United States government and agency	—	2	—	2
Certificates of deposit	—	8	—	8
Restricted cash and marketable securities				
United States government and agency bonds	—	140*	—	140
Money market funds	13,083**	—	—	13,083
Government of Canada bonds	—	955	—	955
Other assets				
Equity	13	—	—	13
Derivatives				
Commodity	—	11	—	11
Foreign currency	—	90	33	123
Other	—	25	—	25
<b>Total assets</b>	<b>\$ 20,598</b>	<b>\$ 5,029</b>	<b>\$ 33</b>	<b>\$25,660</b>
<b>Liabilities</b>				
Derivatives				
Foreign currency	\$ —	\$ 9	\$ 705	\$ 714
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 9</b>	<b>\$ 705</b>	<b>\$ 714</b>

\* Amounts originally reported as \$0 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

\*\* Amounts originally reported as \$12,662 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

**Fair Value Measurements on a Recurring Basis using Level 3 Inputs**

In the six months ended June 30, 2009 Old GM's mortgage and asset-backed securities were transferred from Level 3 to Level 2 as the significant inputs used to measure fair value and quoted prices for similar instruments were determined to be observable in an active market.

For periods presented after June 1, 2009 our and Old GM's nonperformance risk was not observable through the credit default swap market as a result of the Chapter 11 Proceedings for Old GM and the lack of traded instruments for us. As a result, foreign currency derivatives with a fair market value of \$1.6 billion were transferred from Level 2 to Level 3 in the six months ended June 30, 2009.

In the six months ended June 30, 2009 Old GM determined the credit profile of certain foreign subsidiaries was equivalent to Old GM's nonperformance risk which was observable through the credit default swap market and bond market based on prices for recent

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

trades. Accordingly, foreign currency derivatives with a fair value of \$2.1 billion were transferred from Level 3 into Level 2 in the six months ended June 30, 2009.

	Successor					
	Level 3 Financial Assets and Liabilities					
	Mortgage-backed Securities (a)	Commodity Derivatives, Net (b)	Foreign Currency Derivatives (c)	Options (d)	Other Securities (a)	Total Net Liabilities
Balance at January 1, 2010	\$ —	\$ —	\$ (672)	\$ —	\$ —	\$ (672)
Total realized/unrealized gains (losses)						
Included in earnings	—	—	73	(3)	—	70
Included in Accumulated other comprehensive income (loss)	—	—	3	—	—	3
Purchases, issuances, and settlements	—	—	258	(21)	—	237
Transfer in and/or out of Level 3	—	—	—	—	—	—
Balance at June 30, 2010	\$ —	\$ —	\$ (338)	\$ (24)	\$ —	\$ (362)
Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	\$ —	\$ —	\$ 59	\$ (3)	\$ —	\$ 56
	Predecessor					
	Level 3 Financial Assets and Liabilities					
	Mortgage-backed Securities (a)	Commodity Derivatives, Net (b)	Foreign Currency Derivatives (c)	UST Warrant (a)	Other Securities (a)	Total Net Liabilities
Balance at January 1, 2009	\$ 49	\$ (17)	\$ (2,144)	\$ (164)	\$ 17	\$ (2,259)
Total realized/unrealized gains (losses)						
Included in earnings	(2)	13	—	164	(5)	170
Included in Accumulated other comprehensive income (loss)	—	—	—	—	—	—
Purchases, issuances, and settlements	(14)	4	—	—	(7)	(17)
Transfer in and/or out of Level 3	(33)	—	585	—	(5)	547
Balance at June 30, 2009	\$ —	\$ —	\$ (1,559)	\$ —	\$ —	\$ (1,559)
Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

- (a) Realized gains (losses) and other than temporary impairments on marketable securities (including the UST warrants outstanding until the closing of the 363 Sale) are recorded in Interest income and other non-operating income, net.
- (b) Prior to July 10, 2009 realized and unrealized gains (losses) on commodity derivatives were recorded in Cost of sales. Changes in fair value are attributable to changes in base metal and precious metal prices. Beginning July 10, 2009 realized and unrealized gains (losses) on commodity derivatives are recorded in Interest income and other non-operating income, net.
- (c) Prior to July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives were recorded in the line item associated with the economically hedged item. Beginning July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives are recorded in Interest income and other non-operating income, net and foreign currency translation gains (losses) are recorded in Accumulated other comprehensive income (loss).
- (d) Realized and unrealized gains (losses) on options are recorded in Interest income and other non-operating income, net.

**Short-Term and Long-Term Debt**

We determined the fair value of debt based on a discounted cash flow model which used benchmark yield curves plus a spread that represented the yields on traded bonds of companies with comparable credit ratings.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the carrying amount and estimated fair value of short-term and long-term debt, including capital leases, for which it is practicable to estimate fair value (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
Carrying amount (a)	\$ 8,161	\$ 15,783
Fair value (a)	\$ 7,751	\$ 16,024

(a) Accounts and notes receivable, net and Accounts payable (principally trade) are not included because the carrying amount approximates fair value due to their short-term nature.

**Ally Financial Common and Preferred Stock**

At December 31, 2009 we estimated the fair value of our investment in Ally Financial common stock using a market approach based on the average price to tangible book value multiples of comparable companies to each of Ally Financial's Auto Finance, Commercial Finance, Mortgage, and Insurance operations to determine the fair value of the individual operations. These values were aggregated to estimate the fair value of Ally Financial's common stock. The significant inputs used to determine the appropriate multiple for Ally Financial and used in our analysis were as follows:

- Ally Financial's December 31, 2009 financial statements, as well as the financial statements and price to tangible book value multiples of comparable companies in the Auto Finance, Commercial Finance and Insurance industries;
- Historical segment equity information separately provided by Ally Financial;
- Expected performance of Ally Financial, as well as our view on its ability to access capital markets; and
- The value of Ally Financial's mortgage operations, taking into consideration the continuing challenges in the housing markets and mortgage industry, and its need for additional liquidity to maintain business operations.

At June 30, 2010 we estimated the fair value of Ally Financial common stock using a market approach that applies the average price to tangible book value multiples of comparable companies to the consolidated Ally Financial tangible book value. This approach provides our best estimate of the fair value of our investment in Ally Financial common stock at June 30, 2010 due to Ally Financial's transition to a bank holding company and less readily available information with which to value Ally Financial's business operations individually. The significant inputs used in our fair value analysis were Ally Financial's June 30, 2010 financial statements, as well as the financial statements and price to tangible book value multiples of comparable companies in the banking and finance industry.

At December 31, 2009 and June 30, 2010 we calculated the fair value of our investment in Ally Financial's preferred stock using a discounted cash flow approach. The present value of the cash flows was determined using assumptions regarding the expected receipt of dividends on Ally Financial's preferred stock and the expected call date.

The following table summarizes the carrying amount and estimated fair value of Ally Financial common and preferred stock (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
<b>Common stock</b>		
Carrying amount (a)	\$ 966	\$ 970
Fair value	\$1,138	\$ 970
<b>Preferred stock</b>		
Carrying amount	\$ 665	\$ 665
Fair value	\$1,035	\$ 989

(a) Investment in Ally Financial common stock at June 30, 2010 and December 31, 2009 includes the 16.6% held directly and through an independent trust.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 20. Restructuring and Other Initiatives**

We have and Old GM had previously executed various restructuring and other initiatives, and we plan to execute additional initiatives in the future, if necessary, in order to preserve adequate liquidity, to align manufacturing capacity and other costs with prevailing global automotive sales and to improve the utilization of remaining facilities. Related charges are primarily recorded in Cost of sales and Selling, general and administrative expense.

Estimates of restructuring and other initiative charges are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, we may record revisions to previous estimates by adjusting previously established reserves.

Refer to Note 21 for asset impairment charges related to our restructuring initiatives.

**GM**

The following table summarizes restructuring reserves (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges in the six months ended June 30, 2010 (dollars in millions):

	Successor			Total
	GMNA	GMIO	GME	
Balance at January 1, 2010	\$2,088	\$ 7	\$ 451	\$2,546
Additions	28	—	480	508
Interest accretion and other	20	—	60	80
Payments	(421)	(5)	(294)	(720)
Revisions to estimates	(105)	1	(8)	(112)
Effect of foreign currency translation	(1)	—	(96)	(97)
Balance at June 30, 2010 (a)	<u>\$1,609</u>	<u>\$ 3</u>	<u>\$ 593</u>	<u>\$2,205</u>

(a) The remaining cash payments related to these restructuring reserves primarily relate to postemployment benefits to be paid.

**GMNA**

GMNA recorded charges, interest accretion and other and revisions to estimates that decreased the restructuring reserves by \$57 million in the six months ended June 30, 2010. The decrease was primarily related to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple production sites in the six months ended June 30, 2010, partially offset by a Canadian hourly separation program at the Oshawa facility.

**GME**

GME recorded charges, and interest accretion and other and revisions to estimates of \$532 million in the six months ended June 30, 2010 for separation programs primarily related to the following initiatives:

- Separation charges of \$353 million in the six months ended June 30, 2010 for a separation plan related to the closure of the Antwerp, Belgium facility which affected 1,300 employees in the three months ended June 30, 2010 and will affect 1,300 additional employees.
- Separation charges of \$72 million in the six months ended June 30, 2010 and revisions to estimates of \$8 million to decrease the reserve related to separation/layoff plans and an early retirement plan in Spain which will affect 1,200 employees.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Separation charges of \$25 million related to a voluntary separation program in the United Kingdom.
- Separation charges of \$27 million and interest accretion and other of \$56 million in the six months ended June 30, 2010 related to previously announced programs in Germany.

**Dealer Wind-downs**

We market vehicles worldwide through a network of independent retail dealers and distributors. As part of achieving and sustaining long-term viability and the viability of our dealer network, we determined that a reduction in the number of GMNA dealerships was necessary. At June 30, 2010 there were approximately 5,900 dealers in GMNA compared to approximately 6,500 at December 31, 2009. Certain dealers in the U.S. that had signed wind-down agreements with us elected to file for reinstatement through a binding arbitration process. In response to the arbitration filings we offered certain dealers reinstatement contingent upon compliance with our core business criteria for operation of a dealership. At June 30, 2010 the arbitration process had been fundamentally resolved.

The following table summarizes GMNA's restructuring reserves related to dealer wind-down agreements in the six months ended June 30, 2010 (dollars in millions):

	Successor		
	U.S.	Canada and Mexico	Total
Balance at January 1, 2010	\$ 460	\$ 41	\$ 501
Additions	9	9	18
Payments	(184)	(32)	(216)
Effect of foreign currency translation	—	2	2
Revisions to estimates	(6)	—	(6)
Balance at June 30, 2010	<u>\$ 279</u>	<u>\$ 20</u>	<u>\$ 299</u>

**Old GM**

The following table summarizes Old GM's restructuring reserves (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges in the six months ended June 30, 2009 (dollars in millions):

	Predecessor			Total
	GMNA	GMIO	GME	
Balance at January 1, 2009	\$2,456	\$ 58	\$468	\$ 2,982
Additions	1,835	61	19	1,915
Interest accretion and other	15	—	10	25
Payments	(969)	(87)	(63)	(1,119)
Revisions to estimates	(395)	9	—	(386)
Effect of foreign currency translation	51	8	1	60
Balance at June 30, 2009	<u>\$2,993</u>	<u>\$ 49</u>	<u>\$435</u>	<u>\$ 3,477</u>

GMNA recorded charges, interest accretion and other and revisions to estimates that increased the restructuring reserves by \$1.5 billion for the six months ended June 30, 2009 for separation programs related to the following initiatives:

- Supplemental Unemployment Benefit (SUB) and Transitional Support Program (TSP) related charges in the U.S. of \$707 million for the six months ended June 30, 2009 recorded as an additional liability determined by an actuarial analysis at the implementation of the SUB and TSP and related suspension of the JOBS Program, Old GM's job security provision in the collective bargaining agreement with the UAW to continue paying idled employees certain wages and benefits.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- Postemployment benefit charges in the U.S. of \$825 million for the six months ended June 30, 2009 related to 13,000 hourly employees who participated in the 2009 Special Attrition Programs.
- Separation charges of \$250 million for the six months ended June 30, 2009 for a U.S. salaried severance program to allow terminated employees to receive ongoing wages and benefits for up to 12 months.
- Revisions to estimates to decrease the reserve by \$395 million for the six months ended June 30, 2009 primarily related to \$335 million for the six months ended June 30, 2009 for the suspension of the JOBS Program and \$136 million for the six months ended June 30, 2009 for estimated future wages and benefits due to employees who participated in the 2009 Special Attrition Programs; offset by a net increase of \$86 million for the six months ended June 30, 2009 related to Canadian salaried workforce reductions and other restructuring initiatives in Canada.
- Postemployment benefit charges in Canada of \$38 million for the six months ended June 30, 2009 related to 380 hourly employees who participated in a special attrition program at the Oshawa Facility.

GMIO recorded charges and revisions to estimates of \$70 million in the six months ended June 30, 2009 primarily related to separation programs in South America and Australia.

GME recorded charges, interest accretion and other and revisions to estimates of \$29 million in the six months ended June 30, 2009 for separation programs primarily related to early retirement programs in Germany and previously announced programs in Germany and Belgium.

***Dealer Wind-downs***

The following table summarizes Old GM's restructuring reserves related to dealer wind-down agreements in the six months ended June 30, 2009 (dollars in millions):

	<b>Canada</b>
Balance at January 1, 2009	\$ —
Additions	120
Payments	—
Effect of foreign currency translation	—
Balance at June 30, 2009	<u>\$ 120</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 21. Impairments**

The following table summarizes impairment charges (dollars in millions):

	Successor Six Months Ended June 30, 2010	Predecessor Six Months Ended June 30, 2009
<b>GMNA</b>		
Product-specific tooling assets	\$ —	\$ 278
Cancelled powertrain programs	—	42
Equity and cost method investments (other than Ally Financial)	—	28
Vehicles leased to rental car companies	—	11
Total GMNA impairment charges	—	359
<b>GMIO</b>		
Product-specific tooling assets	—	7
Other long-lived assets	—	2
Total GMIO impairment charges	—	9
<b>GME</b>		
Product-specific tooling assets	—	237
Vehicles leased to rental car companies	15	34
Total GME impairment charges	15	271
<b>Corporate</b>		
Other than temporary impairment charges on debt and equity securities (a)	—	11
Automotive retail leases	—	16
Total Corporate impairment charges	—	27
Total impairment charges	<u>\$ 15</u>	<u>\$ 666</u>

(a) Refer to Note 5 and Note 19 for additional information on marketable securities and financial instruments measured at fair value on a recurring basis. Other than temporary impairment charges on debt and equity securities were recorded in Interest income and other non-operating income, net.

The following tables summarize assets measured at fair value (all of which utilized Level 3 inputs) on a nonrecurring basis subsequent to initial recognition (dollars in millions):

**GM**

*GME*

	Six Months Ended June 30, 2010 (a)	Successor Fair Value Measurements Using			Six Months Ended June 30, 2010 Total Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Vehicles leased to rental car companies	\$537-563	—	—	\$ 537-563	\$ (15)

(a) Amounts represent the fair value range of measures during the period.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Vehicles leased to rental car companies were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$15 million in the six months ended June 30, 2010. Fair value measurements utilized projected cash flows which primarily consist of vehicle sales at auction.

Old GM

	Six Months Ended June 30, 2009 (a)	Predecessor Fair Value Measurements Using			Six Months Ended June 30, 2009 Total Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Product-specific tooling assets	\$ 0-85	—	—	\$ 0-85	\$ (522)
Cancelled powertrain programs	\$ —	—	—	\$ —	(42)
Other long-lived assets	\$ —	—	—	\$ —	(2)
Equity and cost method investments (other than Ally Financial)	\$ —	—	—	\$ —	(28)
Vehicles leased to rental car companies	\$ 543-2,057	—	—	\$ 543-2,057	(45)
Automotive retail leases	\$ 1,519	—	—	\$ 1,519	(16)
<b>Total</b>					<b>\$ (655)</b>

(a) Amounts represent the fair value measure (or range of measures) during the period.

**GMNA**

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$278 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

Cancelled powertrain programs were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$42 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

CAMI Automotive, Inc. (CAMI), at the time an equity method investee, was adjusted to its fair value, resulting in an impairment charge of \$28 million in the six months ended June 30, 2009. The fair value measurement utilized projected cash flows discounted at a rate commensurate with the perceived business risks related to the investment. In March 2009 Old GM determined that due to changes in contractual arrangements, CAMI became a VIE and Old GM was the primary beneficiary, and therefore CAMI was consolidated. In December 2009 we acquired the remaining noncontrolling interest of CAMI from Suzuki for \$100 million increasing our ownership interest from 50% to 100%. As a result of this acquisition, CAMI became a wholly-owned subsidiary.

Vehicles leased to rental car companies were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$11 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows which primarily consist of vehicle sales at auction.

**GMIO**

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$7 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other long-lived assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$2 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

**GME**

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$237 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

Vehicles leased to rental car companies were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$34 million in the six months ended June 30, 2009. Fair value measurements utilized projected cash flows which primarily consist of vehicle sales at auction.

**Corporate**

Automotive retail leases were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$16 million in the six months ended June 30, 2009. Fair value measurements utilized discounted projected cash flows from lease payments and anticipated future auction proceeds.

**Contract Cancellations**

The following table summarizes contract cancellation charges primarily related to the cancellation of product programs (dollars in millions):

	<u>Successor</u> Six Months Ended June 30, 2010	<u>Predecessor</u> Six Months Ended June 30, 2009
GMNA	\$ 36	\$ 157
GMIO	—	8
GME	—	12
Total contract cancellation charges	<u>\$ 36</u>	<u>\$ 177</u>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 22. Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share have been computed by dividing Net income (loss) attributable to common stockholders by the weighted average number of shares outstanding in the period.

The following table summarizes basic and diluted earnings (loss) per share (in millions, except per share amounts):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June</u> <u>30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June</u> <u>30, 2009</u>
<b>Basic</b>		
Net income (loss) attributable to common stockholders (a)	\$ 4.40	\$ (30.91)
Weighted-average common shares outstanding	500	611
<b>Diluted</b>		
Net income (loss) attributable to common stockholders (a)	\$ 4.21	\$ (30.91)
Weighted-average common shares outstanding	522	611

(a) The six months ended June 30, 2010 includes accumulated but undeclared dividends of \$34 million on our Series A Preferred Stock, which decreases Net income attributable to common stockholders.

**GM**

In the six months ended June 30, 2010 diluted earnings per share included the potential effect of the assumed exercise of certain warrants to acquire shares of our common stock. The number of shares of common stock, assuming the exercise of the warrants, that were excluded in the computation of diluted earnings per share under the treasury stock method was 68 million in the six months ended June 30, 2010. The number of shares of common stock, assuming the exercise of the warrants, that were included in the computation of diluted earnings per share under the treasury stock method was 22 million in the six months ended June 30, 2010. The number of shares of common stock that were excluded in the computation of diluted earnings per share because the effect was antidilutive was 15 million in the six months ended June 30, 2010.

At June 30, 2010 the Adjustment Shares were excluded from the computation of basic and diluted earnings per share as the condition that would result in the issuance of the Adjustment Shares was not satisfied. The maximum number of Adjustment Shares issuable is 10 million shares (subject to adjustment to take into account stock dividends, stock splits and other transactions). At June 30, 2010 we believe it is probable that these claims will exceed \$35.0 billion, but it is still possible they will not. The Adjustment Shares may, however, be dilutive in the future. Refer to Note 17 for additional information on the Adjustment Shares.

We have granted restricted stock units and salary stock to certain global executives. As these awards will be payable in cash if settled prior to six months after a completion of a successful initial public offering, the restricted stock and salary stock awards are excluded from the computation of diluted earnings per share. At June 30, 2010 6 million restricted stock units were outstanding.

**Old GM**

Due to Old GM's net losses in the six months ended June 30, 2009, the assumed exercise of stock options and warrants had an antidilutive effect and therefore was excluded from the computation of diluted loss per share. The number of such options and warrants not included in the computation of diluted loss per share was 208 million in the six months ended June 30, 2009.

No shares potentially issuable to satisfy the in-the-money amount of Old GM's convertible debentures have been included in the computation of diluted income (loss) per share in the six months ended June 30, 2009 as the conversion options in various series of convertible debentures were not in-the-money.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 23. Transactions with Ally Financial**

Old GM entered into various operating and financing arrangements with Ally Financial, a related party. In connection with the 363 Sale, we assumed the terms and conditions of these agreements as more fully discussed in this prospectus. The following tables describe the financial statement effects of and maximum obligations under these agreements (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
Operating lease residuals		
Residual support (a)		
Liabilities (receivables) recorded	\$ (18)	\$ 369
Maximum obligation	\$ 881	\$ 1,159
Risk sharing (a)		
Liabilities recorded	\$ 401	\$ 366
Maximum obligation	\$ 1,080	\$ 1,392
Note payable to Ally Financial (b)	\$ 35	\$ 35
Vehicle repurchase obligations (c)		
Maximum obligations	\$15,881	\$ 14,249*
Fair value of guarantee	\$ 34	\$ 46

\* Amount originally reported as \$14,058 in our 2009 Form 10-K. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

- (a) Represents liabilities (receivables) recorded and maximum obligations for agreements entered into prior to December 31, 2008. Agreements entered into in 2010 and 2009 do not include residual support or risk sharing programs. During the six months ended June 30, 2010 favorable adjustments of \$0.4 billion were recorded in the U.S. due to increases in estimated residual values.
- (b) Ally Financial retained an investment in a note, which is secured by certain automotive retail leases.
- (c) In May 2009 Old GM and Ally Financial agreed to expand Old GM's repurchase obligations for Ally Financial financed inventory at certain dealers in Europe, Asia, Brazil and Mexico. In November 2008 Old GM and Ally Financial agreed to expand Old GM's repurchase obligations for Ally Financial financed inventory at certain dealers in the United States and Canada. The maximum potential amount of future payments required to be made under this guarantee would be based on the repurchase value of total eligible vehicles financed by Ally Financial in dealer stock. The total exposure of repurchased vehicles would be reduced to the extent vehicles are able to be resold to another dealer. The fair value of the guarantee considers the likelihood of dealers terminating and the estimated loss exposure for the ultimate disposition of vehicles.

	Successor	Predecessor
	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Marketing incentives and operating lease residual payments (a)	\$ 511	\$ 601
Exclusivity fee revenue	\$ 50	\$ 50
Royalty income	\$ 7	\$ 8

- (a) Payments to Ally Financial related to U.S. marketing incentive and operating lease residual programs. Excludes payments to Ally Financial related to the contractual exposure limit.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Balance Sheet**

The following table summarizes the balance sheet effects of transactions with Ally Financial (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
<b>Assets</b>		
Accounts and notes receivable, net (a)	\$ 698	\$ 404
Restricted cash and marketable securities (b)	\$ —	\$ 127
Other assets (c)	\$ 27	\$ 27
<b>Liabilities</b>		
Accounts payable (d)	\$ 100	\$ 131
Short-term debt and current portion of long-term debt (e)	\$ 893	\$ 1,077
Accrued expenses and other liabilities (f)	\$ 712	\$ 817
Long-term debt (g)	\$ 50	\$ 59
Other non-current liabilities (h)	\$ 154	\$ 383

- (a) Represents wholesale settlements due from Ally Financial, amounts owed by Ally Financial with respect to automotive retail leases and receivables for exclusivity fees and royalties.
- (b) Represents certificates of deposit purchased from Ally Financial that are pledged as collateral for certain guarantees provided to Ally Financial in Brazil in connection with dealer floor plan financing.
- (c) Primarily represents distributions due from Ally Financial on our investments in Ally Financial preferred stock.
- (d) Primarily represents amounts billed to us and payable related to incentive programs.
- (e) Represents wholesale financing, sales of receivable transactions and the short-term portion of term loans provided to certain dealerships which we own or in which we have an equity interest. In addition, it includes borrowing arrangements with various foreign locations and arrangements related to Ally Financial's funding of company-owned vehicles, rental car vehicles awaiting sale at auction and funding of the sale of vehicles to which title is retained while the vehicles are consigned to Ally Financial or dealers, primarily in the United Kingdom. Financing remains outstanding until the title is transferred to the dealers. This amount also includes the short-term portion of a note payable related to automotive retail leases.
- (f) Primarily represents accruals for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by Ally Financial in North America. This includes the estimated amount of residual support accrued under the residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to Ally Financial to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and amounts owed under lease pull-ahead programs. In addition it includes interest accrued on the transactions in (e) above.
- (g) Primarily represents the long-term portion of term loans from Ally Financial to certain consolidated dealerships.
- (h) Primarily represents long-term portion of liabilities for marketing incentives on vehicles financed by Ally Financial.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Operations

The following table summarizes the income statement effects of transactions with Ally Financial (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Net sales and revenue (reduction) (a)	\$ (211)	\$ 177
Cost of sales and other expenses (b)	\$ 29	\$ 179
Interest income and other non-operating income, net (c)	\$ 116	\$ 159
Interest expense (d)	\$ 118	\$ 95
Servicing expense (e)	\$ 2	\$ 16
Derivative gains (losses) (f)	\$ —	\$ (2)

- (a) Primarily represents the increase (reduction) in net sales and revenues for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by Ally Financial. This includes the estimated amount of residual support accrued under residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to Ally Financial to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and costs under lease pull-ahead programs. This amount is offset by net sales for vehicles sold to Ally Financial for employee and governmental lease programs and third party resale purposes.
- (b) Primarily represents cost of sales on the sale of vehicles to Ally Financial for employee and governmental lease programs and third party resale purposes. Also includes miscellaneous expenses on services performed by Ally Financial.
- (c) Represents income on investments in Ally Financial preferred stock and Preferred Membership Interests, exclusivity and royalty fee income and reimbursements by Ally Financial for certain services provided to Ally Financial. Included in this amount is rental income related to Ally Financial's primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan. The lease agreement expires in November 2016.
- (d) Represents interest incurred on term loans, notes payable and wholesale settlements.
- (e) Represents servicing fees paid to Ally Financial on certain automotive retail leases.
- (f) Represents amounts recorded in connection with a derivative transaction entered into with Ally Financial as the counterparty.

**Note 24. Transactions with MLC**

We and MLC entered into a Transition Services Agreement (TSA), as more fully discussed in our audited consolidated financial statements included elsewhere in this prospectus. The following tables describe the financial statement effects of the transactions with MLC.

Statement of Operations

The following table summarizes the income statement effects of transactions with MLC (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June</u> <u>30, 2010</u>
Cost of sales (a)	\$ 14

- (a) Primarily related to royalty income from MLC.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Balance Sheet**

The following table summarizes the balance sheet effects of transactions with MLC (dollars in millions):

	Successor	
	June 30, 2010	December 31, 2009
Accounts and notes receivable, net (a)	\$ 11	\$ 16
Other assets	\$ 1	\$ 1
Accounts payable (b)	\$ 24	\$ 59
Accrued expenses and other liabilities	\$ —	\$ (1)

(a) Primarily related to royalty income from MLC and services provided under the TSA.

(b) Primarily related to the purchase of component parts.

**Cash Flow**

The following table summarizes the cash flow effects of transactions with MLC (dollars in millions):

	Successor Six Months Ended June 30, 2010
	Operating (a)
Financing (b)	\$ 4

(a) Primarily includes payments to and from MLC related to the purchase and sale of component parts.

(b) Payments received from (funding provided to) a facility in Strasbourg, France, that MLC retained. The terms do not permit additional funding after July 31, 2010. At June 30, 2010 we reserved \$12 million against the advanced amounts.

**Note 25. Segment Reporting**

We develop, produce and market cars, trucks and parts worldwide. We do so through our three segments: GMNA, GMIO and GME.

In the three months ended June 30, 2010 we changed our managerial reporting structure so that certain entities geographically located within Russia and Uzbekistan were transferred from our GME segment to our GMIO segment. We have revised the segment presentation for all periods presented.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through the network of dealers and in some cases sold directly to fleet customers. Retail and fleet customers can obtain a wide range of after sale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Cadillac
- Chevrolet
- GMC

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Daewoo
- Holden
- Opel
- Cadillac
- GMC
- Isuzu
- Vauxhall
- Chevrolet

At June 30, 2010 we also had equity ownership stakes directly or indirectly through various regional subsidiaries, including GM Daewoo, SGM, SGMW, FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM) and HKJV. These companies design, manufacture and market vehicles under the following brands:

- Buick
- Daewoo
- GMC
- Jiefang
- Cadillac
- FAW
- Holden
- Wuling
- Chevrolet

Nonsegment operations are classified as Corporate. Corporate includes investments in Ally Financial, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements and a portfolio of automotive retail leases.

All intersegment balances and transactions have been eliminated in consolidation.

	Successor					
	GMNA	GMIO	GME	Eliminations	Corporate	Total
<b>At and For the Six Months Ended June 30, 2010</b>						
<b>Sales</b>						
External customers	\$37,965	\$15,431	\$11,157	\$ —	\$ —	\$ 64,553
Intersegment	1,587	1,233	348	(3,168)	—	—
Other revenue	—	—	—	—	97	97
Total net sales and revenue	<u>\$39,552</u>	<u>\$16,664</u>	<u>\$11,505</u>	<u>\$ (3,168)</u>	<u>\$ 97</u>	<u>\$ 64,650</u>
Earnings (loss) attributable to stockholders before interest and income taxes	<u>\$ 2,810</u>	<u>\$ 1,838</u>	<u>\$ (637)</u>	<u>\$ (30)</u>	<u>\$ (124)</u>	<u>\$ 3,857</u>
Interest income					204	204
Interest expense					587	587
Income tax expense (benefit)					870	870
Net income (loss) attributable to stockholders					<u>\$ (1,377)</u>	<u>\$ 2,604</u>
Equity in net assets of nonconsolidated affiliates	\$ 1,991	\$ 6,270	\$ 7	\$ —	\$ 28	\$ 8,296
Total assets	\$79,258	\$27,549	\$17,640	\$ (32,427)	\$ 39,879	\$131,899
Depreciation, amortization and impairment	\$ 2,223	\$ 420	\$ 744	\$ —	\$ 66	\$ 3,453
Equity income, net of tax	\$ 75	\$ 727	\$ 11	\$ —	\$ 1	\$ 814



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Predecessor					Total
	GMNA	GMIO	GME	Eliminations	Corporate	
<b>For the Six Months Ended June 30, 2009</b>						
<b>Sales</b>						
External customers	\$ 22,989	\$ 10,359	\$ 11,809	\$ —	\$ —	\$ 45,157
Intersegment	775	796	137	(1,708)	—	—
Other revenue	—	—	—	—	321	321
Total net sales and revenue	<u>\$ 23,764</u>	<u>\$ 11,155</u>	<u>\$ 11,946</u>	<u>\$ (1,708)</u>	<u>\$ 321</u>	<u>\$ 45,478</u>
Earnings (loss) attributable to stockholders before interest and income taxes	<u>\$(10,452)</u>	<u>\$ (699)</u>	<u>\$ (2,711)</u>	<u>\$ 64</u>	<u>\$ (1,209)</u>	<u>\$(15,007)</u>
Interest income					173	173
Interest expense					4,605	4,605
Income tax expense (benefit)					(559)	(559)
Net income (loss) attributable to stockholders					<u>\$ (5,082)</u>	<u>\$(18,880)</u>
Depreciation, amortization and impairment	\$ 4,322	\$ 469	\$ 1,377	\$ —	\$ 136	\$ 6,304
Equity income (loss), net of tax	\$ (284)	\$ 326	\$ 4	\$ —	\$ —	\$ 46
Equity in income of and disposition of interest in Ally Financial	\$ —	\$ —	\$ —	\$ —	\$ 1,380	\$ 1,380
<b>Significant noncash charges (gains)</b>						
Gain on conversion of UST Ally Financial Loan	\$ —	\$ —	\$ —	\$ —	\$ (2,477)	\$ (2,477)
Loss on extinguishment of UST Ally Financial Loan	—	—	—	—	1,994	1,994
Gain on extinguishment of debt	—	—	—	—	(906)	(906)
Impairment charges related to equipment on operating leases	11	—	34	—	16	61
Impairment charges related to long-lived assets	320	9	237	—	—	566
Impairment charges related to investment in CAMI	28	—	—	—	—	28
Total significant noncash charges	<u>\$ 359</u>	<u>\$ 9</u>	<u>\$ 271</u>	<u>\$ —</u>	<u>\$ (1,373)</u>	<u>\$ (734)</u>

**Note 26. Stock Incentive Plans**

Our and Old GM's stock incentive plans are more fully discussed in our audited consolidated financial statements included elsewhere in this prospectus.

**GM**

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan as amended October 5, 2010 (2009 GMLTIP) and the Salary Stock Plan as amended October 5, 2010 (GMSSP). Both plans are administered by the Executive Compensation Committee of our Board of Directors.

The following table summarizes compensation expense and total Income tax expense recorded for our stock incentive plans (dollars in millions):

	Successor Six Months Ended June 30, 2010
Compensation expense	\$ 52
Income tax expense (a)	\$ 1

(a) Income tax expense does not include U.S. and non-U.S. jurisdictions which have full valuation allowances.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Long-Term Incentive Plan**

In March and June 2010, we granted restricted stock units (RSUs) to certain global executives under the 2009 GMLTIP. The aggregate number of units that may be granted under this plan and the GMSSP discussed below shall not exceed 25 million units.

**Salary Stock Plan**

In November 2009 we began granting salary stock to certain global executives under the GMSSP. In 2010, a portion of each participant's salary is accrued on each salary payment date and converted to RSUs on a quarterly basis. The aggregate number of shares that may be granted under this plan and the 2009 GMLTIP shall not exceed 25 million shares.

The following table summarizes our RSU activity under the 2009 GMLTIP and GMSSP in the six months ended June 30, 2010 (RSUs in millions):

	Shares	Successor		Aggregate Intrinsic Value
		Weighted- Average Grant- Date Fair Value	Weighted- Average Remaining Contractual Term	
RSUs outstanding at January 1, 2010	0.3	\$ 49.16		
Granted	5.4	\$ 56.40		
Settled	—	\$ 49.16		
Forfeited or expired	—	\$ —		
RSUs outstanding at June 30, 2010	<u>5.7</u>	\$ 55.95	2.3	\$ —
RSUs expected to vest at June 30, 2010	<u>4.6</u>	\$ 56.40	2.7	\$ —
RSUs vested and payable at June 30, 2010	<u>1.0</u>	\$ 53.94	—	\$ —

The following table summarizes our total payments for 32.4 thousand RSUs vested under the GMSSP in the six months ended June 30, 2010 (dollars in millions):

	Successor Six Months Ended June 30, 2010
Total payments	\$ 2

**Old GM**

Old GM's stock incentive plans were comprised of the 2007 Old GM Long-Term Incentive Plan (GMLTIP), the 2002 Old GM Stock Incentive Plan (GMSIP), the 2002 GMLTIP, the 1998 Old GM Salaried Stock Option Plan (GMSSOP), the 2007 Old GM Cash-Based Restricted Stock Unit Plan (GMCRSU) and the 2006 GMCRSU, or collectively the Old GM Stock Incentive Plans. The GMLTIP, GMSIP and the GMCRSU plans were administered by Old GM's Executive Compensation Committee of its Board of Directors. The GMSSOP was administered by Old GM's Vice President of Global Human Resources. In connection with the 363 Sale, MLC retained the awards granted under the Old GM Stock Incentive Plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes compensation expense (benefit) and total Income tax expense (benefit) recorded for the Old GM Stock Incentive Plans (dollars in millions):

	<u>Predecessor Six Months Ended June 30, 2009</u>
Compensation expense (benefit)	\$ (10)
Income tax expense (benefit) (a)	\$ —

(a) Income tax expense (benefit) does not include U.S. and non-U.S. jurisdictions which have full valuation allowances.

**Stock Options and Market-Contingent Stock Options**

The following table summarizes changes in the status of Old GM's outstanding options, including performance-contingent stock options (options in millions):

	<u>Predecessor 2007 GMLTIP</u>			
	<u>Shares Under Option</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding at January 1, 2009	76	\$ 50.90		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited or expired	(11)	\$ 68.50		
Options outstanding at June 30, 2009	<u>65</u>	<u>\$ 47.92</u>	3.5	\$ —
Options expected to vest at June 30, 2009	<u>4</u>	<u>\$ 24.69</u>	8.4	\$ —
Options vested and exercisable at June 30, 2009	<u>61</u>	<u>\$ 49.24</u>	3.2	\$ —
	<u>Predecessor GMSSOP</u>			
	<u>Shares Under Option</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding at January 1, 2009	22	\$ 55.44		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited or expired	(4)	\$ 67.40		
Options outstanding at June 30, 2009	<u>18</u>	<u>\$ 52.90</u>	2.6	\$ —
Options vested and exercisable at June 30, 2009	<u>18</u>	<u>\$ 52.90</u>	2.6	\$ —

There were no GMSSOP options or market-contingent option awards under the 2007 GMLTIP granted or exercised in the six months ended June 30, 2009. There were no tax benefits realized from the exercise of share-based payment arrangements in the six months ended June 30, 2009.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Summary of Nonvested Awards**

The following table summarizes the status of Old GM's nonvested options (option awards in millions):

	<u>Predecessor</u>	
	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Nonvested at January 1, 2009	7	\$ 7.67
Granted	—	\$ —
Vested	(3)	\$ 7.65
Forfeited	—	\$ 8.15
Nonvested at June 30, 2009	<u>4</u>	<u>\$ 7.68</u>

At June 30, 2009, the total unrecognized compensation expense related to nonvested option awards granted under the Old GM Stock Incentive Plans was \$2 million. This expense was expected to be recognized over a weighted-average period of 1.2 years.

**Stock Performance Plans**

The following table summarizes outstanding stock performance plan shares at June 30, 2009 (shares in millions):

	<u>Predecessor</u>	
	<u>Shares(a)</u>	<u>Weighted-Average Grant-Date Fair Value</u>
2007	1	\$ 33.70
2008	1	\$ 18.43
Total outstanding	<u>2</u>	

(a) Excludes shares that have not met performance condition.

There were no stock performance plan shares granted in the six months ended June 30, 2009.

The weighted-average remaining contractual term was 0.8 years for target awards outstanding at June 30, 2009. As the threshold performance required for a payment under the 2006-2008 award was not achieved, there were no cash payments made for this award in the six months ended June 30, 2009. There will be no cash payments for the 2007-2009 and 2008-2010 performance periods.

**Cash-Based Restricted Stock Units**

The following tables summarize GMCRSUs (GMCRSUs in millions):

	<u>Predecessor</u>
	<u>Six Months Ended June 30, 2009</u>
Number of GMCRSUs granted	—
Weighted-average date of grant fair value	\$ 2.24
Total payments made for GMCRSUs vested (millions)	\$ 10
	<u>Predecessor</u>
	<u>June 30, 2009</u>
GMCRSUs outstanding	5
Fair value per share	\$ 0.84
Weighted-average remaining contractual term (years)	1.4

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 27. Subsequent Events****Sale of Nexteer**

On July 7, 2010 we entered into a definitive agreement to sell Nexteer to an unaffiliated party. The transaction is subject to customary closing conditions, regulatory approvals and review by government agencies in the U.S. and China. At June 30, 2010 Nexteer had total assets of \$906 million, total liabilities of \$458 million, and recorded revenue of \$1.0 billion in the six months ended June 30, 2010, of which \$543 million were sales to us and our affiliates. Nexteer did not qualify for held for sale classification at June 30, 2010. Once consummated, we do not expect the sale of Nexteer to have a material effect on the condensed consolidated financial statements.

**Acquisition of AmeriCredit Corp.**

On July 21, 2010 we entered into a definitive agreement to acquire 100% of the outstanding equity interests of AmeriCredit Corp. (AmeriCredit), an independent automobile finance company, for cash of approximately \$3.5 billion. On September 29, 2010 the stockholders of AmeriCredit approved the acquisition effective October 1, 2010, at which time the transaction closed and AmeriCredit was renamed General Motors Financial Company, Inc. (GM Financial). The acquisition of GM Financial will allow us to provide a more complete range of financing options to our customers across the U.S. and Canada including additional capabilities in leasing and sub-prime financing options.

We will record the fair value of assets acquired and liabilities assumed as of October 1, 2010, the date we obtained control of GM Financial, and include its results of operations and cash flows in our condensed consolidated financial statements from that date forward. GM Financial will be a separate reporting segment as defined by ASC 280, "Segment Reporting."

Because the date of the acquisition of GM Financial was subsequent to June 30, 2010, our condensed consolidated financial statements do not reflect the results of operations of GM Financial.

The following table summarizes certain pro forma financial information had the acquisition occurred as of the first day in the periods presented, without consideration of historical transactions between the two companies, as it is impracticable to obtain such information, (dollars in millions):

	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2010</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30, 2009</u>
Total net sales and revenue	\$ 65,373	\$ 46,421
Net income (loss) attributable to stockholders	\$ 2,753	

Pro forma financial information is not provided for Net income (loss) attributable to stockholders for the periods ended June 30, 2009 as, other than Total net sales and revenue, our financial statement elements are not comparable to Old GM's. GM Financial recorded Net income attributable to stockholders of \$29 million in the six months ended June 30, 2009.

It is not possible to reasonably estimate the nature and amount of goodwill or the value of identifiable intangible assets at this time because the valuation of the assets acquired and liabilities assumed was not completed at the date of the issuance of our condensed consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Acquisition of GM Strasbourg**

On October 1, 2010 we completed the acquisition of the GM Strasbourg transmission business from MLC. The purchase price was one Euro. We believe the net asset value of the business to be immaterial, however, valuation of the assets acquired and liabilities assumed is ongoing.

**Korean Litigation**

On or about September 29, 2010, current and former hourly employees of GM Daewoo, our majority-owned affiliate in the Republic of Korea, filed three separate group actions in the Incheon District Court in Incheon, Korea. The cases allege that GM Daewoo failed to include certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. Similar cases have been brought against other large employers in the Republic of Korea. Based on a preliminary analysis, GM Daewoo currently anticipates that as of September 30, 2010 it will accrue approximately 122 billion Korean won, which is approximately \$110 million in connection with these cases (70% of which will be reflected in our Net income attributable to stockholders, based on our ownership interest in GM Daewoo). In addition, the preliminary estimate of the upper end of the range for the reasonably possible loss in excess of the accrual is approximately 332 billion Korean won, which is approximately \$290 million. These cases are in their earliest stages and the scope of claims asserted may change.

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chairman and CEO and our Vice Chairman and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at December 31, 2009 and June 30, 2010. Based on these evaluations, our CEO and CFO concluded that, as of those dates, our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were not effective at the reasonable assurance level because of a material weakness in internal control over financial reporting which we view as an integral part of our disclosure controls and procedures.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management performed an assessment of the effectiveness of our internal control over financial reporting at December 31, 2009, utilizing the criteria discussed in the "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at December 31, 2009.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting at December 31, 2009, we identified the following material weakness:

Controls over the period-end financial reporting process were not effective. Specifically, certain controls designed and implemented to address the identified material weakness in the period-end financial reporting process, as subsequently discussed, have not had a sufficient period of time to operate for our management to conclude that they are operating effectively. This inability to conclude is largely due to the challenging accounting environment associated with the combination of the Chapter 11 Proceedings, the related application of fresh-start reporting at a mid-month date, and the need for concurrent preparation of U.S. GAAP financial statements for multiple accounting periods during the six month period after the completion of the 363 Sale. As such, it is reasonably possible that our consolidated financial statements could contain a material misstatement or that we could miss a filing deadline in the future.

Based on our assessment, and because of the material weakness previously discussed, we have concluded that our internal control over financial reporting was not effective at December 31, 2009.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included herein.

## Material Weakness, Remediation and Changes in Internal Controls

At December 31, 2008, Old GM determined that its internal control over financial reporting was not effective because of a material weakness related to ineffective controls over the period-end financial reporting process. This ineffective process resulted in a significant number and magnitude of out-of-period adjustments to Old GM's consolidated financial statements. Specifically, controls were not effective to ensure that accounting estimates and other adjustments were appropriately reviewed, analyzed and monitored by competent accounting staff on a timely basis. Additionally, some of the adjustments recorded related to account reconciliations not being performed effectively. These ineffective controls continued to exist at the Company after the 363 Sale.

In the year ended 2009, there was significant progress made in remediating the material weakness, including the following:

- Improved trial balance and account ownership;
- Improved adherence to account reconciliation policies and procedures;
- Documented roles and responsibilities for close processes;
- Implemented new consolidation software;
- Implemented consolidation procedures;
- Improved management reporting and analysis procedures;
- Implemented a new issue management process;
- Implemented a standardized account reconciliation quality assurance program;
- Implemented improved manual journal entry procedures; and
- Implemented improved disclosure procedures.

We believe that the remediation activities previously discussed would have been sufficient to allow us to conclude that the previously identified material weakness no longer existed at December 31, 2009. However, as discussed in Note 2 to our unaudited condensed consolidated interim financial statements, in the year ended 2009 Old GM entered into the Chapter 11 Proceedings and we acquired substantially all of Old GM's assets and certain of its liabilities in the 363 Sale, necessitating the development and implementation of additional processes related to accounting for bankruptcy and subsequent fresh-start reporting. We introduced additional processes and controls designed to ensure the accuracy, validity and completeness of the fresh-start reporting adjustments. Additionally, we prepared financial statements for multiple accounting periods concurrently during the six month period after the completion of the 363 Sale. The sheer complexity of the fresh-start reporting adjustments, and the number of accounting periods open at one time, did not allow our management to have clear visibility into the operational effectiveness of the newly remediated controls within the period-end financial reporting process and in some cases did not provide our management with sufficient opportunities to test the operating effectiveness of these remediated controls prior to year-end. Because of the inability to sufficiently test the operating effectiveness of certain remediated internal controls, we concluded that a material weakness in the period-end financial reporting process exists at December 31, 2009.

As a result of the material weakness identified at December 31, 2009, during 2010 management has begun testing the operational effectiveness of the newly remediated controls within the period-end financial reporting process and has led various initiatives, including training, to help ensure those controls would operate as they had been designed and deployed during the 2009 material weakness remediation efforts. Management has identified additional improvements necessary to ensure the operating effectiveness and efficiency of the Company's internal controls related to the period-end financial reporting process, including procedures and controls related to the preparation of the statement of cash flows. Management will not conclude as to whether the material weakness in the period-end financial reporting process has been remediated until completion of our annual control testing and assessment process.

Corporate Accounting and other key departments augmented their resources by utilizing external resources and performing additional closing and bankruptcy related procedures in the year ended 2009 and additional closing procedures in the first six months of 2010. As a result, we believe that there are no material inaccuracies or omissions of material fact and, to the best of our knowledge, believe that our consolidated financial statements at and for the period July 10, 2009 through December 31, 2009 and for the six months ended June 30, 2010 and Old GM's consolidated financial statements at and for the period January 1, 2009 through July 9, 2009, fairly present in all material respects the financial condition and results of operations in conformity with U.S. GAAP.



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Other than as previously discussed, there have not been any other changes in our internal control over financial reporting in the six months ended June 30, 2010, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

/s/ EDWARD E. WHITACRE, JR.

Edward E. Whitacre, Jr.  
Chairman and Chief Executive Officer  
August 18, 2010

/s/ CHRISTOPHER P. LIDDELL

Christopher P. Liddell  
Vice Chairman and Chief Financial Officer  
August 18, 2010

### **Limitations on the Effectiveness of Controls**

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent or detect all errors and all fraud. A control system cannot provide absolute assurance due to its inherent limitations; it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. A control system also can be circumvented by collusion or improper management override. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of such limitations, disclosure controls and procedures and internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.



GENERAL MOTORS COMPANY



OUR VISION IS TO:

**DESIGN, BUILD and SELL**

THE WORLD'S BEST VEHICLES

Shares



Common Stock

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**PRELIMINARY PROSPECTUS**

, 2010

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities and it is not soliciting an offer to buy the securities in any state where the offer or sale is not permitted.

[Alternative Pages for Series B Preferred Stock Prospectus]

SUBJECT TO COMPLETION, DATED OCTOBER 14, 2010

PRELIMINARY PROSPECTUS

Shares



GENERAL MOTORS COMPANY

% Series B Mandatory Convertible Junior Preferred Stock

We are offering \_\_\_\_\_ shares of our \_\_\_\_\_ % Series B mandatory convertible junior preferred stock, \$0.01 par value (Series B preferred stock).

Dividends on our Series B preferred stock will be payable on a cumulative basis when, as and if declared by our Board of Directors, or an authorized committee of our Board of Directors, at an annual rate of \_\_\_\_\_ % on the liquidation preference of \$50 per share. We may pay declared dividends in cash or, subject to certain limitations, in common stock or any combination of cash and common stock on \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, \_\_\_\_\_ and to, and including, \_\_\_\_\_.

Each share of our Series B preferred stock will automatically convert on \_\_\_\_\_, 2013 into between \_\_\_\_\_ and \_\_\_\_\_ shares of our common stock, subject to anti-dilution adjustments. The number of shares of our common stock issuable on conversion will be determined based on the average of the closing prices per share of our common stock over the 40 trading day period ending on the third trading day prior to the mandatory conversion date. At any time prior to \_\_\_\_\_, 2013 holders may elect to convert each share of our Series B preferred stock into shares of common stock at the minimum conversion rate of \_\_\_\_\_ shares of common stock per share of Series B preferred stock, subject to anti-dilution adjustments. If you elect to convert any shares of Series B preferred stock during a specified period beginning on the effective date of a cash acquisition (as described herein) of GM, the conversion rate will be adjusted under certain circumstances and you will also be entitled to a cash acquisition dividend make-whole amount (as described herein).

Concurrently with this offering, selling stockholders, including the United States Department of the Treasury, are also making a public offering of our common stock in which they are offering \_\_\_\_\_ shares of common stock. We currently expect the public offering price of our common stock to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. In that offering, the selling stockholders have granted the underwriters of that offering an option to purchase up to an additional \_\_\_\_\_ shares of common stock to cover over-allotments. The closing of our offering of Series B preferred stock is conditioned upon the closing of the offering of our common stock, but the closing of the offering of common stock is not conditioned upon the closing of the offering of Series B preferred stock.

Prior to this offering, there has been no public market for our Series B preferred stock. We intend to apply for listing of our Series B preferred stock on the New York Stock Exchange under the symbol “\_\_\_\_\_”. We intend to apply for the listing of our common stock on the New York Stock Exchange under the symbol “GM” and the Toronto Stock Exchange under the symbol “\_\_\_\_\_”.

Investing in our Series B preferred stock involves risks. See “Risk Factors” beginning on page 14 of this prospectus.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to General Motors Company	\$	\$

We have granted the underwriters an option to purchase up to an additional \_\_\_\_\_ shares of Series B preferred stock to cover over-allotments at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or the accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our Series B preferred stock to investors on or about \_\_\_\_\_, 2010.

Morgan Stanley  
BofA Merrill Lynch  
Deutsche Bank Securities

J.P. Morgan  
Barclays Capital  
RBC Capital Markets

Citi

Goldman, Sachs & Co.  
Credit Suisse  
UBS Investment Bank

The date of this prospectus is \_\_\_\_\_, 2010.

## THE OFFERING

The summary below describes the principal terms of the Series B preferred stock. Certain of the terms and conditions described below are subject to important limitations and exceptions. Refer to the section of this prospectus entitled “Description of Series B Preferred Stock” for a more detailed description of the terms of the Series B preferred stock.

Concurrently with this offering of our Series B preferred stock, selling stockholders, including the United States Department of the Treasury, are offering shares of our common stock. The closing of our offering of Series B preferred stock is conditioned upon the closing of the offering of our common stock, but the closing of the offering of common stock is not conditioned upon the closing of the offering of Series B preferred stock.

Securities we are offering	shares of % Series B mandatory convertible junior preferred stock, \$0.01 par value (Series B preferred stock).
Public offering price	\$50 per share of Series B preferred stock.
Underwriters’ option	We have granted the underwriters a 30-day option to purchase up to additional shares of our Series B preferred stock to cover over-allotments at the public offering price, less the underwriting discount.
Dividends	<p>% of the liquidation preference of \$50 per share of our Series B preferred stock per year. Dividends will accumulate from the first original issue date and, to the extent that we are legally permitted to pay dividends and our Board of Directors, or an authorized committee of our Board of Directors, declares a dividend payable with respect to our Series B preferred stock, we will pay such dividends in cash or, subject to certain limitations, in common stock or any combination of cash and common stock, as determined by us in our sole discretion, on each dividend payment date; provided that any unpaid dividends will continue to accumulate. Dividends that are declared will be payable on the dividend payment dates (as described below) to holders of record on the immediately preceding , , and (each a “record date”), whether or not such holders convert their shares, or such shares are automatically converted, after a record date and on or prior to the immediately succeeding dividend payment date. The expected dividend payable on the first dividend payment date is \$ per share. Each subsequent dividend is expected to be \$ per share. See “Description of Series B Preferred Stock—Dividends.”</p> <p>If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at</p>

	<p>97% of the average VWAP per share (as defined under “Description of Series B preferred stock—Definitions”), of our common stock over the ten consecutive trading day period ending on the second trading day immediately preceding the applicable dividend payment date (the “average price”). In no event will the number of shares of our common stock delivered in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by \$ _____, which amount represents approximately 35% of the initial price (as defined below), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate (such dollar amount, as adjusted, the “floor price”). To the extent that the amount of the declared dividend exceeds the product of the number of shares of common stock delivered in connection with such declared dividend and the average price, we will, if we are legally able to do so, pay such excess amount in cash.</p> <p>The initial price is \$ _____, which equals the price at which our common stock was initially offered to the public in the concurrent offering of our common stock.</p>
Dividend payment dates	_____, _____, _____ and _____ of each year, commencing on _____, _____ and to, and including, the mandatory conversion date.
Redemption	Our Series B preferred stock is not redeemable.
Mandatory conversion date	_____, 2013.
Mandatory conversion	<p>On the mandatory conversion date, each share of our Series B preferred stock, unless previously converted, will automatically convert into shares of our common stock based on the conversion rate as described below.</p> <p>If we declare a dividend for the dividend period ending on the mandatory conversion date, we will pay such dividend to the holders of record on the immediately preceding record date, as described above. If, prior to the mandatory conversion date, we have not declared all or any portion of the accumulated and unpaid dividends on the Series B preferred stock, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to the amount of accumulated and unpaid dividends that have not been declared (the “additional conversion amount”) divided by the greater of the applicable market value (as defined below) of our</p>

Conversion rate

common stock and the floor price. To the extent that the additional conversion amount exceeds the product of the number of additional shares and the applicable market value, we will, if we are legally able to do so, declare and pay such excess amount in cash.

The conversion rate for each share of our Series B preferred stock will be not more than \_\_\_\_\_ shares of common stock and not less than \_\_\_\_\_ shares of common stock, depending on the applicable market value of our common stock, as described below and subject to certain anti-dilution adjustments.

The “applicable market value” of our common stock is the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date. The conversion rate will be calculated as described under “Description of Series B Preferred Stock—Mandatory Conversion,” and the following table illustrates the conversion rate per share of our Series B preferred stock, subject to certain anti-dilution adjustments.

Applicable market value of our common stock	Conversion rate (number of shares of common stock to be received upon conversion of each share of Series B preferred stock)
Greater than \$ _____	_____ shares
Equal to or less than \$ _____ but greater than or equal to \$ _____	Between \$ _____ and \$ _____, determined by dividing \$50 by the applicable market value
Less than \$ _____	_____ shares

Conversion at the option of the holder

At any time prior to \_\_\_\_\_, 2013, you may elect to convert your shares of Series B preferred stock in whole or in part at the minimum conversion rate of \_\_\_\_\_ shares of common stock per share of Series B preferred stock as described under “Description of Series B Preferred Stock—Conversion at the Option of the Holder.” This minimum conversion rate is subject to certain anti-dilution adjustments.

If, as of the effective date of any early conversion (the “early conversion date”), we have not declared all or any

Conversion at the option of the holder upon cash acquisition; cash acquisition dividend make-whole amount

portion of the accumulated and unpaid dividends for all dividend periods ending prior to such early conversion date, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to such amount of accumulated and unpaid dividends that have not been declared, divided by the greater of the floor price and the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the early conversion date.

If we are the subject of specified “cash acquisitions” (as defined under “Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”) on or prior to \_\_\_\_\_, 2013, holders of the Series B preferred stock will have the right to convert their shares of Series B preferred stock, in whole or in part, into shares of common stock at the “cash acquisition conversion rate” during the period beginning on the effective date of such cash acquisition and ending on the date that is 20 calendar days after the effective date (or, if earlier, the mandatory conversion date). The cash acquisition conversion rate will be determined based on the effective date of the transaction and the price paid per share of our common stock in such transaction. Holders who convert shares of our Series B preferred stock within that timeframe will also receive: (1) a cash acquisition dividend make-whole amount, in cash or as an increase in the number of shares of our common stock to be issued upon conversion, equal to the present value (computed using a discount rate of \_\_\_\_\_ % per annum) of all remaining dividend payments on their Series B preferred stock (excluding any accumulated and unpaid dividends as of the effective date of the cash acquisition) from such effective date to, but excluding, the mandatory conversion date; and (2) to the extent that, as of the effective date of the cash acquisition, we have not declared any or all of the accumulated and unpaid dividends on the Series B preferred stock as of such effective date, a further adjustment to the conversion rate so that holders receive an additional number of shares of common stock equal to the amount of such accumulated and unpaid dividends (the “cash acquisition additional conversion amount”) divided by the greater of the floor price and the price paid per share of our common stock in the transaction. To the extent that the cash acquisition additional conversion amount exceeds the product of the number of additional



	<p>shares and the price paid per share of our common stock in such transaction, we will, if we are legally able to do so, declare and pay such excess amount in cash. See “Description of Series B Preferred Stock —Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount.”</p>
Anti-dilution adjustments	<p>The conversion rate may be adjusted in the event of, among other things: (1) stock dividends or distributions; (2) certain distributions of common stock rights or warrants to purchase our common stock; (3) subdivisions or combinations of our common stock; (4) certain distributions of evidences of our indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets; (5) distributions of cash; and (6) certain self-tender or exchange offers for our common stock. See “Description of Series B Preferred Stock—Anti-dilution Adjustments.”</p>
Liquidation preference	<p>\$50 per share of Series B preferred stock.</p>
Voting rights	<p>The holders of the Series B preferred stock do not have voting rights, except with respect to certain fundamental changes in the terms of the Series B preferred stock, in the case of certain dividend arrearages and except as specifically required under Delaware law. For more information about voting rights, See “Description of Series B Preferred Stock—Voting Rights.”</p>
Ranking	<p>The Series B preferred stock will rank with respect to dividend rights and rights upon our liquidation, winding-up or dissolution:</p> <ul style="list-style-type: none"><li>• senior to all of our common stock and to each other class of capital stock or series of preferred stock issued in the future unless the terms of that stock expressly provide that it ranks senior to, or on a parity with, the Series B preferred stock;</li><li>• on a parity with any class of capital stock or series of preferred stock issued in the future the terms of which expressly provide that it will rank on a parity with the Series B preferred stock;</li><li>• junior to all of our Series A Preferred Stock and to each class of capital stock or series of preferred stock issued in the future the terms of which expressly provide that such preferred stock will rank senior to the Series B preferred stock; and</li><li>• junior to all of our existing and future debt obligations.</li></ul>

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	<p>At June 30, 2010, we had total outstanding debt of \$8.2 billion and outstanding shares of Series A Preferred Stock with an aggregate liquidation preference of \$9.0 billion plus accrued and unpaid dividends thereon.</p> <p>In addition, the Series B preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries as well as the capital stock of our subsidiaries held by third parties.</p>
Use of proceeds	<p>We will not receive any proceeds from the sale of our common stock by the selling stockholders in the concurrent offering.</p> <p>We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately \$ (or approximately \$ if the underwriters exercise their over-allotment option in full). We intend to use the anticipated net proceeds from this offering for general corporate purposes, including repayment of debt and other obligations and making voluntary contributions to our pension plans.</p>
Material U.S. federal tax consequences	<p>The material U.S. federal income tax consequences of purchasing, owning and disposing of the Series B preferred stock and any common stock received upon its conversion are described in “Material U.S. Federal Tax Considerations.”</p>
Listing	<p>We intend to apply for listing of the Series B preferred stock on the New York Stock Exchange under the symbol “ ”. We intend to apply for listing of our common stock on the New York Stock Exchange under the symbol “GM” and the Toronto Stock Exchange under the symbol “ ”.</p>
Concurrent common stock offering	<p>Concurrently with this offering of Series B preferred stock, selling stockholders, including the United States Department of the Treasury, are making a public offering of shares of our common stock. In that offering, the selling stockholders have granted the underwriters of that offering a 30-day option to purchase up to an additional shares of common stock to cover over-allotments. The closing of our offering of Series B preferred stock is conditioned upon the closing of the offering of our common stock, but the closing of the offering of common stock is not conditioned upon the closing of the offering of Series B preferred stock.</p>

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Book-entry, delivery and form	The Series B preferred stock will initially be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of DTC.
Risk factors	See “Risk Factors” beginning on page 14 of this prospectus for a discussion of risks you should carefully consider before deciding to invest in our Series B preferred stock.

The number of shares of common stock that will be outstanding after this offering is based on 500,000,000 shares of our common stock outstanding as of September 30, 2010 and excludes:

- 45,454,545 shares of our common stock issuable upon the exercise of warrants held by MLC as of September 30, 2010 at an exercise price of \$30.00 per share;
- 45,454,545 shares of our common stock issuable upon the exercise of warrants held by MLC as of September 30, 2010 at an exercise price of \$55.00 per share; and
- 15,151,515 shares of our common stock issuable upon the exercise of warrants held by the UAW Retiree Medical Benefits Trust (New VEBA) as of September 30, 2010 at an exercise price of \$126.92 per share.

The number of shares of common stock that will be outstanding after this offering also excludes up to approximately 6 million shares issuable upon settlement of restricted stock units awarded pursuant to the General Motors Company 2009 Long-Term Incentive Plan and salary stock units awarded pursuant to the General Motors Company Salary Stock Plan as of June 30, 2010. The number of outstanding shares also excludes any additional shares of our common stock we are obligated to issue to MLC (Adjustment Shares) in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed \$35.0 billion. The number of Adjustment Shares to be issued is calculated based on the extent to which estimated general unsecured claims exceed \$35.0 billion with the maximum number of Adjustment Shares (10,000,000 shares, subject to adjustment for stock dividends, stock splits and other transactions) issued if estimated general unsecured claims total \$42.0 billion or more. We currently believe that it is probable that general unsecured claims allowed against MLC will ultimately exceed \$35.0 billion by at least \$2.0 billion. In the circumstance where estimated general unsecured claims equal \$37.0 billion, we would be required to issue 2.9 million Adjustment Shares to MLC.

The number of shares of common stock that will be outstanding after this offering also excludes up to \_\_\_\_\_ shares of our common stock (up to \_\_\_\_\_ shares if the underwriters in our offering of Series B preferred stock exercise their over-allotment option in full), in each case subject to anti-dilution, make-whole and other adjustments, that would be issuable upon conversion of shares of Series B preferred stock issued in this offering.

**Risks Relating to this Offering and Ownership of Our Series B Preferred Stock and Common Stock**

***You will bear the risk of a decline in the market price of our common stock between the pricing date for the Series B preferred stock and the mandatory conversion date.***

The number of shares of our common stock that you will receive upon mandatory conversion is not fixed, but instead will depend on the applicable market value, which is the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date. The aggregate market value of the shares of our common stock that you would receive upon mandatory conversion may be less than the aggregate liquidation preference of your shares of Series B preferred stock. Specifically, if the applicable market value of our common stock is less than the initial price of \$ \_\_\_\_\_, the market value of the shares of our common stock that you would receive upon mandatory conversion of each Series B preferred stock will be less than the \$50 liquidation preference, and an investment in the Series B preferred stock would result in a loss. Accordingly, you will bear the risk of a decline in the market price of our common stock. Any such decline could be substantial.

***The opportunity for equity appreciation provided by your investment in the Series B preferred stock is less than that provided by a direct investment in our common stock.***

The market value of each share of our common stock that you would receive upon mandatory conversion of each share of our Series B preferred stock on the mandatory conversion date will only exceed the liquidation preference of \$50 per share of Series B preferred stock if the applicable market value of our common stock exceeds the threshold appreciation price of \$ \_\_\_\_\_. The threshold appreciation price represents an appreciation of approximately \_\_\_\_\_% over the initial price. In this event, you would receive on the mandatory conversion date approximately \_\_\_\_\_% (which percentage is equal to the initial price divided by the threshold appreciation price) of the value of our common stock that you would have received if you had made a direct investment in our common stock on the date of this prospectus. This means that the opportunity for equity appreciation provided by an investment in our Series B preferred stock is less than that provided by a direct investment in shares of our common stock.

In addition, if the market value of our common stock appreciates and the applicable market value of our common stock is equal to or greater than the initial price but less than or equal to the threshold appreciation price, the aggregate market value of the shares of our common stock that you would receive upon mandatory conversion will only be equal to the aggregate liquidation preference of the Series B preferred stock, and you will realize no equity appreciation on our common stock.

***The market price of our common stock, which may fluctuate significantly, may adversely affect the market price for our Series B preferred stock.***

We expect that generally the market price of our common stock will affect the market price of our Series B preferred stock more than any other single factor. This may result in greater volatility in the market price of the Series B preferred stock than would be expected for nonconvertible preferred stock. The market price of our common stock will likely fluctuate in response to a number of factors, including our financial condition, operating results and prospects, as well as economic, financial and other factors, such as prevailing interest rates, interest rate volatility, changes in our industry and competitors and government regulations, many of which are beyond our control. For more information regarding such factors, see the section of this prospectus above entitled “—Risks Relating to Our Business.”

In addition, we expect that the market price of the Series B preferred stock will be influenced by yield and interest rates in the capital markets, the time remaining to the mandatory conversion date, our creditworthiness and the occurrence of certain events affecting us that do not require an adjustment to the conversion rate. Fluctuations in yield rates in particular may give rise to arbitrage opportunities based upon changes in the relative values of the Series B preferred stock and our common stock. Any such arbitrage could, in turn, affect the market prices of our common stock and the Series B preferred stock.

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***The adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount upon the occurrence of certain cash acquisitions may not adequately compensate you.***

If a cash acquisition (as defined in the section of this prospectus entitled “Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”) occurs on or prior to the conversion date, we will adjust the conversion rate for the shares of Series B preferred stock converted during the cash acquisition conversion period (as defined in the section of this prospectus entitled “Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”) unless the stock price is less than \$            or above \$            (in each case, subject to adjustment) and, with respect to those shares of Series B preferred stock converted, you will also receive, among other consideration, a cash acquisition dividend make-whole amount. The number of shares to be issued upon conversion in connection with a cash acquisition will be determined as described in the section of this prospectus entitled “Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount.” Although this adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount are designed to compensate you for the lost option value of your Series B preferred stock and lost dividends as a result of a cash acquisition, they are only an approximation of such lost value and lost dividends and may not adequately compensate you for your actual loss. Furthermore, our obligation to adjust the conversion rate in connection with a cash acquisition and pay the cash acquisition dividend make-whole amount (whether in cash or shares of our common stock) could be considered a penalty under state law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

***The conversion rate of the Series B preferred stock may not be adjusted for all dilutive events that may adversely affect the market price of the Series B preferred stock or the common stock issuable upon conversion of the Series B preferred stock.***

The number of shares of our common stock that you are entitled to receive upon conversion of the Series B preferred stock is subject to adjustment only for share splits and combinations, share dividends and specified other transactions. See the section of this prospectus entitled “Description of Series B Preferred Stock—Anti-dilution Adjustments” for further discussion of anti-dilution adjustments. However, other events, such as employee stock option grants or offerings of our common stock or securities convertible into common stock (other than those set forth in the section of this prospectus entitled “Description of Series B Preferred Stock—Anti-dilution Adjustments”) for cash or in connection with acquisitions, which may adversely affect the market price of our common stock, may not result in any adjustment. Further, if any of these other events adversely affects the market price of our common stock, it may also adversely affect the market price of the Series B preferred stock. In addition, the terms of our Series B preferred stock do not restrict our ability to offer common stock or securities convertible into common stock in the future or to engage in other transactions that could dilute our common stock. We have no obligation to consider the interests of the holders of our Series B preferred stock in engaging in any such offering or transaction.

***Purchasers of our Series B preferred stock may be adversely affected upon the issuance of a new series of preferred stock ranking senior to, or a new series of preferred stock ranking equally with, the Series B preferred stock sold in this offering.***

The terms of our Series B preferred stock will not restrict our ability to offer a new series of preferred stock that ranks equally with, our Series B preferred stock in the future. We have no obligation to consider the interests of the holders of our Series B preferred stock in engaging in any such offering or transaction.

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***You will have no rights with respect to our common stock until you convert your Series B preferred stock, but you may be adversely affected by certain changes made with respect to our common stock.***

You will have no rights with respect to our common stock, including voting rights, rights to respond to common stock tender offers, if any, and rights to receive dividends or other distributions on our common stock, if any (other than through a conversion rate adjustment), prior to the conversion date with respect to a conversion of your Series B preferred stock, but your investment in our Series B preferred stock may be negatively affected by these events. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation, as amended (Certificate of Incorporation) or our amended and restated bylaws, as amended (Bylaws) requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

***You will have no voting rights except under limited circumstances.***

You do not have voting rights, except with respect to certain fundamental changes in the terms of the Series B preferred stock, in the case of certain dividend arrearages and except as specifically required by Delaware law. You will have no right to vote for any members of our Board of Directors except in the case of certain dividend arrearages. If dividends on any shares of the Series B preferred stock have not been declared and paid for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods, the holders of shares of Series B preferred stock, voting together as a single class with holders of any and all other classes or series of our preferred stock ranking equally with the Series B preferred stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and having similar voting rights, will be entitled to vote for the election of a total of two additional members of our Board of Directors, subject to the terms and limitations described in the section of this prospectus entitled “Description of Series B Preferred Stock—Voting Rights.”

***Our Series B preferred stock will rank junior to all of our and our subsidiaries’ liabilities and our Series A Preferred Stock, as well as the capital stock of our subsidiaries held by third parties, in the event of a bankruptcy, liquidation or winding up of our or our subsidiaries’ assets.***

In the event of a bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our Series B preferred stock only after all of our liabilities and the aggregate liquidation preference of our Series A Preferred Stock have been paid. In addition, our Series B preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries, as well as the capital stock of our subsidiaries held by third parties. Your rights to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary will rank junior to the prior claims of that subsidiary’s creditors and third party equity holders. In the event of a bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries’ liabilities and the aggregate liquidation preference of our Series A Preferred Stock, to pay amounts due on any or all of our Series B preferred stock then outstanding. At June 30, 2010, we had total outstanding debt of \$8.2 billion and outstanding shares of Series A Preferred Stock with an aggregate liquidation preference of \$9.0 billion plus accrued and unpaid dividends thereon.

***Our ability to pay dividends on our Series B preferred stock may be limited.***

Our payment of dividends on our Series B preferred stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our Series B preferred stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our Series B preferred stock payable solely in shares of our common stock.

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Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including the Series B preferred stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on the Series B preferred stock, we may be unable to pay dividends in cash on the Series B preferred stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory “surplus” (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on the Series B preferred stock, we may not have sufficient cash to pay dividends in cash on the Series B preferred stock.

If upon (i) mandatory conversion, (ii) an early conversion at the option of a holder or (iii) an early conversion upon a cash acquisition, we have not declared all or any portion of the accumulated and unpaid dividends payable on the Series B preferred stock for specified periods, the applicable conversion rate will be adjusted so that holders receive an additional number of shares of common stock having a market value generally equal to the amount of such accumulated and unpaid dividends, subject to the limitations described under “Description of the Series B Preferred Stock—Mandatory Conversion,” “—Conversion at the Option of the Holder” and “—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount,” respectively. In the case of mandatory conversion or conversion upon a cash acquisition, if these limits to the adjustment of the conversion rate are reached, we will pay the shortfall in cash if we are legally permitted to do so. We will not have an obligation to pay the shortfall in cash if these limits to the adjustment of the conversion rate are reached in the case of an early conversion at the option of the holder.

***You may be subject to tax upon an adjustment to the conversion rate of the Series B preferred stock even though you do not receive a corresponding cash distribution.***

The conversion rate of the Series B preferred stock is subject to adjustment in certain circumstances. Refer to the section of this prospectus entitled “Description of Series B Preferred Stock—Anti-dilution Adjustments.” If, as a result of an adjustment (or failure to make an adjustment), your proportionate interest in our assets or earnings and profits is increased, you may be deemed to have received for U.S. federal income tax purposes a taxable dividend without the receipt of any cash. If you are a non-U.S. holder (as defined in the section of this prospectus entitled “Material U.S. Federal Tax Considerations”), such deemed dividend generally will be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be set off against subsequent payments on the Series B preferred stock. Refer to the section of this prospectus entitled “Material U.S. Federal Tax Considerations” for a further discussion of federal tax implications for non-U.S. holders.

***An active trading market for the Series B preferred stock does not exist and may not develop.***

The Series B preferred stock is a new issue of securities with no established trading market. We intend to apply to list the Series B preferred stock on the New York Stock Exchange. If approved for listing, we expect trading of the Series B preferred stock to begin within 30 days after we issue the Series B preferred stock. Listing of the Series B preferred stock on the New York Stock Exchange does not guarantee that a trading market for the Series B preferred stock will develop or, if a trading market for the Series B preferred stock does develop, the depth or liquidity of that market or the ability of the holders to sell the Series B preferred stock.

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***Anti-takeover provisions contained in our organizational documents and Delaware law could delay or prevent a takeover attempt or change in control of our company, which could adversely affect the value of your shares.***

Our Certificate of Incorporation, our Bylaws, and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our organizational documents include provisions:

- Authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- Limiting the liability of, and providing indemnification to, our directors and officers;
- Limiting the ability of our stockholders to call and bring business before special meetings;
- Prohibiting our stockholders, after the completion of this offering, from taking action by written consent in lieu of a meeting except where such consent is signed by the holders of all shares of stock of the Company then outstanding and entitled to vote;
- Requiring, after the completion of this offering, advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nomination of candidates for election to our Board of Directors;
- Limiting, after the completion of this offering, the determination of the number of directors on our Board of Directors and the filling of vacancies or newly created seats on the board to our Board of Directors then in office; and
- Providing that, after the completion of this offering, directors may be removed by stockholders only for cause.

These provisions, alone or together, could delay hostile takeovers and changes in control of the Company or changes in management.

In addition, after the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which generally prohibits a corporation from engaging in various business combination transactions with any “interested stockholder” (generally defined as a stockholder who owns 15% or more of a corporation’s voting stock) for a period of three years following the time that such stockholder became an interested stockholder, except under certain circumstances including receipt of prior board approval.

Any provision of our Certificate of Incorporation or our Bylaws or Delaware law that has the effect of delaying or deterring a hostile takeover or change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

See the sections of this prospectus entitled “Description of Capital Stock—Certain Provisions of Our Certificate of Incorporation and Bylaws” and “Description of Capital Stock—Certain Anti-Takeover Effects of Delaware Law” for a further discussion of these provisions.



***The Series B preferred stock may adversely affect the market price of our common stock.***

The market price of our common stock is likely to be influenced by the Series B preferred stock. For example, the market price of our common stock could become more volatile and could be depressed by:

- investors' anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the Series B preferred stock;
- possible sales of our common stock by investors who view the Series B preferred stock as a more attractive means of equity participation in us than owning shares of our common stock; and
- hedging or arbitrage trading activity that may develop involving the Series B preferred stock and our common stock.

***The sale or availability for sale of substantial amounts of our common stock could cause our common stock price to decline or impair our ability to raise capital.***

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, or the conversion of shares of our Series B preferred stock or the perception that conversion could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of equity and equity-related securities. Upon completion of this offering and the concurrent common stock offering, there will be 500,000,000 shares of common stock issued and outstanding. In addition, up to \_\_\_\_\_ shares of common stock (up to \_\_\_\_\_ shares if the underwriters in this offering exercise their over-allotment option in full), in each case subject to anti-dilution, make-whole and other adjustments, will be issuable upon conversion of the Series B preferred stock, assuming a public offering price per share of our common stock in our concurrent common stock offering equal to \$ \_\_\_\_\_. Of the 500,000,000 outstanding shares of common stock, the \_\_\_\_\_ shares of common stock to be sold in the common stock offering (\_\_\_\_\_ shares if the underwriters exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act), unless those shares are held by any of our "affiliates," as that term is defined under Rule 144 of the Securities Act. Following the expiration of any applicable lock-up periods referred to in the section of this prospectus entitled "Shares Eligible for Future Sale," the remaining outstanding shares of common stock (\_\_\_\_\_ remaining outstanding shares if the underwriters in the common stock offering exercise their over-allotment option in full) may be eligible for resale under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. In addition, pursuant to the October 15, 2009 Equity Registration Rights Agreement we entered into with the UST, Canada Holdings, the New VEBA, MLC, and our previous legal entity prior to our October 2009 holding company reorganization (which is now a wholly-owned subsidiary of the Company) (Equity Registration Rights Agreement), we have granted our existing common stockholders the right to require us, in certain circumstances to file registration statements under the Securities Act covering additional resales of our common stock and other equity securities held by them and the right to participate in other registered offerings in certain circumstances. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, the UST, Canada Holdings, the New VEBA and MLC might sell a large number of the shares of our common stock and warrants to acquire our common stock that they hold. Further, MLC might distribute shares of our common stock and warrants to acquire our common stock that it holds to its numerous creditors and other stakeholders pursuant to a plan of reorganization confirmed by the Bankruptcy Court in the Chapter 11 Proceedings, and those creditors and other stakeholders might resell those shares and warrants. Such sales or distributions of a substantial number of shares of our common stock or warrants could adversely affect the market price of our common stock.

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***We have no current plans to pay dividends on our common stock and our ability to pay dividends on our common stock may be limited, so after conversion you may not receive funds without selling your common stock.***

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. So long as any share of our Series A Preferred Stock or our Series B preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock and our Series B preferred stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. In addition, the VEBA Note Agreement contains certain restrictions on our ability to pay dividends on our common stock, other than dividends payable solely in shares of our common stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory “surplus” (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on our common stock, we may not have sufficient cash to pay dividends in cash on our common stock.

Accordingly, after conversion, you may have to sell some or all of your common stock in order to generate liquidity from your investment.

***The UST, a selling stockholder in the common stock offering, is a federal agency, and your ability to bring a claim against it under the U.S. securities laws or otherwise may be limited.***

The doctrine of sovereign immunity provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. Although Congress has enacted a number of statutes, including the Federal Tort Claims Act (the FTCA), that permit various claims against the United States and agencies and instrumentalities thereof, those statutes impose limitations. In particular, while the FTCA permits various tort claims against the United States, it excludes claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, the UST and its officers, agents and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), by virtue of Section 3(c) thereof. Thus, any attempt to assert a claim against the UST or any of its officers, agents or employees alleging a violation of the U.S. securities laws, including the Securities Act and the Exchange Act, resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part, or any other act or omission in connection with this offering, would likely be barred. Further, any attempt to assert a claim against the UST or any of its officers, agents or employees alleging any other complaint, including as a result of any future action by the UST as a stockholder of the Company, would also likely be barred under sovereign immunity unless specifically permitted by act of Congress.

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***Canada Holdings is a wholly-owned subsidiary of Canada Development Investment Corporation, which is owned by the federal Government of Canada, and your ability to bring a claim against Canada Holdings alleging any complaint, or to recover on any judgment against it, may be limited.***

Canada Holdings is a wholly-owned subsidiary of Canada Development Investment Corporation. Canada Development Investment Corporation is a Canadian federal Crown corporation, meaning that it is a business corporation established under the Canada Business Corporations Act, owned by the federal Government of Canada. The Foreign Sovereign Immunities Act of 1976 (the FSIA) provides that, subject to existing international agreements to which the United States was a party at the time of the enactment of the FSIA, a foreign state or any agency or instrumentality of a foreign state is immune from U.S. federal and state court jurisdiction unless a specific exception to the FSIA applies. One such exception under the FSIA applies to claims arising out of “commercial activity” by a foreign state or its agency or instrumentality. Absent an applicable exception under the FSIA, any attempt to assert a claim against Canada Holdings or any of its officers, agents or employees alleging any complaint, including as a result of any future action by Canada Holdings as a stockholder of the Company, may also be barred.

In addition, even if a U.S. judgment could be obtained in such an action, it may not be possible to enforce in Canada a judgment based on such a U.S. judgment, and it may also not be possible to execute upon property of Canada Holdings in the United States to enforce a U.S. judgment.

**RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table presents the ratio of our earnings to fixed charges and preferred stock dividends for the periods indicated:

<b>Successor</b>		<b>Predecessor</b>				
<b>Six Months Ended June 30, 2010</b>	<b>July 10, 2009 Through December 31, 2009</b>	<b>January 1, 2009 Through July 9, 2009(a)</b>	<b>Years Ended December 31,</b>			
			<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
3.04	—	20.10	—	—	0.69	—

Earnings for the period July 10, 2009 through December 31, 2009 and the earnings of Old GM for the years ended December 31, 2008, 2007 and 2005 were inadequate to cover fixed charges. Additional earnings of \$5.0 billion, \$23.0 billion, \$4.4 billion and \$16.6 billion for the periods July 10, 2009 through December 31, 2009 and the years ended December 31, 2008, 2007 and 2005 would have been necessary to bring the respective ratios to 1.0.

(a) Earnings for the period January 1, 2009 through July 9, 2009 include reorganization gains, net of \$128.2 billion.

## DESCRIPTION OF SERIES B PREFERRED STOCK

The following is a summary of certain provisions of the certificate of designations for our % Series B mandatory convertible junior preferred stock, \$0.01 par value, which we refer to as our Series B preferred stock. A copy of the certificate of designations and the form of Series B preferred stock share certificate are available upon request from us at the address set forth in the section of this prospectus entitled “Where You Can Find More Information.” The following summary of the terms of the Series B preferred stock is subject to, and qualified in its entirety by reference to, the provisions of the certificate of designations for our Series B preferred stock.

As used in this section, the terms “GM,” “us,” “we” or “our” refer to General Motors Company and not any of its subsidiaries.

### General

Under our Certificate of Incorporation, our Board of Directors is authorized, without further shareholder action, to issue up to 1,000,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, with such voting powers or without voting powers, and with such designations, and having such relative preferences, participating, optional or other special rights, and qualifications, limitations or restrictions, as shall be set forth in the resolutions providing therefor. We have issued 360,000,000 shares of our Series A Fixed Rate Cumulative Perpetual Preferred Stock, as described in the section of this prospectus entitled “Description of Capital Stock—Description of Series A Preferred Stock,” and have 640,000,000 shares of authorized preferred stock which are undesignated. At the consummation of this offering, we will issue shares of Series B preferred stock. In addition, we have granted the underwriters an option to purchase up to additional shares of our Series B preferred stock in accordance with the procedures set forth in the section of this prospectus entitled “Underwriting.”

When issued, the Series B preferred stock and any common stock issued upon the conversion of the Series B preferred stock will be fully paid and nonassessable. The holders of the Series B preferred stock will have no preemptive or preferential rights to purchase or subscribe to stock, obligations, warrants or other securities of GM of any class. will serve as the transfer agent and registrar of our common stock and will serve as transfer agent, registrar and conversion and dividend disbursing agent for the Series B preferred stock.

### Ranking

The Series B preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, ranks:

- senior to (i) our common stock and (ii) each other class of capital stock or series of preferred stock established after the first original issue date of the Series B preferred stock (which we refer to as the “issue date”) the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “junior stock”);
- on parity with any class of capital stock or series of preferred stock established after the issue date the terms of which expressly provide that such class or series will rank on a parity with the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “parity stock”);
- junior to (i) the Series A Preferred Stock and (ii) each class of capital stock or series of preferred stock established after the issue date the terms of which expressly provide that such class or series will rank

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senior to the Series B preferred stock as to dividend rights or rights upon our liquidation, winding-up or dissolution (which we refer to collectively as “senior stock”); and

- junior to our existing and future indebtedness.

In addition, the Series B preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries as well as the capital stock of our subsidiaries held by third parties.

### **Dividends**

Subject to the rights of holders of the Series A Preferred Stock or any other class of capital stock ranking senior to the Series B preferred stock with respect to dividends, holders of shares of Series B preferred stock will be entitled to receive, when, as and if declared by our Board of Directors, or an authorized committee of our Board of Directors, out of funds legally available for payment, cumulative dividends at the rate per annum of % on the liquidation preference of \$50 per share of Series B preferred stock (equivalent to \$ per annum per share), payable in cash, by delivery of shares of our common stock or through any combination of cash and shares of our common stock, as determined by us in our sole discretion (subject to the limitations described below). See the section of this prospectus entitled “—Method of Payment of Dividends.” Dividends on the Series B preferred stock will be payable quarterly on , , and of each year to and including the mandatory conversion date (as defined below), commencing , 2010 (each, a “dividend payment date”) at such annual rate, and shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the issue date of the Series B preferred stock, whether or not in any dividend period or periods there have been funds legally available for the payment of such dividends. Declared dividends will be payable on the relevant dividend payment date to holders of record as they appear on our stock register at 5:00 p.m., New York City time, on the immediately preceding , , and (each, a “record date”), whether or not such holders convert their shares, or such shares are automatically converted, after a record date and on or prior to the immediately succeeding dividend payment date. These record dates will apply regardless of whether a particular record date is a business day. A “business day” means any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law or executive order to close. If a dividend payment date is not a business day, payment will be made on the next succeeding business day, without any interest or other payment in lieu of interest accruing with respect to this delay.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date, except that the initial dividend period will commence on and include the issue date of our Series B preferred stock and will end on and exclude the , dividend payment date. The amount of dividends payable on each share of Series B preferred stock for each full dividend period will be computed by dividing the annual dividend rate by four. Dividends payable on the Series B preferred stock for any period other than a full dividend period will be computed based upon the actual number of days elapsed during the period over a 360-day year (consisting of twelve 30-day months). Accordingly, the dividend on the Series B preferred stock for the first dividend period, assuming the issue date is , will be \$ per share (based on the annual dividend rate of % and a liquidation preference of \$50 per share) and will be payable, when, as and if declared, on , . The dividend on the Series B preferred stock for each subsequent dividend period, when, as and if declared, will be \$ per share (based on the annual dividend rate of % and a liquidation preference of \$50 per share). Accumulated dividends will not bear interest if they are paid subsequent to the applicable dividend payment date.

No dividend will be declared or paid upon, or any sum or number of shares of common stock set apart for the payment of dividends upon, any outstanding share of the Series B preferred stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum or number of shares of common stock have been set apart for the payment of such dividends upon, all outstanding shares of Series B preferred stock.

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Our ability to declare and pay cash dividends and make other distributions with respect to our capital stock, including the Series B preferred stock, is subject to restrictions in the event we fail to declare and pay (or set aside for payment) full dividends on the Series A Preferred Stock and may be limited by the terms of any indentures or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Delaware law. See the section of this prospectus entitled “Risk factors—Risks Relating to this Offering and Ownership of Our Series B Preferred Stock and Common Stock—Our ability to pay dividends on our Series B preferred stock may be limited” and “Description of Capital Stock—Description of Series A Preferred Stock.”

So long as any share of the Series B preferred stock remains outstanding, no dividend or distribution shall be declared or paid on the common stock or any other shares of junior stock, and no common stock or junior stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries unless all accrued and unpaid dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum or number of shares of common stock have been set apart for the payment of such dividends upon, all outstanding shares of Series B preferred stock. The foregoing limitation shall not apply to: (i) a dividend payable on any junior stock in shares of any other junior stock, or to the acquisition of shares of any junior stock in exchange for, or through application of the proceeds of the sale of, shares of any other junior stock; (ii) redemptions, purchases or other acquisitions of shares of common stock or other junior stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the share dilution amount pursuant to a publicly announced repurchase plan); provided that any purchases to offset the share dilution amount shall in no event exceed the share dilution amount; (iii) any dividends or distributions of rights or junior stock in connection with a stockholders’ rights plan or any redemption or repurchase of rights pursuant to any stockholders’ rights plan; (iv) the acquisition by us or any of our subsidiaries of record ownership in junior stock for the beneficial ownership of any other persons (other than us or any of our subsidiaries), including as trustees or custodians; and (v) the exchange or conversion of junior stock for or into other junior stock (with the same or lesser aggregate liquidation amount). The phrase “share dilution amount” means the increase in the number of diluted shares outstanding (determined in accordance with U.S. GAAP, and as measured from the issue date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends are not paid (or declared and a sum or number of shares of common stock sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any dividend payment date in full on shares of the Series B preferred stock, all dividends declared on the Series B preferred stock and any other parity stock shall be declared so that the respective amounts of such dividends declared on the Series B preferred stock and each such other class or series of parity stock shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of the Series B preferred stock and such class or series of parity stock (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, all accrued but unpaid dividends) bear to each other; provided that any unpaid dividends will continue to accumulate.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including common stock and other junior stock, from time to time out of any funds legally available for such payment, and holders of the Series B preferred stock shall not be entitled to participate in any such dividends.

## Method of Payment of Dividends

Subject to the limitations described below, we may pay any declared dividend (or any portion of any declared dividend) on the Series B preferred stock (whether or not for a current dividend period or any prior dividend period, including in connection with the payment of declared and unpaid dividends pursuant to the provisions described in the sections of this prospectus entitled “—Mandatory Conversion” and “—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”), determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each payment of a declared dividend on the Series B preferred stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the Series B preferred stock notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than 10 trading days (as defined below) prior to the dividend payment date for such dividend.

If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose, in the case of any dividend payment or portion thereof, at 97% of the average VWAP per share (as defined below) of our common stock over the ten consecutive trading day period ending on the second trading day immediately preceding the applicable dividend payment date (the “average price”).

No fractional shares of common stock will be delivered to the holders of the Series B preferred stock in respect of dividends. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on the average VWAP per share of our common stock over the ten consecutive trading day period ending on the second trading day immediately preceding the relevant dividend payment date.

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as payment of a dividend, including dividends paid in connection with a conversion, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Notwithstanding the foregoing, in no event will the number of shares of our common stock delivered in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by \$ , which amount represents approximately 35% of the initial price (as defined below), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate as set forth below in the section of this prospectus entitled “—Anti-dilution Adjustments” (such dollar amount, as adjusted, the “floor price”). To the extent that the amount of the declared dividend exceeds the product of the number of shares of common stock delivered in connection with such declared dividend and the average price, we will, if we are legally able to do so, pay such excess amount in cash.



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### **Redemption**

The Series B preferred stock will not be redeemable.

### **Liquidation Preference**

In the event of our voluntary or involuntary liquidation, winding-up or dissolution, each holder of Series B preferred stock will be entitled to receive a liquidation preference in the amount of \$50 per share of the Series B preferred stock (the “liquidation preference”), plus an amount equal to accumulated and unpaid dividends on the shares to (but excluding) the date fixed for liquidation, winding-up or dissolution to be paid out of our assets available for distribution to our shareholders, after satisfaction of liabilities to our creditors and holders of any senior stock and before any payment or distribution is made to holders of junior stock (including our common stock). If, upon our voluntary or involuntary liquidation, winding-up or dissolution, the amounts payable with respect to the liquidation preference plus an amount equal to accumulated and unpaid dividends of the Series B preferred stock and all parity stock are not paid in full, the holders of the Series B preferred stock and any parity stock will share equally and ratably in any distribution of our assets in proportion to the liquidation preference and an amount equal to accumulated and unpaid dividends to which they are entitled. After payment of the full amount of the liquidation preference and an amount equal to accumulated and unpaid dividends to which they are entitled, the holders of the Series B preferred stock will have no right or claim to any of our remaining assets.

Neither the sale of all or substantially all of our assets or business (other than in connection with our liquidation, winding-up or dissolution), nor our merger or consolidation into or with any other person, will be deemed to be our voluntary or involuntary liquidation, winding-up or dissolution.

The certificate of designations for our Series B preferred stock does not contain any provision requiring funds to be set aside to protect the liquidation preference of the Series B preferred stock even though it is substantially in excess of the par value thereof.

### **Voting Rights**

The holders of the Series B preferred stock do not have voting rights other than those described below, except as specifically required by Delaware law.

Whenever dividends on any shares of Series B preferred stock have not been declared and paid for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods (a “nonpayment”), the holders of such shares of Series B preferred stock, voting together as a single class with holders of any and all other series of voting preferred stock (as defined below) then outstanding, will be entitled to vote for the election of a total of two additional members of our Board of Directors (the “preferred stock directors”); provided that the election of any such directors will not cause us to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires listed or quoted companies to have a majority of independent directors; and provided further that our Board of Directors shall, at no time, include more than two preferred stock directors. In that event, we will automatically increase the number of directors on our board by two, and the new directors will be elected at a special meeting called at the request of the holders of at least 20% of the shares of Series B preferred stock or of any other series of voting preferred stock (provided that such request is received at least 90 calendar days before the date fixed for the next annual or special meeting of the stockholders, failing which election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting.

As used in this prospectus, “voting preferred stock” means any other class or series of our preferred stock ranking equally with the Series B preferred stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable. Whether a plurality, majority or other portion of the Series B preferred stock and any other voting preferred stock have been voted in favor of any matter shall be determined by reference to the respective liquidation preference amounts of the Series B preferred stock and such other voting preferred stock voted.

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If and when all accumulated and unpaid dividends have been paid in full, or declared and a sum sufficient for such payment shall have been set aside (a “nonpayment remedy”), the holders of Series B preferred stock shall immediately and, without any further action by us, be divested of the foregoing voting rights, subject to the reversion of such rights in the event of each subsequent nonpayment. If such voting rights for the holders of Series B preferred stock and all other holders of voting preferred stock have terminated, the term of office of each preferred stock director so elected will terminate and the number of directors on our board shall automatically decrease by two.

Any preferred stock director may be removed at any time without cause by the holders of record of a majority of the outstanding Series B preferred stock and any other shares of voting preferred stock then outstanding (voting together as a class) when they have the voting rights described above. In the event that a nonpayment shall have occurred and there shall not have been a nonpayment remedy, any vacancy in the office of a preferred stock director (other than prior to the initial election after a nonpayment) may be filled by the written consent of the preferred stock director remaining in office or, if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series B preferred stock and any other shares of voting preferred stock then outstanding (voting together as a class) when they have the voting rights described above; provided that the filling of each vacancy will not cause us to violate the corporate governance requirements of the New York Stock Exchange (or any other exchange or automated quotation system on which our securities may be listed or quoted) that requires listed or quoted companies to have a majority of independent directors. The preferred stock directors will each be entitled to one vote per director on any matter.

So long as any shares of Series B preferred stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series B preferred stock and all other series of voting preferred stock entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing or at a meeting:

- amend or alter the provisions of our Certificate of Incorporation or the certificate of designations for the shares of Series B preferred stock so as to authorize or create, or increase the authorized amount of, any specific class or series of stock ranking senior to the Series B preferred stock with respect to payment of dividends or the distribution of our assets upon our liquidation, dissolution or winding up; or
- amend, alter or repeal the provisions of our Certificate of Incorporation or the certificate of designations for the shares of Series B preferred stock so as to materially and adversely affect the special rights, preferences, privileges and voting powers of the shares of Series B preferred stock, taken as a whole; or
- consummate a binding share exchange or reclassification involving the shares of Series B preferred stock or a merger or consolidation of us with another entity, unless in each case: (i) shares of Series B preferred stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent; and (ii) such shares of Series B preferred stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series B preferred stock, taken as a whole,

*provided, however,* that (1) any increase in the amount of our authorized but unissued shares of preferred stock, (2) any increase in the authorized or issued shares of Series B preferred stock and (3) the creation and issuance, or an increase in the authorized or issued amount, of any other series of preferred stock ranking equally with or junior to the Series B preferred stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon our liquidation, dissolution or winding up, will be deemed not to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series B preferred stock.

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If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would materially and adversely affect one or more but not all series of voting preferred stock (including the Series B preferred stock for this purpose), then only the series of voting preferred stock materially and adversely affected and entitled to vote shall vote as a class in lieu of all other series of preferred stock.

Without the consent of the holders of the Series B preferred stock, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers of the Series B preferred stock, taken as a whole, we may amend, alter, supplement, or repeal any terms of the Series B preferred stock for the following purposes:

- to cure any ambiguity or mistake, or to correct or supplement any provision contained in the certificate of designations for the Series B preferred stock that may be defective or inconsistent with any other provision contained in the certificate of designations for the Series B preferred stock; or
- to make any provision with respect to matters or questions relating to the Series B preferred stock that is not inconsistent with the provisions of the certificate of designations for the Series B preferred stock.

### **Mandatory Conversion**

Each share of the Series B preferred stock, unless previously converted, will automatically convert on \_\_\_\_\_, 2013 (the “mandatory conversion date”), into a number of shares of common stock equal to the conversion rate described below. If we declare a dividend for the dividend period ending on the mandatory conversion date, we will pay such dividend to the holders of record on the immediately preceding record date, as described above under “—Dividends.” If prior to the mandatory conversion date we have not declared all or any portion of the accumulated and unpaid dividends on the Series B preferred stock, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to the amount of accumulated and unpaid dividends that have not been declared (the “additional conversion amount”) divided by the greater of the floor price and the applicable market value (as defined below). To the extent that the additional conversion amount exceeds the product of the number of additional shares and the applicable market value, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata to the holders of the Series B preferred stock.

The conversion rate, which is the number of shares of common stock issuable upon conversion of each share of Series B preferred stock on the mandatory conversion date, will, subject to adjustment as described in the section of this prospectus entitled “—Anti-dilution Adjustments” below, be as follows:

- if the applicable market value of our common stock is greater than \$ \_\_\_\_\_, which we call the “threshold appreciation price,” then the conversion rate will be \_\_\_\_\_ shares of common stock per share of Series B preferred stock (the “minimum conversion rate”), which is equal to \$50 divided by the threshold appreciation price;
- if the applicable market value of our common stock is less than or equal to the threshold appreciation price but equal to or greater than \$ \_\_\_\_\_ (the “initial price,” which equals the price at which we initially offered our common stock to the public in the concurrent offering of our common stock), then the conversion rate will be equal to \$50 divided by the applicable market value of our common stock, which will be between shares and \_\_\_\_\_ shares; or
- if the applicable market value of our common stock is less than the initial price, then the conversion rate will be \_\_\_\_\_ shares of common stock per share of Series B preferred stock (the “maximum conversion rate”), which is equal to \$50 divided by the initial price.



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### Definitions

“Applicable market value” means the average of the closing prices per share of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date.

The “threshold appreciation price” represents an approximately % appreciation over the initial price.

The “closing price” of our common stock or any securities distributed in a spin-off, as the case may be, on any date of determination means:

- the closing price or, if no closing price is reported, the last reported sale price of shares of our common stock or such other securities on the New York Stock Exchange on that date; or
- if our common stock or such other securities are not traded on the New York Stock Exchange, the closing price on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock or such other securities are so traded or, if no closing price is reported, the last reported sale price of shares of our common stock or such other securities on the principal U.S. national or regional securities exchange on which our common stock or such other securities are so traded on that date; or
- if our common stock or such other securities are not traded on a U.S. national or regional securities exchange, the last quoted bid price on that date for our common stock or such other securities in the over-the-counter market as reported by Pink OTC Markets Inc. or a similar organization; or
- if our common stock or such other securities are not so quoted by Pink OTC Markets Inc. or a similar organization, the market price of our common stock or such other securities on that date as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

All references herein to the closing price of our common stock and the last reported sale price of our common stock on the New York Stock Exchange shall be such closing price and such last reported sale price as reflected on the website of the New York Stock Exchange ([www.nyse.com](http://www.nyse.com)) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing price and the last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing price and the last reported sale price on the website of the New York Stock Exchange shall govern.

A “trading day” is a day on which shares of our common stock:

- are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and
- has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of our common stock.

“VWAP” per share of our common stock on any trading day means the per share volume-weighted average price as displayed on Bloomberg page “GM <Equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, “VWAP” means the market value per share of our common stock on such trading day as determined by a nationally recognized independent investment banking firm retained by us for this purpose. The “average VWAP” means the average of the VWAP for each trading day in the relevant period.

## **Conversion at the Option of the Holder**

Other than during a cash acquisition conversion period (as defined below in the section of this prospectus entitled “—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”), holders of the Series B preferred stock have the right to convert their shares of Series B preferred stock, in whole or in part, at any time prior to the mandatory conversion date, into shares of our common stock at the minimum conversion rate of shares of common stock per share of Series B preferred stock, subject to adjustment as described in the section of this prospectus entitled “—Anti-dilution Adjustments” below.

If as of the effective date of any early conversion (the “early conversion date”), we have not declared all or any portion of the accumulated and unpaid dividends for all dividend periods ending prior to such early conversion date, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to such amount of accumulated and unpaid dividends that have not been declared, divided by the greater of the floor price and the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the early conversion date.

Except as described above, upon any optional conversion of any shares of the Series B preferred stock, we will make no payment or allowance for unpaid dividends on such shares of the Series B preferred stock.

## **Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount**

### ***General***

If a cash acquisition (as defined below) occurs, on or prior to the mandatory conversion date, holders of the Series B preferred stock will have the right to: (i) convert their shares of Series B preferred stock, in whole or in part, into shares of common stock at the cash acquisition conversion rate described below; (ii) with respect to such converted shares, receive a cash acquisition dividend make-whole amount (as defined below); and (iii) with respect to such converted shares, to the extent that, as of the effective date of the cash acquisition, we have not declared any or all of the accumulated and unpaid dividends on the Series B preferred stock as of such effective date, receive an adjustment in the conversion rate and, under certain circumstances, a cash payment, as described below.

To exercise this right, holders must submit their shares of the Series B preferred stock for conversion at any time during the period (the “cash acquisition conversion period”) beginning on the effective date of such cash acquisition (the “effective date”) and ending at 5:00 p.m., New York City time, on the date that is 20 calendar days after the effective date (or, if earlier, the mandatory conversion date) at the conversion rate specified in the table below (the “cash acquisition conversion rate”). Holders of Series B preferred stock who do not submit their shares for conversion during the cash acquisition conversion period will not be entitled to convert their shares of Series B preferred stock at the cash acquisition conversion rate or to receive the cash acquisition dividend make-whole amount. Upon conversion, holders will receive, per share of Series B preferred stock: (i) a number of shares of our common stock equal to the cash acquisition conversion rate; (ii) the cash acquisition dividend make-whole amount (as defined below) payable in cash or shares of our common stock, as described below; and (iii) to the extent that, as of the effective date of the cash acquisition, we have not declared any or all of the accumulated and unpaid dividends on the Series B preferred stock as of such effective date, an adjustment in the conversion rate and, under certain circumstances, a cash payment, as described below. If the effective date of a cash acquisition falls during a dividend period for which we have declared a dividend, we will pay such dividend on the relevant dividend payment date to the holders of record on the immediately preceding record date, as described in the section of this prospectus entitled “—Dividends.”

We will notify holders of the anticipated effective date of a cash acquisition at least 20 calendar days prior to such anticipated effective date or, if such prior notice is not practicable, notify holders of the effective date of a cash acquisition no later than the tenth calendar day immediately following such effective date. If we notify holders of a cash acquisition later than the twentieth calendar day prior to the effective date of a cash acquisition,

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the cash acquisition conversion period will be extended by a number of days equal to the number of days from, and including, the twentieth calendar day prior to the effective date of the cash acquisition to, but excluding, the date of the notice; provided that the cash acquisition conversion period will not be extended beyond the mandatory conversion date.

A “cash acquisition” will be deemed to have occurred, at such time after the issue date of the Series B preferred stock, upon: (i) the consummation of any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, recapitalization or otherwise) in connection with which 90% or more of our common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration 10% or more of which is not common stock that is listed on, or immediately after the transaction or event will be listed on, a United States national securities exchange; or (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than us, any of our majority-owned subsidiaries or any of our or our majority-owned subsidiaries’ employee benefit plans, becoming the “beneficial owner,” directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock then outstanding entitled to vote generally in elections of our directors.

### Cash acquisition conversion rate

The cash acquisition conversion rate will be determined by reference to the table below and is based on the effective date of the transaction and the price (the “stock price”) paid per share of our common stock in such transaction. If the holders of our common stock receive only cash in the cash acquisition, the stock price shall be the cash amount paid per share. Otherwise the stock price shall be the average VWAP per share of our common stock over the 10 consecutive trading day period ending on the trading day preceding the effective date.

The stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted as of any date on which the fixed conversion rates of our Series B preferred stock are adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the minimum conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the minimum conversion rate as so adjusted. Each of the cash acquisition conversion rates in the table will be subject to adjustment in the same manner as each fixed conversion rate as set forth in the section of this prospectus entitled “—Anti-dilution Adjustments.”

The following table sets forth the cash acquisition conversion rate per share of Series B preferred stock for each stock price and effective date set forth below.

Effective date	Stock price on effective date										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
, 2010											
, 2011											
, 2012											
, 2013											

The exact stock price and effective dates may not be set forth in the table, in which case:

- if the stock price is between two stock price amounts on the table or the effective date is between two dates on the table, the cash acquisition conversion rate will be determined by straight-line interpolation between the cash acquisition conversion rates set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year;
- if the stock price is in excess of \$            per share (subject to adjustment as described above), then the cash acquisition conversion rate will be the minimum conversion rate, subject to adjustment; and
- if the stock price is less than \$            per share (subject to adjustment as described above), then the cash acquisition conversion rate will be the maximum conversion rate, subject to adjustment.

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Cash acquisition dividend make-whole amount. For any shares of Series B preferred stock that are converted during the cash acquisition conversion period, in addition to the shares of common stock issued upon conversion at the cash acquisition conversion rate, we shall either:

(a) pay you in cash, to the extent we are legally permitted to do so, the present value, computed using a discount rate of % per annum, of all dividend payments on your shares of Series B preferred stock for all the remaining dividend periods (excluding any accumulated and unpaid dividends as of the effective date of the cash acquisition) from such effective date to but excluding the mandatory conversion date (the “cash acquisition dividend make-whole amount”), or

(b) increase the number of shares of our common stock to be issued on conversion by a number equal to (x) the cash acquisition dividend make-whole amount divided by (y) the greater of the floor price and the stock price; provided that, to the extent the cash acquisition dividend make-whole amount exceeds the product of the number of additional shares and the stock price, we will, if we are legally able to do so, declare and pay such excess amount in cash.

To the extent that, as of the effective date of a cash acquisition, we have not declared all or any portion of the accumulated and unpaid dividends on the Series B preferred stock as of such effective date, the conversion rate will be further adjusted so that holders receive an additional number of shares of common stock equal to the amount of such accumulated and unpaid dividends (the “cash acquisition additional conversion amount”) divided by the greater of the floor price and the stock price. To the extent that the cash acquisition additional conversion amount exceeds the product of the number of additional shares and the stock price, we will, if we are legally able to do so, declare and pay such excess amount in cash.

Not later than the second business day following the effective date of a cash acquisition or, if later, the date we give holders notice of the effective date of a cash acquisition, we will notify holders of:

- the cash acquisition conversion rate;
- the cash acquisition dividend make-whole amount and whether we will pay such amount in cash, shares of our common stock or a combination thereof, specifying the combination, if applicable; and
- the amount of accumulated and undeclared dividends as of the effective date of the cash acquisition and whether we will pay such amount by an adjustment of the conversion rate, a cash payment or a combination thereof, specifying the combination, if applicable.

Our obligation to deliver shares at the cash acquisition conversion rate and pay the cash acquisition dividend make-whole amount could be considered a penalty under state law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

## **Conversion Procedures**

### ***Upon mandatory conversion***

Any outstanding shares of Series B preferred stock will automatically convert into shares of common stock on the mandatory conversion date. The person or persons entitled to receive the shares of common stock issuable upon mandatory conversion of the Series B preferred stock will be treated as the record holder(s) of such shares as of 5:00 p.m., New York City time, on the mandatory conversion date. Except as provided in the section of this prospectus entitled “—Anti-dilution Adjustments,” prior to 5:00 p.m., New York City time, on the mandatory conversion date, the shares of common stock issuable upon conversion of the Series B preferred stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to such shares of common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Series B preferred stock.



***Upon early conversion***

If you elect to convert your shares of Series B preferred stock prior to the mandatory conversion date, in the manner described in “—Conversion at the Option of the Holder” or “—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount,” you must observe the following conversion procedures:

If you hold a beneficial interest in a global share of Series B preferred stock, to convert you must deliver to The Depository Trust Company (DTC) the appropriate instruction form for conversion pursuant to DTC’s conversion program and, if required, pay all taxes or duties, if any.

If you hold shares of Series B preferred stock in certificated form, to convert you must:

- complete and manually sign the conversion notice on the back of the Series B preferred stock certificate or a facsimile of the conversion notice;
- deliver the completed conversion notice and the certificated shares of Series B preferred stock to be converted to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents; and
- if required, pay all transfer or similar taxes, if any.

The conversion date will be the date on which you have satisfied all of the foregoing requirements. You will not be required to pay any taxes or duties relating to the issuance or delivery of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own. Certificates representing common stock will be issued and delivered only after all applicable taxes and duties, if any, payable by you have been paid in full and will be issued on the later of the third business day immediately succeeding the conversion date and the business day after you have paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the shares of common stock issuable upon conversion of the Series B preferred stock will be treated as the record holder(s) of such shares as of 5:00 p.m., New York City time, on the applicable conversion date. Prior to 5:00 p.m., New York City time, on the applicable conversion date, the shares of common stock issuable upon conversion of the Series B preferred stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to such shares of common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Series B preferred stock.

***Fractional shares***

No fractional shares of common stock will be issued to holders of our Series B preferred stock upon conversion. In lieu of any fractional shares of common stock otherwise issuable in respect of the aggregate number of shares of our Series B preferred stock of any holder that are converted, that holder will be entitled to receive an amount in cash (computed to the nearest cent) equal to the product of: (i) that same fraction; and (ii) the average of the closing prices of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the conversion date.

If more than one share of our Series B preferred stock is surrendered for conversion at one time by or for the same holder, the number of shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of our Series B preferred stock so surrendered.

## Anti-dilution Adjustments

Each fixed conversion rate will be adjusted if:

- (1) We issue common stock to all holders of our common stock as a dividend or other distribution, in which event, each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of our common stock entitled to receive such dividend or other distribution will be divided by a fraction:
- the numerator of which is the number of shares of our common stock outstanding at 5:00 p.m., New York City time, on the date fixed for such determination, and
  - the denominator of which is the sum of the number of shares of our common stock outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the total number of shares of our common stock constituting such dividend or other distribution.

Any adjustment made pursuant to this clause (1) will become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. If any dividend or distribution described in this clause (1) is declared but not so paid or made, each fixed conversion rate shall be readjusted, effective as of the date our Board of Directors publicly announces its decision not to make such dividend or distribution, to such fixed conversion rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this clause (1), the number of shares of common stock outstanding at 5:00 p.m., New York City time, on the date fixed for such determination shall not include shares held in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of common stock. We will not pay any dividend or make any distribution on shares of common stock held in treasury.

- (2) We issue to all holders of our common stock rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans) entitling them, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase our shares of common stock at less than the “current market price” (as defined below) of our common stock, in which case each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of our common stock entitled to receive such rights or warrants will be increased by multiplying such fixed conversion rate by a fraction:
- the numerator of which is the sum of the number of shares of common stock outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of shares of our common stock issuable pursuant to such rights or warrants, and
  - the denominator of which shall be the sum of the number of shares of common stock outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of shares of common stock equal to the quotient of the aggregate offering price payable to exercise such rights or warrants divided by the current market price of our common stock.

Any adjustment made pursuant to this clause (2) will become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. In the event that such rights or warrants described in this clause (2) are not so issued, each fixed conversion rate shall be readjusted, effective as of the date our Board of Directors publicly announces its decision not to issue such rights or warrants, to such fixed conversion rate that would then be in effect if such issuance had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or shares of our common stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, each fixed conversion rate shall be readjusted to such fixed conversion rate that would then

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be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of our common stock actually delivered. In determining the aggregate offering price payable for such shares of our common stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined by our Board of Directors). For the purposes of this clause (2), the number of shares of common stock at the time outstanding shall not include shares held in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of common stock. We will not issue any such rights or warrants in respect of shares of common stock held in treasury.

(3) We subdivide or combine our common stock, in which event the conversion rate in effect at 5:00 p.m., New York City time, on the effective date of such subdivision or combination shall be multiplied by a fraction:

- the numerator of which is the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination, and
- the denominator of which is the number of shares of our common stock outstanding immediately prior to such subdivision or combination.

Any adjustment made pursuant to this clause (3) shall become effective immediately after 5:00 p.m., New York City time, on the effective date of such subdivision or combination.

(4) We distribute to all holders of our common stock evidences of our indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets, excluding:

- any dividend or distribution covered by clause (1) above;
- any rights or warrants covered by clause (2) above;
- any dividend or distribution covered by clause (5) below; and
- any spin-off to which the provisions set forth below in this clause (4) shall apply,

in which event each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of our common stock entitled to receive such distribution will be multiplied by a fraction:

- the numerator of which is the current market price of our common stock, and
- the denominator of which is the current market price of our common stock minus the fair market value, as determined by our Board of Directors, on such date fixed for determination of the portion of the evidences of indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets so distributed applicable to one share of our common stock.

In the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, or relating to a subsidiary or other business unit of ours (herein referred to as a "spin-off"), each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of our common stock entitled to receive such distribution will be multiplied by a fraction:

- the numerator of which is the sum of the current market price of our common stock and the fair market value, as determined by our Board of Directors, of the portion of those shares of capital

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stock or similar equity interests so distributed applicable to one share of common stock as of the fifteenth trading day after the effective date for such distribution (or, if such shares of capital stock or equity interests are listed on a national or regional securities exchange, the current market price of such securities), and

- the denominator of which is the current market price of our common stock.

Any adjustment made pursuant to this clause (4) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of our common stock entitled to receive such distribution. In the event that such distribution described in this clause (4) is not so made, each fixed conversion rate shall be readjusted, effective as of the date our Board of Directors publicly announces its decision not to make such distribution, to such fixed conversion rate that would then be in effect if such distribution had not been declared. If an adjustment to each fixed conversion rate is required under this clause (4) during any conversion period in respect of shares of Series B preferred stock that have been tendered for conversion, delivery of the shares of our common stock issuable upon conversion will be delayed to the extent necessary in order to complete the calculations provided for in this clause (4).

(5) We make a distribution consisting exclusively of cash to all holders of our common stock, excluding:

- any cash that is distributed in a reorganization event (as described below),
- any dividend or distribution in connection with our liquidation, dissolution or winding up, and
- any consideration payable as part of a tender or exchange offer,

in which event, each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of our common stock entitled to receive such distribution will be multiplied by a fraction:

- the numerator of which is the current market price of our common stock, and
- the denominator of which is the current market price of our common stock minus the amount per share of such distribution.

Any adjustment made pursuant to this clause (5) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of our common stock entitled to receive such distribution. In the event that any distribution described in this clause (5) is not so made, each fixed conversion rate shall be readjusted, effective as of the date our Board of Directors publicly announces its decision not to make such distribution, to such fixed conversion rate which would then be in effect if such distribution had not been declared.

(6) We or any of our subsidiaries successfully complete a tender or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for our common stock (excluding any securities convertible or exchangeable for our common stock), where the cash and the value of any other consideration included in the payment per share of our common stock exceeds the current market price of our common stock, in which event each fixed conversion rate in effect at 5:00 p.m., New York City time, on the date of expiration of the tender or exchange offer (the “expiration date”) will be multiplied by a fraction:

- the numerator of which shall be equal to the sum of:
  - (i) the aggregate cash and fair market value (as determined by our Board of Directors) on the expiration date of any other consideration paid or payable for shares purchased in such tender or exchange offer; and

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- (ii) the product of:
  1. the current market price of our common stock; and
  2. the number of shares of our common stock outstanding immediately after such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer), and
- the denominator of which shall be equal to the product of:
  - (i) the current market price of our common stock; and
  - (ii) the number of shares of our common stock outstanding immediately prior to the time such tender or exchange offer expires.

Any adjustment made pursuant to this clause (6) shall become effective immediately after 5:00 p.m., New York City time, on the seventh trading day immediately following the expiration date. In the event that we are, or one of our subsidiaries is, obligated to purchase shares of our common stock pursuant to any such tender offer or exchange offer, but we are, or such subsidiary is, permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each fixed conversion rate shall be readjusted to be such fixed conversion rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this clause (6) to any tender offer or exchange offer would result in a decrease in each fixed conversion rate, no adjustment shall be made for such tender offer or exchange offer under this clause (6). If an adjustment to each fixed conversion rate is required pursuant to this clause (6) during any settlement period in respect of shares of Series B preferred stock that have been tendered for conversion, delivery of the related conversion consideration will be delayed to the extent necessary in order to complete the calculations provided for in this clause (6).

Except with respect to a spin-off, in cases where the fair market value of the evidences of our indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets as to which clauses (4) or (5) above apply, applicable to one share of common stock, distributed to stockholders equals or exceeds the average of the closing prices of our common stock over the five consecutive trading day period ending on the trading day before the ex-date for such distribution, rather than being entitled to an adjustment in each fixed conversion rate, holders of the Series B preferred stock will be entitled to receive upon conversion, in addition to a number of shares of our common stock equal to the applicable conversion rate in effect on the applicable conversion date, the kind and amount of the evidences of our indebtedness, shares of capital stock, securities, rights to acquire our capital stock, cash or other assets comprising the distribution that such holder would have received if such holder had owned, immediately prior to the record date for determining the holders of our common stock entitled to receive the distribution, for each share of Series B preferred stock, a number of shares of our common stock equal to the maximum conversion rate in effect on the date of such distribution.

To the extent that we have a rights plan in effect with respect to our common stock on any conversion date, upon conversion of any shares of the Series B preferred stock, you will receive, in addition to our common stock, the rights under the rights plan, unless, prior to such conversion date, the rights have separated from our common stock, in which case each fixed conversion rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (4) above, subject to readjustment in the event of the expiration, termination or redemption of such rights. Any distribution of rights or warrants pursuant to a rights plan that would allow you to receive upon conversion, in addition to any shares of our common stock, the rights described therein (unless such rights or warrants have separated from our common stock) shall not constitute a distribution of rights or warrants that would entitle you to an adjustment to the conversion rate.

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For the purposes of determining the adjustment to the fixed conversion rate for the purposes of:

- clauses (2), (4) in the event of an adjustment not relating to a spin-off and (5) above, the “current market price” of our common stock is the average of the closing prices of our common stock over the five consecutive trading day period ending on the trading day before the “ex-date” with respect to the issuance or distribution requiring such computation;
- clause (4) above in the event of an adjustment relating to a spin-off, the “current market price” of our common stock, capital stock or equity interest, as applicable, is the average of the closing prices over the first ten consecutive trading days commencing on and including the fifth trading day following the effective date of such distribution; and
- clause (6) above, the “current market price” of our common stock is the average of the closing prices of our common stock over the five consecutive trading day period ending on the seventh trading day after the expiration date of the tender or exchange offer.

The term “ex-date,” when used with respect to any issuance or distribution, means the first date on which shares of our common stock trade without the right to receive such issuance or distribution.

In the event of:

- any consolidation or merger of us with or into another person (other than a merger or consolidation in which we are the continuing corporation and in which the shares of our common stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of us or another person);
- any sale, transfer, lease or conveyance to another person of all or substantially all of our property and assets;
- any reclassification of our common stock into securities, including securities other than our common stock; or
- any statutory exchange of our securities with another person (other than in connection with a merger or acquisition),

in each case, as a result of which our common stock would be converted into, or exchanged for, securities, cash or property (each, a “reorganization event”), each share of Series B preferred stock outstanding immediately prior to such reorganization event shall, without the consent of the holders of the Series B preferred stock, become convertible into the kind of securities, cash and other property that such holder would have been entitled to receive if such holder had converted its Series B preferred stock into common stock immediately prior to such reorganization event (such securities, cash and other property, the “exchange property”). For purposes of the foregoing, the type and amount of exchange property in the case of any reorganization event that causes our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election. The number of units of exchange property for each share of Series B preferred stock converted following the effective date of such reorganization event will be determined by the applicable conversion rate then in effect on the applicable conversion date (without interest thereon and without any right to dividends or distributions thereon which have a record date prior to the date such shares of Series B preferred stock are actually converted). The applicable conversion rate, in the case of a mandatory conversion, and the minimum conversion rate, in the case of an early conversion, shall be determined using the applicable market value of the exchange property. Holders have the right to convert their shares of Series B preferred stock early in the event of certain cash mergers as described in the section of this prospectus entitled “—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount.”

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In addition, we may make such increases in each fixed conversion rate as we deem advisable in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares of our common stock (or issuance of rights or warrants to acquire shares of our common stock) or from any event treated as such for income tax purposes or for any other reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed conversion rate.

In the event of a taxable distribution to holders of our common stock that results in an adjustment of each fixed conversion rate or an increase in each fixed conversion rate in our discretion, holders of Series B preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In addition, non-U.S. holders of Series B preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See the section of this prospectus entitled “Material U.S. Federal Tax Considerations—Tax Consequences to U.S. Holders—Distributions on Series B Preferred Stock and Common Stock.”

Adjustments to the conversion rate will be calculated to the nearest 1/10,000th of a share. Prior to the mandatory conversion date, no adjustment in the conversion rate will be required unless the adjustment would require an increase or decrease of at least one percent in the conversion rate. If any adjustment is not required to be made because it would not change the conversion rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment; provided, however, that with respect to adjustments to be made to the conversion rate in connection with cash dividends paid by us, we will make such adjustments, regardless of whether such aggregate adjustments amount to one percent or more of the conversion rate no later than of each calendar year; provided further that on the earlier of the mandatory conversion date, an early conversion date and the effective date of a cash acquisition, adjustments to the conversion rate will be made with respect to any such adjustment carried forward that has not been taken into account before such date.

No adjustment to the conversion rate will be made if holders may participate in the transaction that would otherwise give rise to such adjustment as if they held, for each share of Series B preferred stock, a number of shares of our common stock equal to the maximum conversion rate then in effect.

The applicable conversion rate will not be adjusted:

- (a) upon the issuance of any common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in common stock under any plan;
- (b) upon the issuance of any common stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;
- (c) upon the issuance of any common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Series B preferred stock were first issued;
- (d) for a change in the par value or no par value of our common stock; or
- (e) for accumulated and unpaid dividends on the Series B preferred stock, except as described above under “—Mandatory Conversion,” “—Conversion at the Option of the Holder” and “—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount.”

We will be required, within five business days after the conversion rate is adjusted, to provide or cause to be provided written notice of the adjustment to the holders of shares of Series B preferred stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each fixed conversion rate was determined and setting forth each revised fixed conversion rate.

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If an adjustment is made to the fixed conversion rates, an inversely proportional adjustment also will be made to the threshold appreciation price and the initial price solely for the purposes of determining which clauses of the definition of the conversion rate will apply on the mandatory conversion date. Because the applicable market value is an average of the closing prices of our common stock over a 40 consecutive trading day period, we will make appropriate adjustments to the closing prices prior to the relevant ex-date, effective date or expiration date, as the case may be, used to calculate the applicable market value to account for any adjustments to the initial price, the threshold appreciation price and the fixed conversion rates that become effective during the period in which the applicable market value is being calculated.

If:

- the record date for a dividend or distribution on our common stock occurs after the end of the 40 consecutive trading day period used for calculating the applicable market value and before the mandatory conversion date, and
- that dividend or distribution would have resulted in an adjustment of the number of shares issuable to the holders of Series B preferred stock had such record date occurred on or before the last trading day of such 40-trading day period,

then we will deem the holders of Series B preferred stock to be holders of record of our common stock for purposes of that dividend or distribution. In this case, the holders of the Series B preferred stock would receive the dividend or distribution on our common stock together with the number of shares of common stock issuable upon mandatory conversion of the Series B preferred stock.

### **Book-entry, Delivery and Form**

The certificates representing the Series B preferred stock will be issued in fully registered form. Ownership of beneficial interests in a global security will be limited to persons who have accounts with DTC (“participants”) or persons who hold interests through such participants. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a global security, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Series B preferred stock represented by such global security for all purposes under the certificate of designations and the securities. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with the applicable procedures of DTC in addition to those provided for under the certificate of designations.

Payments of dividends on the global security will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we nor the party serving as registrar and transfer, conversion and dividend disbursing agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of dividends in respect of a global security, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security as shown on the records of DTC or its nominee, as the case may be. We also expect that payments by participants to owners of beneficial interests in such global security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.



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Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We understand that DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include:

- securities brokers and dealers;
- banks and trust companies; and
- clearing corporations and certain other organizations.

Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a global security among its participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the party serving as registrar and transfer, conversion and dividend disbursing agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depository for the global security and we do not appoint a successor depository within 90 days, we will issue certificated shares in exchange for the global securities. Holders of an interest in a global security may receive certificated shares, at our option, in accordance with the rules and procedures of DTC in addition to those provided for under the certificate of designations. Beneficial interests in global securities held by any direct or indirect participant may also be exchanged for certificated shares upon request to DTC by such direct participant (for itself or on behalf of an indirect participant), to the transfer agent in accordance with their respective customary procedures.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

## MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

The following discussion describes material U.S. federal income and estate tax consequences associated with the purchase, ownership and disposition of the Series B preferred stock and the ownership and disposition of our common stock received as a dividend thereon or upon conversion thereof, as of the date of this prospectus. It is assumed in this discussion that you hold shares of our Series B preferred stock or common stock as capital assets within the meaning of Section 1221 of the IRC (generally, property held for investment). This discussion does not address all aspects of U.S. federal income or estate taxation. Furthermore, the discussion below is based upon the provisions of the IRC, the existing and proposed Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as of the date of this prospectus, and all of which are subject to change or differing interpretation, possibly with retroactive effect. This discussion does not address any state, local or foreign tax consequences, nor any federal tax consequences other than federal income and estate tax consequences. Persons considering the purchase, ownership, and disposition of our Series B preferred stock, and the ownership and disposition of our common stock received as a dividend thereon or upon conversion thereof, should consult their tax advisors concerning U.S. federal, state, local, foreign or other tax consequences in light of their particular situations.

**THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SERIES B PREFERRED STOCK, AND THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK RECEIVED AS A DIVIDEND THEREON OR UPON CONVERSION THEREOF AND IS NOT TAX OR LEGAL ADVICE. PROSPECTIVE HOLDERS OF OUR SERIES B PREFERRED STOCK AND COMMON STOCK SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, FOREIGN AND OTHER TAX LAWS).**

### Tax Consequences to U.S. Holders

A “U.S. Holder” of our Series B preferred stock or common stock means a holder that is for U.S. federal income tax purposes:

- An individual citizen or resident of the United States;
- A corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- An estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our Series B preferred stock or common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership purchasing Series B preferred stock, we urge you to consult your tax advisor.

### *Distributions on Series B Preferred Stock and Common Stock*

In general, any distribution we make to a U.S. Holder with respect to its shares of our Series B preferred stock or our common stock that constitutes a dividend for U.S. federal income tax purposes will be taxable upon receipt as ordinary income, although possibly at reduced rates, as discussed below. Any distribution of common stock treated as a dividend will be subject to tax as a dividend in the amount of the fair market value of our

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common stock on the date of the distribution. That amount will also constitute the U.S. Holder's tax basis, and the holding period for the common stock will begin on the day following the distribution date. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent made out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the U.S. Holder's shares of our Series B preferred or common stock (as applicable) and, to the extent it exceeds such basis, will be treated as capital gain from the sale or exchange of such stock.

Dividends received by corporate U.S. Holders will be eligible for the dividends-received deduction, subject to certain restrictions, including restrictions relating to the holder's taxable income, holding period and debt financing. Under current law, dividends paid to individual U.S. Holders in taxable years beginning before January 1, 2011, will qualify for taxation at special rates if certain holding period and other applicable requirements are met.

As a holder of Series B preferred stock, you may be treated as receiving a constructive dividend distribution from us if the conversion rate is adjusted and as a result of such adjustment your proportionate interest in our assets or earnings and profits is increased. In some circumstances, either an increase in the conversion rate, or a failure to make an adjustment to the conversion rate, may result in a deemed taxable distribution to a holder of Series B preferred stock or common stock, if as a result of such failure, the proportionate interests of such holders in our assets or earnings and profits is increased. It is anticipated that such constructive dividends would be reported to you in the same manner as actual dividends. However, adjustments to the conversion rate made pursuant to a bona fide, reasonable anti-dilution adjustment formula generally should not result in a constructive dividend distribution.

A dividend that exceeds certain thresholds in relation to a U.S. Holder's tax basis in our Series B preferred stock or common stock (as applicable) could be characterized as an "extraordinary dividend." Generally, a corporate U.S. Holder that receives an extraordinary dividend is required to reduce its stock basis by the portion of such dividend that is not taxed because of the dividends-received deduction. If the amount of the reduction exceeds the U.S. Holder's tax basis in our Series B preferred stock or common stock (as applicable), the excess is treated as taxable gain. If you are a non-corporate U.S. holder and you receive an extraordinary dividend in taxable years beginning before January 1, 2011, you will be required to treat any losses on the sale of our Series B preferred stock or common stock as long-term capital losses to the extent of the extraordinary dividends you receive that qualify for the special tax rate on certain dividends described above.

### ***Sale or Exchange of Series B Preferred Stock and Common Stock***

Upon the sale or other disposition of our Series B preferred stock (other than pursuant to a conversion into common stock) or our common stock, you will generally recognize capital gain or loss equal to the difference between the amount realized and your adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if your holding period in respect of the stock is more than one year. For a discussion of your tax basis and holding period in respect of common stock received in the conversion of the Series B preferred stock, see below under "—Conversion of Series B Preferred Stock into Common Stock." Under current law, net long-term capital gain recognized in tax years beginning prior to January 1, 2011 by U.S. Holders who are individuals is eligible for a reduced rate of taxation. The deductibility of capital losses is subject to limitations.

### ***Conversion of Series B Preferred Stock into Common Stock***

A U.S. Holder will not recognize any income, gain, or loss upon the mandatory or optional conversion of Series B preferred stock into common stock, except that any cash or common stock you receive in respect of dividends in arrears will generally be taxable as described in "—Distributions on Series B Preferred Stock and Common Stock" above. In addition, any cash you receive in lieu of a fractional share of common stock will

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generally be treated as if you received the fractional share, and then received the cash in redemption of the fractional share. The deemed redemption will generally result in capital gain or loss equal to the difference between the amount of cash received and your tax basis in the stock that is allocable to the fractional share.

Your tax basis in the common stock you receive upon a conversion (including any basis allocable to a fractional share) will generally equal the tax basis of the Series B preferred stock that was converted. Your tax basis in a fractional share will be determined by allocating your tax basis in the common stock between the common stock you receive upon conversion and the fractional share in accordance with their respective fair market values. Your holding period for the common stock you receive (other than common stock received in respect of dividends in arrears) will include your holding period for the converted Series B preferred stock.

If a U.S. Holder's Series B preferred stock is converted pursuant to certain other transactions, including our consolidation or merger into another person or a "cash acquisition" (as described in "Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount"), the tax treatment of the conversion will depend upon the facts underlying the particular transaction triggering the conversion. Under those circumstances, U.S. Holders should consult their tax advisers to determine the specific tax treatment of a conversion.

### ***Information Reporting and Backup Withholding***

U.S. backup withholding (currently at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends on Series B preferred stock and common stock paid to a U.S. Holder will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a taxpayer identification number, or otherwise establishes an exemption. We must report annually to the Internal Revenue Service and to each U.S. Holder the amount of dividends paid to that holder and the proceeds from the sale, exchange or other disposition of our Series B preferred stock or our common stock, unless a U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the Internal Revenue Service.

### **Tax Consequences to Non-U.S. Holders**

A "Non-U.S. Holder" is a beneficial owner of our Series B preferred stock or our common stock (other than an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. Special rules may also apply to certain Non-U.S. Holders, such as:

- U.S. expatriates;
- "controlled foreign corporations";
- "passive foreign investment companies"; and
- investors in pass-through entities that are subject to special treatment under the IRC.

Non-U.S. Holders are urged to consult their tax advisers to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

***Distributions on Series B Preferred Stock and Common Stock***

Except as described below, if you are a non-U.S. Holder of our Series B preferred stock or our common stock, actual and constructive dividends generally are subject to withholding of U.S. federal income tax at a 30% rate, or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we generally will be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us (1) a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-U.S. person and your entitlement to the lower treaty rate with respect to such payments, or (2) in the case of payments made outside the U.S. to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the U.S.), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations. If you are eligible for a reduced rate of U.S. withholding tax under a tax treaty, you may generally obtain a refund of any amounts withheld in excess of that rate by timely filing a refund claim with the Internal Revenue Service.

Under certain circumstances described above in “—Tax Consequences to U.S. Holders—Distributions on Series B Preferred Stock and Common Stock,” Non-U.S. Holders may be deemed to receive constructive dividends. Because any constructive dividend to a Non-U.S. Holder will not give rise to any cash from which any applicable U.S. federal withholding tax can be satisfied, we intend to offset any withholding tax that we are required to collect against the fair market value of any common stock, cash payments or other distributions otherwise deliverable to you. As a result, if we make an adjustment to the conversion rate and the adjustment gives rise to a constructive dividend, non-U.S. holders should expect additional U.S. withholding on subsequent distributions.

If you wish to claim the benefit of an applicable treaty for dividends, you will be required to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalties of perjury that you are not a U.S. person and that you are entitled to the benefits of the applicable treaty.

Dividends that are effectively connected with your conduct of a trade or business within the United States or, if certain tax treaties apply, are attributable to your U.S. permanent establishment, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis in the same manner as if you were a U.S. Holder. Special certification and disclosure requirements, including the completion of Internal Revenue Service Form W-8ECI (or any successor form), must be satisfied for effectively connected income to be exempt from withholding. If you are a foreign corporation, any such effectively connected dividends received by you may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Special certification and other requirements apply to certain Non-U.S. Holders that are entities rather than individuals.

***Sale or Exchange of Series B Preferred Stock and Common Stock***

You generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of our Series B preferred stock (including the deemed exchange that gives rise to a payment of cash in lieu of a fractional share) or our common stock unless:

- The gain is effectively connected with your conduct of a trade or business in the United States and, if certain tax treaties apply, is attributable to your U.S. permanent establishment;
- If you are an individual and hold shares of our Series B preferred stock or our common stock as a capital asset, you are present in the United States for 183 days or more in the taxable year of the sale or other disposition, and certain other conditions are met; or

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- We are or have been a “U.S. real property holding corporation” for U.S. federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of our Series B preferred stock or our common stock (as applicable) and you are not eligible for any treaty exemption.

If you are an individual and are described in the first bullet above, you will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. Holder. If you are an individual and are described in the second bullet above, you will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though you are not considered a resident of the United States). If you are a foreign corporation and are described in the first bullet above, you will be subject to tax on your gain under regular graduated U.S. federal income tax rates in the same manner as if you were a U.S. Holder and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits at a rate of 30% or at such lower rate as may be specified by an applicable income tax treaty.

We believe we are not and do not anticipate becoming a “U.S. real property holding corporation” for U.S. federal income tax purposes.

### ***Conversion of Series B Preferred Stock into Common Stock***

Generally, if you are a Non-U.S. Holder, you will not recognize any income, gain or loss on the conversion of the Series B preferred stock into our common stock. However, any cash or common stock you receive in respect of dividends in arrears will generally be treated as a taxable distribution subject to withholding, as described above in “—Distributions on Series B Preferred Stock and Common Stock.” In addition, cash received in lieu of a fractional share of common stock will generally be treated as described above in “—Sale or Exchange of Series B Preferred Stock and Common Stock.”

If a Non-U.S. Holder’s Series B preferred stock is converted pursuant to certain other transactions, including our consolidation or merger into another person or a “cash acquisition” (as described in “Description of Series B Preferred Stock—Conversion at the Option of the Holder upon Cash Acquisition; Cash Acquisition Dividend Make-whole Amount”), the tax treatment of the conversion will depend upon the facts underlying the particular transaction triggering the conversion. Under those circumstances, Non-U.S. Holders should consult their tax advisers to determine the specific tax treatment of a conversion.

### ***New Withholding Legislation***

Newly enacted legislation imposes withholding taxes on certain types of payments made to certain non-U.S. entities. The legislation generally applies to payments made after December 31, 2012. Under this legislation, the failure to comply with certification, information reporting and other specified requirements (that are different from, and in addition to, the beneficial owner certification requirements described below) could result in a 30% withholding tax being imposed on payments of dividends on, and sales proceeds of, our Series B preferred stock and common stock to certain Non-U.S. Holders. Under certain circumstances, a Non-U.S. Holder of our Series B preferred stock or our common stock may be eligible for a refund or credit of such taxes. Investors are encouraged to consult with their tax advisers regarding the possible implications of this legislation on their investment in our Series B preferred stock or our common stock.

### ***Federal Estate Tax***

Shares of our Series B preferred stock and our common stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of death will be includible in the individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

### ***Information Reporting and Backup Withholding***

Under certain circumstances, Treasury regulations require information reporting and backup withholding on certain payments on Series B preferred stock and common stock.

U.S. backup withholding (currently at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends on Series B preferred stock and common stock paid to a Non-U.S. Holder will generally be exempt from backup withholding, provided the Non-U.S. Holder meets applicable certification requirements, including providing a correct and properly executed Internal Revenue Service Form W-8BEN or otherwise establishes an exemption. We must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to that holder and the U.S. federal withholding tax withheld with respect to those dividends, regardless of whether withholding is reduced or eliminated by an applicable tax treaty. Copies of these information reports may also be made available under the provisions of an applicable treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder is a resident.

Under current Treasury regulations, payments of proceeds from the sale of our Series B preferred stock and our common stock effected through a foreign office of a broker to its customer generally are not subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, or a foreign partnership with significant United States ownership or engaged in a United States trade or business, then information reporting (but not backup withholding) will be required, unless the broker has in its records documentary evidence that the beneficial owner of the payment is a Non-U.S. Holder or is otherwise entitled to an exemption (and the broker has no knowledge or reason to know to the contrary), and other applicable certification requirements are met. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person. Information reporting and backup withholding generally will apply to payments of proceeds from the sale of our Series B preferred stock and common stock effected through a United States office of any United States or foreign broker, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder, or otherwise establishes an exemption. The certification procedures required to obtain a reduced rate of withholding under a treaty will satisfy the certification requirements necessary to avoid backup withholding as well.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the Internal Revenue Service.

## UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and J.P. Morgan Securities LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of our Series B preferred stock indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
J.P. Morgan Securities LLC	
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
RBC Capital Markets Corporation	
UBS Securities LLC	
Total	

We may add additional underwriters to the table above. Any such underwriters would be selected by us taking into account various criteria, including among other things their marketing and distribution capability, ownership and management diversity, and automotive industry expertise.

The underwriters are offering the shares of Series B preferred stock subject to their receipt and acceptance of the shares from us, subject to prior sale and subject to their right to reject any order in whole or in part. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Series B preferred stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Series B preferred stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares of Series B preferred stock covered by the underwriters' over-allotment option described below. The underwriting agreement also provides that if one or more underwriters default, the purchase commitments of the non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer part of the shares of Series B preferred stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ \_\_\_\_\_ a share of Series B preferred stock under the public offering price. After the initial offering of the shares of Series B preferred stock, the offering price and other selling terms may from time to time be varied by the representatives. Sales of shares of Series B preferred stock outside of the United States may be made by affiliates of the underwriters.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares of Series B preferred stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of Series B preferred stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of Series B preferred stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of Series B preferred stock listed next to the names of all underwriters in the preceding table. If the underwriters purchase any additional shares of Series B preferred stock, they will offer the additional shares on the same terms as the other shares of Series B preferred stock that are the subject of this offering.



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The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional \_\_\_\_\_ shares of Series B preferred stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by us	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

We estimate that the total offering expenses payable by us for the offering of common stock and this offering, exclusive of the underwriting discounts and commissions payable by us in this offering, are approximately \$ \_\_\_\_\_.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of Series B preferred stock offered by them.

We intend to apply for the listing of our Series B preferred stock on the New York Stock Exchange under the trading symbol "\_\_\_\_\_".

In order to facilitate the offering of the Series B preferred stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series B preferred stock. Specifically, the underwriters may sell more shares of Series B preferred stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of Series B preferred stock available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares of Series B preferred stock in the open market. In determining the source of shares of Series B preferred stock to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares of Series B preferred stock compared to the price available under the over-allotment option. The underwriters may also sell shares of Series B preferred stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares of Series B preferred stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Series B preferred stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of Series B preferred stock in the open market to stabilize the price of the Series B preferred stock. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions. The activities described above may raise or maintain the market price of the Series B preferred stock above independent market levels or prevent or retard a decline in the market price of the Series B preferred stock. The underwriters are not required to engage in these activities and may end any of these activities at any time if they are commenced.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of Series B preferred stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

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Prior to this offering, there has been no public market for our Series B preferred stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. We cannot assure you, however, that the price at which the shares of Series B preferred stock will sell in the public market after this offering will not be lower than the public offering price or that an active trading market in the shares of our Series B preferred stock will develop and continue after this offering.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and other services for us for which they received or will receive compensatory fees and expense reimbursements.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Shares



**% Series B Mandatory Convertible Junior Preferred Stock**

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**PRELIMINARY PROSPECTUS**

**, 2010**

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the various expenses, other than underwriting discounts and commissions, incurred or to be incurred by us in connection with the sale of securities. All of the amounts shown are estimated, except the Securities and Exchange Commission registration fee and the FINRA registration fee.

SEC registration fee	\$	*
FINRA filing fee		*
New York Stock Exchange and Toronto Stock Exchange listing fees		*
Printing and engraving expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Transfer agent and registrar fees		*
Miscellaneous fees and expenses		*
<b>Total</b>	<b>\$</b>	<b>*</b>

\* To be completed by amendment.

**Item 14. Indemnification of Directors and Officers.**

We indemnify our directors and officers under Section 145 of the DGCL.

Our Certificate of Incorporation, as amended, provides that no director shall be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability: (1) for any breach of the director's duty of loyalty to us or our stockholders; (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) under Section 174, or any successor provision thereto, of the DGCL; or (4) for any transaction from which the director derived an improper personal benefit.

Under Article V of our Bylaws, we shall indemnify and advance expenses to every director and officer in the manner and to the full extent permitted by applicable law as it presently exists, or may hereafter be amended, against any and all amounts (including judgments, fines, payments in settlement, attorneys' fees, and other expenses) reasonably incurred by or on behalf of such person in connection with any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative ("a proceeding"), in which such director or officer was or is made or is threatened to be made a party or called as a witness or is otherwise involved by reason of the fact that such person is or was a director or officer of ours, or is or was serving at our request as a director, officer, employee, fiduciary, or member of any other corporation, partnership, joint venture, trust, organization, or other enterprise, whether the basis of such proceeding is an alleged action in an official capacity as a director, officer, employee, fiduciary, or member. We shall not be required to indemnify a person in connection with a proceeding initiated by such person if the proceeding was not authorized by our Board of Directors.

Under Article V of our Bylaws, we shall pay the expenses of directors and officers incurred in defending any proceeding in advance of its final disposition; provided, however, that the advancement of expenses shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that by final judicial decision from which there is no further right of appeal the director or officer is not entitled to be indemnified under Article V of the Bylaws or otherwise.

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Under Article V of our Bylaws, if a claim for indemnification or advancement of expenses by an officer or director under Article V of our Bylaws is not paid in full within 90 days after we have received a written claim, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, we shall have the burden of proving that the claimant was not entitled to the requested indemnification or advancement of expenses under applicable law.

The rights conferred on any person by Article V of our Bylaws shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of our Certificate of Incorporation or Bylaws, agreement, vote of stockholders or disinterested directors, or otherwise.

We are insured against liabilities which may be incurred by reason of Article V of our Bylaws. In addition, directors and officers are insured, at our expense, against some liabilities which might arise out of their employment.

### **Item 15. Recent Sales of Unregistered Securities**

#### *Holding Company Merger*

In October 2009 in connection with a holding company merger effected pursuant to an Agreement and Plan of Merger, dated as of October 15, 2009 by and among us, Prior GM (our previous legal entity, which is now a wholly-owned subsidiary of the Company), and an indirect wholly-owned subsidiary of Prior GM, we issued new securities. These new securities were issued solely in exchange for the corresponding securities of Prior GM. These new securities have the same economic terms and provisions as the corresponding Prior GM securities and upon completion of the holding company merger were held by our securityholders in the same class evidencing the same proportional interest in us as the securityholders held in Prior GM.

#### Common Stock

- Issued 304,131,356 shares to the UST;
- Issued 58,368,644 shares to Canada Holdings;
- Issued 87,500,000 shares to the New VEBA; and
- Issued 50,000,000 shares to MLC.

#### Series A Preferred Stock

- Issued 83,898,305 shares to the UST;
- Issued 16,101,695 shares to Canada Holdings; and
- Issued 260,000,000 shares to the New VEBA.

The shares of Series A Preferred Stock have a liquidation preference of \$25.00 per share and accrue cumulative dividends at a rate equal to 9.0% per annum (payable quarterly on March 15, June 15, September 15, and December 15) if, as and when declared by our Board of Directors. So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. On or after December 31, 2014, we may redeem, in whole or in part, the shares of Series A Preferred Stock at the time outstanding, at a redemption price per share equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions.

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### Warrants

- Issued warrants to MLC to acquire 45,454,545 shares of our common stock, exercisable at any time prior to July 10, 2016, with an exercise price of \$30.00 per share;
- Issued warrants to MLC to acquire 45,454,545 shares of our common stock, exercisable at any time prior to July 10, 2019, with an exercise price of \$55.00 per share; and
- Issued warrants to the New VEBA to acquire 15,151,515 shares of our common stock, exercisable at any time prior to December 31, 2015, with an exercise price set at \$126.92 per share.

The number of shares of our common stock underlying each of the warrants issued to MLC and the New VEBA and the per share exercise price thereof are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

### *363 Sale*

The foregoing securities were issued to the UST, Canada Holdings, the New VEBA, and MLC solely in exchange for the corresponding securities of Prior GM in connection with the holding company merger. The consideration originally paid for the securities of Prior GM with respect to each of the UST, Canada Holdings, the New VEBA, and MLC in connection with the formation of Prior GM and the 363 Sale on July 10, 2009 was as follows:

### UST

- The UST's existing credit agreement with Old GM;
- The UST's portion of Old GM's DIP Facility (other than debt we assumed or MLC's wind-down facility) and all of the rights and obligations as lender thereunder;
- The warrants Old GM previously issued to the UST; and
- Any additional amounts UST loaned to Old GM prior to the closing of the 363 Sale with respect to each of the foregoing UST credit facilities.

### Canada Holdings

- Certain existing loans made to GMCL by EDC;
- Canada Holding's portion of the DIP Facility (other than debt we assumed or MLC's wind-down facility); and
- The loans made to Prior GM under the loan agreement between Prior GM, EDC and UST immediately following the closing of the 363 Sale on July 10, 2009.

### New VEBA

- The compromise of certain claims against MLC existing under the 2008 UAW Settlement Agreement.

### MLC

- The assets acquired by us pursuant to the Purchase Agreement, offset by the liabilities we assumed pursuant to the Purchase Agreement.

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### ***Securities Act Exemption***

The securities of Prior GM, and our securities issued in replacement thereof in the holding company merger, were issued pursuant to an exemption from registration provided by Section 4(2) under the Securities Act.

### **Item 16. Exhibits and Financial Statement Schedules.**

- (a) A list of exhibits filed with this registration statement on Form S-1 is set forth in the Exhibit Index and is incorporated herein by reference.
- (b) Schedule II — Valuation and Qualifying Accounts is set forth after the Exhibit Index below and incorporated herein by reference.

### **Item 17. Undertakings.**

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.





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* _____ Kathryn V. Marinello	Director	October 14, 2010
* _____ Patricia F. Russo	Director	October 14, 2010
* _____ Carol M. Stephenson	Director	October 14, 2010
* _____ Cynthia A. Telles	Director	October 14, 2010

\* The undersigned, by signing her name hereto, does execute this Registration Statement on behalf of the persons identified above pursuant to a power of attorney.

By: \_\_\_\_\_ /s/ ANNE T. LARIN  
Anne T. Larin  
Attorney-in-Fact

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Documents</b>
1.1	Form of Common Stock Underwriting Agreement**
1.2	Form of Series B Mandatory Convertible Junior Preferred Stock Underwriting Agreement**
3.1	Amended and Restated Certificate of Incorporation of General Motors Company, as amended, incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
3.2	General Motors Company Amended and Restated Bylaws dated August 3, 2010, incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K of General Motors Company filed August 9, 2010
4.1	Form of Common Stock Certificate of General Motors Company**
4.2	Certificate of Designations of Series A Fixed Rate Cumulative Perpetual Preferred Stock of General Motors Company, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
4.3	Form of Certificate of Designations of Series B Mandatory Convertible Junior Preferred Stock of General Motors Company**
4.4	Form of Series B Preferred Stock Certificate of General Motors Company**
5.1	Opinion of Robert C. Shrosbree**
10.1†	Second Amended and Restated Secured Credit Agreement among General Motors Company, as Borrower, the Guarantors, and the United States Department of the Treasury, as Lender, dated August 12, 2009, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
10.2†	Assignment and Assumption Agreement and Third Amendment to Second Amended and Restated Secured Credit Agreement among General Motors LLC, General Motors Holdings LLC, General Motors Company and the United States Department of the Treasury, as Lender, dated as of October 19, 2009, incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
10.3†	Amended and Restated Secured Note Agreement among General Motors Company, as Issuer, the Guarantors and UAW Retiree Medical Benefits Trust, as Noteholder, dated August 14, 2009 (refer also to Exhibit 10.1 which includes Schedule 3.25 referenced herein), incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
10.4†	Assignment and Assumption Agreement and Third Amendment to Amended and Restated Secured Note Agreement among General Motors LLC, General Motors Holdings LLC, General Motors Company and UAW Retiree Medical Benefits Trust, as Noteholder, dated as of October 19, 2009, incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
10.5†	Second Amended and Restated Loan Agreement by and among General Motors of Canada Limited, as Borrower, and the other loan parties and Export Development Canada, as Lender, dated July 10, 2009, incorporated herein by reference to Exhibit 10.8 to the Current Report on Form 8-K of General Motors Company filed August 7, 2009
10.6	Amendment to Second Amended and Restated Loan Agreement by and among General Motors of Canada Limited, as Borrower, and the other loan parties and Export Development Canada, as Lender, dated October 15, 2009, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of General Motors Company filed October 23, 2009
10.7	Settlement Agreement dated as of September 10, 2009, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of General Motors Company filed September 17, 2009

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- 10.8 Agreement, dated as of October 15, 2009 between General Motors Company (fka General Motors Holding Company), General Motors LLC (fka General Motors Company) and Motors Liquidation Company, incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
- 10.9 Stockholders Agreement, dated as of October 15, 2009 between General Motors Company, the United States Department of the Treasury, Canada GEN Investment Corporation (fka 7176384 Canada Inc.), the UAW Retiree Medical Benefits Trust, and, for limited purposes, General Motors LLC, incorporated herein by reference to Exhibit 10.8 to the Current Report on Form 8-K of General Motors Company filed November 16, 2009
- 10.10 Master Disposition Agreement among Delphi Corporation, GM Components Holdings, LLC, General Motors Company, Motors Liquidation Company (fka General Motors Corporation), DIP Holdco 3, LLC, and the other sellers and other buyers party thereto dated July 26, 2009, incorporated herein by reference to Exhibit 10.9 to the Current Report on Form 8-K of General Motors Company filed August 7, 2009
- 10.11 Investment Commitment Agreement by and among Silver Point Capital Fund, LP, Silver Point Capital Offshore Fund, Ltd., Elliott Associates, LP, DIP Holdco 3, LLC, and General Motors Company dated July 26, 2009, incorporated herein by reference to Exhibit 10.10 to the Current Report on Form 8-K of General Motors Company filed August 7, 2009
- 10.12 UAW Retiree Settlement Agreement, dated July 10, 2009, between General Motors Company and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the UAW), with the UAW also entering into the agreement as the authorized representative of certain persons receiving retiree benefits pursuant to collectively bargained plans, programs and/or agreement between General Motors Company and the UAW, incorporated herein by reference to Exhibit 10.12 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
- 10.13 Amended and Restated Global Settlement Agreement Between Delphi Corporation and General Motors Corporation, Dated September 12, 2008, incorporated herein by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q of Motors Liquidation Company filed November 10, 2008
- 10.14 Form of Compensation Statement, incorporated herein by reference to Exhibit 10.14 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
- 10.15 Summary of Employment Arrangement between General Motors Company and Edward E. Whitacre, Jr., incorporated herein by reference to Item 5.02 of the Current Report on Form 8-K of General Motors Company filed February 19, 2010
- 10.16 Employment Agreement for Christopher P. Liddell, incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of General Motors Company filed May 17, 2010
- 10.17 General Motors Company Short Term Incentive Plan\*
- 10.18 Summary of Consulting Arrangement between General Motors Company and Stephen J. Girsky, incorporated herein by reference to Item 1.01 of the Current Report on Form 8-K of General Motors Company filed January 15, 2010
- 10.19 Summary of Employment Arrangement between General Motors Company and Stephen J. Girsky, incorporated herein by reference to Item 1.01 of the Current Report on Form 8-K of General Motors Company filed March 5, 2010
- 10.20 General Motors Executive Retirement Plan, as amended August 2, 2010\*
- 10.21 General Motors Company 2009 Long-Term Incentive Plan, as amended October 5, 2010\*

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10.22	General Motors Company Salary Stock Plan, as amended October 5, 2010*
10.23	Form of Restricted Stock Unit Grant made to top 25 highly compensated employees under General Motors Company 2009 Long-Term Incentive Plan, as Amended March 1, 2010, incorporated herein by reference to Exhibit 10.20 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
10.24	Form of Restricted Stock Unit Grant (Cash Settlement) made to top 25 highly compensated employees under General Motors Company 2009 Long-Term Incentive Plan, as Amended March 1, 2010, incorporated herein by reference to Exhibit 10.21 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
10.25	Form of Restricted Stock Unit Grant made to certain executive officers, incorporated herein by reference to Exhibit 10.a to the Quarterly Report on Form 10-Q of Motors Liquidation Company filed May 8, 2008
10.26	General Motors Company Vehicle Operations—Senior Management Vehicle Program (SMVP) Supplement, revised December 15, 2005, incorporated herein by reference to Exhibit 10(g) to the Annual Report on Form 10-K of Motors Liquidation Company filed March 28, 2006
10.27†	Amended and Restated United States Consumer Financing Services Agreement between GMAC LLC and General Motors Corporation dated May 22, 2009, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of General Motors Company filed August 7, 2009
10.28†	Amended and Restated Master Services Agreement between GMAC LLC and General Motors Corporation dated May 22, 2009, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of General Motors Company filed August 7, 2009
10.30	Agreement, dated as of October 22, 2001, between General Motors Corporation and General Motors Acceptance Corporation, incorporated herein by reference to Exhibit 10 to the Annual Report on Form 10-K of Motors Liquidation Company filed March 28, 2006
10.31	United States Consumer Agreement, dated as of November 30, 2006, between General Motors Corporation and GMAC LLC, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Motors Liquidation Company filed November 30, 2006
10.32	Amended and Restated Warrant Agreement, dated as of October 16, 2009, between General Motors Company and U.S. Bank National Association, including Form of Warrant Certificate attached as Exhibit D thereto, relating to warrants with a \$30 original exercise price and a July 10, 2016 expiration date, incorporated herein by reference to Exhibit 10.29 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
10.33	Amended and Restated Warrant Agreement, dated as of October 16, 2009, between General Motors Company and U.S. Bank National Association, including Form of Warrant Certificate attached as Exhibit D thereto, relating to warrants with a \$55 original exercise price and a July 10, 2019 expiration date, incorporated herein by reference to Exhibit 10.30 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
10.34	Amended and Restated Warrant Agreement, dated as of October 16, 2009, between General Motors Company and U.S. Bank National Association, including Form of Warrant Certificate attached as Exhibit D thereto, relating to warrants with a \$126.92 original exercise price and a December 31, 2015 expiration date, incorporated herein by reference to Exhibit 10.31 to the Annual Report on Form 10-K of General Motors Company filed April 7, 2010
10.35	Equity Registration Rights Agreement, dated as of October 15, 2009, between General Motors Company, the United States Department of Treasury, Canada GEN Investment Corporation (fka 7176384 Canada Inc.), the UAW Retiree Medical Benefits Trust, Motors Liquidation Company, and, for limited purposes, General Motors LLC, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Motors Liquidation Company filed October 21, 2009

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10.36	Amended and Restated Master Sale and Purchase Agreement, dated June 26, 2009, between General Motors Corporation, Saturn LLC, Saturn Distribution Corporation, Chevrolet-Saturn of Harlem, Inc., and General Motors Company (fka NGMCO, Inc.), incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Motors Liquidation Company filed July 2, 2009
10.37	First Amendment to Amended and Restated Master Sale and Purchase Agreement, dated June 30, 2009, between General Motors Corporation, Saturn LLC, Saturn Distribution Corporation, Chevrolet-Saturn of Harlem, Inc., and General Motors Company (fka NGMCO, Inc.), incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Motors Liquidation Company filed July 8, 2009
10.38	Second Amendment to Amended and Restated Master Sale and Purchase Agreement, dated July 5, 2009, between General Motors Corporation, Saturn LLC, Saturn Distribution Corporation, Chevrolet-Saturn of Harlem, Inc., and General Motors Company (fka NGMCO, Inc.), incorporated herein by reference to Exhibit 2.2 to the Current Report on Form 8-K of Motors Liquidation Company filed July 8, 2009
10.39	Summary of Employment Arrangement between General Motors Company and Daniel F. Akerson, incorporated herein by reference to Item 5.02 of the Current Report on Form 8-K of General Motors Company filed September 10, 2010
10.40	Summary of Fee Arrangement between General Motors Company and Edward E. Whitacre, Jr., incorporated herein by reference to Item 5.02 of the Current Report on Form 8-K of General Motors Company filed September 10, 2010
10.41	Letter Agreement regarding the Second Amended and Restated Secured Credit Agreement among General Motors Holdings LLC, as Borrower, the Guarantors, and the United States Department of the Treasury, as Lender, dated September 22, 2010, incorporated by reference to Exhibit 10.41 to Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-168919) of General Motors Company filed September 23, 2010
12.1	Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends for the Six Months Ended June 30, 2010 and the Periods July 10, 2009 through December 31, 2009 and January 1, 2009 through July 9, 2009 and for the Years Ended December 31, 2008, 2007, 2006 and 2005, incorporated by reference to Exhibit 12.1 to the Registration Statement on Form S-1 (File No. 333-168919) of General Motors Company filed August 18, 2010
21.1	List of Subsidiaries of General Motors Company, incorporated by reference to Exhibit 21.1 to the Registration Statement on Form S-1 (File No. 333-168919) of General Motors Company filed August 18, 2010
23.1	Consent of Deloitte & Touche LLP (General Motors Company)*
23.2	Consent of Deloitte & Touche LLP (Ally Financial Inc. fka GMAC Inc.)*
23.3	Consent of Robert C. Shrosbree (included in Exhibit 5.1)**
24.1	Powers of Attorney for Directors of General Motors Corporation, incorporated by reference to Exhibit 24.1 to the Registration Statement on Form S-1 (File No. 333-168919) of General Motors Company filed August 18, 2010
99.1	Consolidated Financial Statements of Ally Financial Inc. (fka GMAC Inc.) and subsidiaries at December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009*
99.2	Consolidated Financial Statements of Ally Financial Inc. (fka GMAC Inc.) and subsidiaries at June 30, 2010 (unaudited) and December 31, 2009 and for the three and six month periods ended June 30, 2010 (unaudited) and the three and six month periods ended June 30, 2009 (unaudited)*
99.3	Consent of IHS Global Insight*

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\* Filed herewith.

\*\* To be filed by amendment.

† Certain confidential portions have been omitted pursuant to a request for confidential treatment, which has been separately filed with the Securities and Exchange Commission.

## SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(Dollars in millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Effect of Application of Fresh-Start Reporting	Balance at End of Period
<b>Successor</b>						
<b>For the period July 10, 2009 through December 31, 2009</b>						
Allowances Deducted from Assets						
Accounts and notes receivable (for doubtful receivables)	\$ —	251	—	1	—	\$ 250
Other investments and miscellaneous assets (receivables and other)	\$ —	—	7	—	—	\$ 7
<b>Predecessor</b>						
<b>For the period January 1, 2009 through July 9, 2009</b>						
Allowances Deducted from Assets						
Accounts and notes receivable (for doubtful receivables)	\$ 422	1,482	76	6	(1,974)	\$ —
Other investments and miscellaneous assets (receivables and other)	\$ 43	—	3	—	(46)	\$ —
<b>For the Year Ended December 31, 2008</b>						
Allowances Deducted from Assets						
Accounts and notes receivable (for doubtful receivables)	\$ 338	157	—	73	—	\$ 422
Other investments and miscellaneous assets (receivables and other)	\$ 14	—	29	—	—	\$ 43
<b>For the Year Ended December 31, 2007</b>						
Allowances Deducted from Assets						
Accounts and notes receivable (for doubtful receivables)	\$ 397	—	11	70	—	\$ 338
Other investments and miscellaneous assets (receivables and other)	\$ 17	—	—	3	—	\$ 14

**GENERAL MOTORS COMPANY SHORT TERM INCENTIVE PLAN**

1. The purposes of the Plan are to reward performance and to incentivize Employees who contribute to the success of the business by making them participants in that success.

2(a) The Committee, as from time to time constituted pursuant to the Bylaws of the Company, may authorize Target Awards to Employees of the Company, Subsidiary or any other subsidiary or affiliate designated by the Committee. The Committee, in its sole discretion, shall establish targeted performance levels at which Target Awards may be earned. The Committee will establish minimum performance levels below which no award will be earned and will also establish corresponding maximum performance level(s) for which Target Awards may be adjusted upwards. The percentage of each Target Award that becomes a Final Award will be determined on the basis of the performance goals established and the performance achieved as well as the level of the Employee's individual performance during the period. The Committee shall establish the individual Target Awards and Final Awards for the Executive Committee and any Executive Officers of the Company who are not Executive Committee members. The Committee may delegate to an appropriate Executive Officer of the Company responsibility for determining, within the limits established by the Committee, individual Target Awards and Final Awards for Employees who are not Executive Committee members or Executive Officers of the Company.

Final Awards will be payable in cash as determined by the Committee, or if applicable, alternative payment arrangements may be approved to comply with the provisions of the Interim Final Rule and any determinations by the Special Master for TARP Executive Compensation and Section 409A of the Internal Revenue Code. If such arrangements require all or any portion of a Final Award to be delivered in shares of stock, such shares will be granted under the authorization conferred in Section 3(c) of the General Motors Company Long-Term Incentive Plan and shall not exceed the number of shares available under the approved Share reserve available to the Salary Stock Plan as amended October 5, 2010 and the General Motors Company 2009 Long-Term Incentive Plan as amended October 5, 2010.

2(b) With respect to the performance levels to be established pursuant to paragraph 2(a), the specific measures shall be established by the Committee. In creating these measures, the Committee may establish the specific goals based upon or relating to one or more of the following business criteria: asset turnover, cash flow, contribution margin, cost objectives, cost reduction, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, economic value added, free cash flow, increase in customer base, initial public offering, inventory turnover, liquidity, market share, net income, net income margin, operating cash flow, operating profit margin, pre-tax income, productivity, profit margin, quality, return on assets, return on net assets, return on capital, return on equity, revenue, revenue growth, and/or warranty. The business criteria may be expressed in absolute terms or relative to the performance of other companies or to an index.

2(c) If any event occurs during a performance period which requires changes to preserve the incentive features of this Plan, the Committee may make appropriate adjustments. Such events may include changes in accounting principles, extraordinary items or changes in tax laws affecting net income.

2(d) Except as otherwise provided in paragraph 6, the percentage of each Target Award to be distributed to an Employee as a Final Award shall be determined by the Committee on the basis



of the performance levels established for such award and the performance of the applicable enterprise or specified portion thereof, as the case may be, during the performance period. Following determination of the payout percentage to be applied to the Target Award, the Committee may, upon the recommendation of the Chief Executive Officer, make further adjustments to awards for Officers of the Company to reflect individual performance during such period, which for Covered Officers will involve only negative discretion. Adjustments to Target Awards to Employees who are not Covered Officers of the Company may be adjusted upward or downward to reflect individual performance not to exceed the maximum funding approved by the Committee. Any Target Award, as determined and adjusted pursuant to this paragraph 2(d) and paragraph 6, is herein referred to as a "Final Award."

2(e) For purposes of qualifying performance based compensation under 162m, the Plan limits the maximum individual Final Award under the Plan to \$7.5 million for any individual Participant. The Committee shall certify Final Awards earned by Covered Officers in writing prior to any award payments.

3. The Committee shall, among other things, determine when and to what extent individuals otherwise eligible for consideration shall become or cease to be, as the case may be, Employees for purposes of this Plan and shall determine when, and under what circumstances, any individual shall be considered to have terminated employment for purposes of this Plan.

4(a) Final Awards shall be paid as determined by the Committee under Section 2(a). Target Awards may become Final Awards, as determined by the Committee, in the year following the year Target Awards are granted. Final Awards shall vest and be paid in such following year, unless subject to a vesting schedule established by the Committee. Except as otherwise provided in this Plan, no Final Award (or portion thereof subject to a vesting schedule) shall be paid prior to vesting and the unpaid portion of any Final Award shall be subject to the provisions of paragraph 6. The Committee shall have the authority to modify a vesting schedule as may be necessary or appropriate in order to implement the purposes of this Plan. As a condition to the vesting of all or any portion of a Final Award the Committee may, among other things, require an Employee to enter into such agreements as the Committee considers appropriate and in the best interests of the Company.

4(b) No Employee shall have any rights to be granted a Target Award.

5(a) An Employee shall be eligible for consideration for a Target Award based on such criteria as the Committee shall from time to time determine.

5(b) No Target Award shall be granted to any Director of the Company who is not an Employee at the date of grant.

6(a) Payment of any Final Award (or portion thereof) to a Participant shall be subject to the satisfaction of the conditions precedent that such Participant: (i) continue to render services as an Employee (unless this condition is waived by the Committee), (ii) refrain from engaging in any activity which, in the opinion of the Committee, is in any manner inimical or in any way contrary to the best interests of the Company, (iii) will not, for a period of 12 months following any voluntary termination of employment, directly or indirectly, knowingly induce any Employee or employee of an affiliate of the Company to leave their employment for participation, directly or indirectly, with any existing or future business venture associated with such individual, and (iv) furnish to the Company such information with respect to the satisfaction of the foregoing

conditions precedent as the Committee shall reasonably request. Except as otherwise provided under paragraph 6(c) below, the failure by any Participant to satisfy such conditions precedent shall result in the immediate cancellation of the unvested portion of any Final Award previously made to such Participant and such Participant shall not be entitled to receive any consideration in respect of such cancellation.

6(b) If any Participant is dismissed for cause, quits employment without the prior consent of the Company, or separates employment under a mutual separation or involuntary termination, all awards previously made to such Participant that are not vested shall be cancelled as of the date of such termination of employment, and such Employee shall not be entitled to receive any consideration in respect of such cancellation.

6(c) If employment of an Employee is terminated by death, Target Awards will be prorated to date of death based on months in active service during the performance period and be subject to adjustment for final Corporate and individual performance and payable in cash immediately following determination of the Final Award. If employment is terminated by death after determination of the Final Award, Final Awards not currently vested will vest and become immediately payable/deliverable to the decedent's beneficiary(s).

6(d) A qualifying leave of absence will not constitute a termination of employment. A Participant's absence or leave shall be deemed to be a qualifying leave of absence if approved by the Committee in its sole discretion. Target Awards will be prorated based on months in active service during the performance period (plus two additional months for Disability leaves).

6(e) If a Participant terminates employment as an approved retirement at age 55 or older with ten or more years of service (or equivalent retirement eligibility outside the U.S.) or age 62 or older in the U.S. during the performance period, the Target Award will be prorated to date of retirement based on months in active service during the performance period and be subject to adjustment for final Corporate and individual performance and Final Awards will be payable on the originally scheduled payment/delivery date. The condition precedent of continuing service (6(a)(i)) will be waived and vesting of all undelivered portions of the Participant's Final Award will be accelerated and payment will be made on the originally scheduled payment/delivery date.

6(f) Upon termination of a Participant's employment for any reason other than as described above, the Committee may, but shall not in any case be required to, waive the condition precedent relating to the continued rendering of services in respect of all or any specified percentage of the unvested portion of any Final Award. To the extent such condition precedent is waived, the Committee may accelerate the vesting of all or any specified percentage of the unvested portion of any Final Award.

7. Subject to paragraph 6, all Final Awards which have vested in accordance with the provisions of this Plan shall be paid in accordance with Section 2(a). If the Company shall have any unpaid claim against an Participant arising out of or in connection with the Participant's employment with the Company, prior to payment of a Final Award, such claim may be offset against awards under this Plan (up to \$5,000 per year) and upon payment of a Final Award, such claim may be offset in total. Such claim may include, but is not limited to, unpaid taxes or corporate business credit card charges.

8. To the extent that any Participant acquires a right to receive payments or distributions under this Plan, such right shall be no greater than the right of a general unsecured creditor of the

Company. All payments and distributions to be made hereunder shall be paid from the general assets of the Company. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and Participant or any other person.

9. The expenses of administering this Plan shall be borne by the Company.

10. Except as otherwise determined by the Committee, with the exception of transfer by will or the laws of descent and distribution, no Target or Final Award shall be assignable or transferable and, during the lifetime of the Participant, any payment in respect of any Final Award shall be made only to the Participant. A Participant shall designate a beneficiary or beneficiaries in a manner prescribed by the Company to receive all or part of the amounts to be distributed to the Participant under this Plan in case of death. A designation of beneficiary may be replaced by a new designation or may be revoked by the Participant at any time. In case of the Participant's death, the amounts distributable to the Participant under this Plan with respect to which a designation of beneficiary has been made (to the extent it is valid and enforceable under applicable law) shall be distributed in accordance with this Plan to the designated beneficiary or beneficiaries. The amount distributable to an Participant upon death and not subject to such a designation shall be distributed to the Participant's estate or legal representative. If there shall be any question as to the legal right of any beneficiary to receive a distribution under this Plan, the amount in question may be paid to the estate of the Participant, in which event the Company shall have no further liability to any party with respect to such amount.

11. Full power and authority to construe and interpret this Plan shall be vested in the Committee. To the extent determined by the Committee, administration of this Plan, including, but not limited to the selection of Participants in this Plan may be delegated to the Chief Executive Officer; provided, however, the Committee shall not delegate to the Chief Executive Officer any powers, determinations, or responsibilities with respect to Executive Officers of the Company. Any person who accepts any award hereunder agrees to accept as final, conclusive, and binding all determinations of the Committee. The Committee shall have the right, in the case of Participants not employed in the United States, to vary from the provisions of this Plan in order to preserve the incentive features of this Plan.

12. Notwithstanding any provision of this Plan, no Plan elections, modifications or distributions will be allowed or implemented if they would cause the Participant to be subject to tax (including interest and penalties) under Section 409A of the Code. The settlement of Awards hereunder may be delayed up to six months following a Participant's termination of employment if the Participant is a "specified employee" for purposes of Section 409A and such delay is necessary to avoid the imposition of tax (including interest and penalties) under Section 409A.

13. Notwithstanding anything in this Plan to the contrary, any award made to a Participant under this Plan is subject to being called for repayment to the Company in any situation where the Board of Directors or a committee thereof determines that the Company's Policy on Recoupment of Compensation requires such repayment, or that repayment is otherwise required by the rules of any national securities exchange on which the stock of the Company may be listed. The determination regarding repayment under this provision shall be within the sole discretion of the Committee and shall be final and binding on the Participant and the Company.

14. The Committee, in its sole discretion, may, at any time, amend, modify, suspend, or

terminate this Plan provided that no such action shall (a) adversely affect the rights of an Employee with respect to previous Target Awards or Final Awards under this Plan (except as otherwise permitted under paragraphs 2(d), 4, or 6), and this Plan, as constituted prior to such action, shall continue to apply with respect to Target Awards previously granted and Final Awards which have not been paid, or (b) without the approval of the stockholders, (i) increase the limit on the maximum amount of Final Awards provided in paragraph 2(e), or (ii) render any Director of the Company who is not an Employee at the date of grant eligible to be granted a Target Award.

15. Every right of action by, or on behalf of, the Company or by any stockholder against any past, present, or future member of the Board of Directors, officer, or Employee of the Company or its subsidiaries arising out of or in connection with this Plan shall, irrespective of the place where action may be brought and irrespective of the place of residence of any such Director, Officer, or Employee, cease and be barred by the expiration of three years from the date of the act or omission in respect of which such right of action arises. Any and all right of action by any Employee (past, present, or future) against the Company arising out of or in connection with this Plan shall, irrespective of the place where an action may be brought, cease and be barred by the expiration of three years from the date of the act or omission in respect of which such right of action arises. This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware and construed accordingly.

16. This Plan shall be effective as of January 1, 2010.

17. Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

- a) "Board" shall mean the Board of Directors of the Company
- b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, and any reference to any section of the Code shall also include any successor provision thereto.
- c) "Committee" shall mean the Executive Compensation Committee of the Board, its named successor, or such other persons or committee to whom the Board has delegated any authority, as may be appropriate.
- d) "Company" shall mean General Motors Company, a Delaware Company, or its successor.
- e) "Covered Officer" shall mean any individual whose compensation in the year of expected payment of an award, or in the year in which the Company will claim a tax deduction in respect of such individual's award thereunder, will be subject to the provisions of Section 162(m) of the Internal Revenue Code, as amended, as determined by the Committee.
- f) "Director" shall mean a member of the Board of Directors of the Company
- g) "Disability" shall mean the Participant is unable to engage in any gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

- h) "Employee" shall mean any individual who is employed by the Company or any Subsidiary.
- i) "Executive Committee" shall mean the Executive Committee or comparable management leadership group appointed by the Board or the chief executive officer of the Company.
- j) "Executive Officer" shall mean any Participant required to provide periodic statements of beneficial ownership of Company equity securities as an executive officer of the Company under Section 16(a) of the Securities Exchange Act of 1934.
- k) "Final Award" shall mean the amount approved by the Committee for payment to the Participant which shall mean the individual Target Award as adjusted for Corporate performance and, if applicable, individual performance.
- l) "Participant" shall mean an Employee who receives a Target Award under the Plan.
- m) "Plan" shall mean this General Motors Company Short Term Incentive Plan
- n) "Subsidiary" shall mean (i) a company of which capital stock having ordinary voting power to elect a majority of the board of directors of such company is owned, directly or indirectly, by the Company, or (ii) any unincorporated entity in respect of which the Company can exercise, directly or indirectly, comparable control to that described in clause (i)
- o) "Target Award" shall be an individual amount that the Participant may earn if targeted performance levels against approved metrics are achieved and individual performance is such that the amount may become a Final Award.



**GENERAL MOTORS LLC**

**General Motors  
Executive Retirement Plan**

**With Modifications through August 2, 2010**

**GENERAL MOTORS  
EXECUTIVE RETIREMENT PLAN**

The Executive Retirement Plan (ERP) is an unfunded, nonqualified deferred compensation plan. The Plan is structured to qualify for certain exemptions from the eligibility, funding and other requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and, further, ERP benefits are computed without regard to compensation limits imposed under the Internal Revenue Code.

**Article I. Purpose; Administration; and Effective Date**

**Article I, Section I. Purpose of the Plan**

The purpose of the General Motors Executive Retirement Plan (the Plan) is to help provide eligible retiring salaried executive employees of General Motors LLC (“the Company”), and certain executive employees of Promark, GM Global Steering Holdings LLC, and GM Components Holdings, an overall level of monthly retirement benefits, or lump sum distributions of account balances, which are competitive with the benefits provided executives retiring from other major U.S. industrial companies. The Company, Promark, GM Global Steering Holdings LLC, and GM Components Holdings are collectively referred to as “GM.” “Promark” and “GMAM” are used interchangeably. The monthly retirement benefits determined under the tax-qualified General Motors Retirement Program for Salaried Employees (hereinafter referred to as the “Retirement Program”), or account balances determined under the tax-qualified Savings-Stock Purchase Program (hereinafter referred to as the “S-SPP”), plus any benefits payable under certain other GM-provided benefit programs, may be supplemented by benefits provided under the formulas of this Plan. It is intended that this Plan, in relevant part, qualify as an “excess benefit plan” under Section 3(36) of ERISA and, in relevant part, as a plan “providing deferred compensation for a select group of management or highly compensated employees” under Section 201(2) of ERISA.

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**Article I, Section I**

The Plan also provides benefits, but only to the extent required pursuant to (1) the Amended and Restated Master Sale and Purchase Agreement, dated as of June 26, 2009 (as amended, the "Purchase Agreement"), and (2) the Order (I) Authorizing Sale of Assets Pursuant to Amended and Restated Master Purchase Agreement with NGMCO, Inc., a U.S. Treasury-Sponsored Purchaser; (II) Authorizing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with the Sale; and (III) Granting Related Relief, entered on July 5, 2009 (D.I. 2968) (the "Sale Order"), to certain individuals who were never Company employees but who retired from General Motors Corporation (hereinafter referred to as the "Corporation"), General Motors Acceptance Corporation (GMAC) and Promark, formerly known as General Motors Asset Management (GMAM) (hereinafter referred to collectively as the "Corporation and its Related Companies").



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**Article I, Section II. Administration of the Plan**

- (a) This Plan shall at all times be maintained, considered, and administered as a non-qualified plan that is wholly separate and distinct from the Retirement Program and the S-SPP.
- (b) Benefits under this Plan are not guaranteed.
- (c) The Company is the Plan Administrator. The Plan Administrator has discretionary authority to construe, interpret, apply, and administer the Plan and serves as the first step of the Plan appeal process. Any and all decisions of the Plan Administrator as to interpretation or application of this Plan shall be given full force and effect unless it is proven that the interpretation or determination was arbitrary and capricious.
- (d) The Plan Administrator shall have the full power to engage and employ such legal, actuarial, auditing, tax, and other such agents, as it shall, in its sole discretion, deem to be in the best interest of the Company, the Plan, and its participants and beneficiaries.
- (e) The expenses of administering this Plan are borne by the Company and are not charged against its participants and beneficiaries.
- (f) Various aspects of Plan administration have been delegated to the Plan recordkeeper selected by the Plan Administrator. In carrying out its delegated responsibilities, the Plan recordkeeper shall have discretionary authority to construe, interpret, apply, and administer the Plan provisions. The discretionary authority delegated to the Plan recordkeeper shall, however, be limited to the Plan terms relevant to its delegated responsibilities and shall not permit the Plan recordkeeper to render a determination or to make any representation concerning benefits which are not provided by the express terms of the Plan. The Plan recordkeeper's actions shall be given full force and effect unless determined by the Plan Administrator to be contrary to the Plan provisions or arbitrary and capricious.
- (g) For purposes of the Plan, a Plan Year shall mean the 12-month period beginning January 1 and ending December 31.

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**Article I, Section III. Effective Date**

The Corporation established the Supplemental Executive Retirement Program ("SERP") under Article II of this Plan effective December 1, 1985. The Plan had been amended from time to time prior to the Company becoming the sponsor of it. Effective January 1, 2007, the name of the Plan was changed from the SERP to the "Executive Retirement Plan (ERP)". The terms and conditions of the ERP are set forth in Article II. ERP benefits for service through December 31, 2006 were frozen as described in Article II, Section II and Section III and new benefit formulas for service on and after January 1, 2007 were adopted, as described in Article II, Section IV and Section V. In addition, effective January 1, 2007, the Benefit Equalization Plan (BEP) was merged into this Plan, the terms and conditions of which are set forth in Article III.

The Company became the sponsor of the Plan, subject to the conditions and releases identified in the Purchase Agreement and Sale Order.

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**Article I, Section IV. Individuals Not Eligible; Suspensions; and Normal Retirement Age**

- (a) The following classes of individuals are ineligible to participate in the Plan regardless of any other Plan terms to the contrary, and regardless of whether the individual is or was a common-law employee of the GM or the Corporation and its Related Companies:
- (1) Any individual who provides services to GM or the Corporation and its Related Companies where there is an agreement with a separate company under which the services are provided. Such individuals are commonly referred to by the Company as “contract employees” or “bundled-services employees;”
  - (2) Any individual who has signed an independent contractor agreement, consulting agreement, or other similar personal services contract with GM or the Corporation and its Related Companies, and;
  - (3) Any individual that the Company, in good faith, classifies as an independent contractor, consultant, contract employee, or bundled-services employee during the period the individual is so classified by the Company.

***The purpose of Section IV (a) is to exclude from participation in the Plan all persons who actually may be common-law employees of GM or the Corporation and its Related Companies, but are not paid as though they are employees of such company regardless of the reason they are excluded from the payroll, and regardless of whether the exclusion is correct.***

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**Article I, Section IV. (b)**

- (b) Notwithstanding the provisions of this Section IV, vested benefits will be suspended or forfeited if an executive employee, retired executive employee, or retired eligible employee, if any, does not satisfy the conditions precedent that such employee: (i) refrain from engaging in any activity which, in the opinion of the Executive Compensation Committee of the General Motors Company Board of Directors, is in any manner inimical or in any way contrary to the best interests of the Company, (ii) will not, for a period of 12 months following any termination of employment, directly or indirectly, knowingly induce any employee or employee of an affiliate of the Company to leave their employment for participation, directly or indirectly, with any existing or future business venture associated with such individual, and (iii) furnish to the Company such information with respect to the satisfaction of the foregoing conditions precedent as the Committee shall reasonably request.
- (c) Normal Retirement Age (NRA) is 65.

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**Article II. Executive Retirement Plan**

**Article II, Section I. Eligibility and Vesting**

- (a) Date of vesting is the first date the employee satisfies the requirements set forth in Section I (b), (c) and (d), respectively.
- (b) To be eligible for a vested benefit under Section II or III of this Article, payable upon separation from service, an executive employee must meet the following requirements:
  - (1) Be a Regular Active or Flexible Service U.S. executive employee of the Corporation or GMAM or U.S. International Service Personnel executive employee as of December 31, 2006 (appointments on or after January 1, 2007 are ineligible for benefits under Section II or III) or be a Regular Active or Flexible Service U.S. executive employee of GMAC or U.S. International Service Personnel executive employee of GMAC as of November 30, 2006 (appointments on or after December 1, 2006 are ineligible for benefits under Section II or III); and
  - (2) As of the date of vesting, be a Regular Active or Flexible Service U.S. executive employee of GM or the Corporation and its Related Companies or U.S. International Service Personnel executive employee; and
  - (3) As of the date of vesting, have at least 10 years of combined Part B Retirement Program credited service, Part C Retirement Program credited service and credited service as determined under the Retirement Program accrued on and after January 1, 2007; and
  - (4) As of the date of vesting, be at least 55 years old.
- (c) To be eligible for a vested benefit under Section IV of this Article, payable upon separation from service, an employee must meet the following requirements:
  - (1) Be a Regular Active or Flexible Service U.S. executive employee of GM or the Corporation or U.S. International Service Personnel executive employee on or after January 1, 2007 with a length of service date prior to January 1, 2001; and

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**Article II, Section I. (c) (2)**

- (2) As of the date of vesting, be a Regular Active or Flexible Service U.S. executive employee of GM or the Corporation or U.S. International Service Personnel executive employee; and
  - (3) As of the date of vesting, have at least 10 years of combined Part B Retirement Program credited service and credited service as determined under the Retirement Program accrued on and after January 1, 2007; and
  - (4) As of the date of vesting, be at least 55 years old.
- (d) To be eligible for a vested benefit under Section V of this Article, payable upon separation from service, an employee must meet the following requirements:
- (1) Be a Regular Active or Flexible Service U.S. executive employee of GM or the Corporation or U.S. International Service Personnel executive employee on or after January 1, 2007 with a length of service date on or after January 1, 2001; and
  - (2) As of the date of vesting, be a Regular Active or Flexible Service U.S. executive employee of GM or the Corporation or U.S. International Service Personnel executive employee; and
  - (3) As of the date of vesting, have at least 10 years of combined Part C Retirement Program credited service and S-SPP credited service accrued on and after January 1, 2007; and
  - (4) As of the date of vesting, be at least 55 years old.
- (e) Eligible executives will be vested in any frozen SERP and/or ERP benefits under this Article II upon their attainment of age 55 with a minimum of 10 years' credited service where credited service is defined as:
- (1) A combination of Part B credited service (as defined in the Retirement Program) plus credited service in the Retirement Program on and after January 1, 2007, or a combination of Part C credited service (as defined in the Retirement Program) plus S-SPP credited service for service on and after January 1, 2007.

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**Article II, Section I. (f)**

- (f) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status may be eligible for benefits under Section II, IV or V if they meet all eligibility requirements, but are not eligible for benefits under the frozen Alternative SERP formula described in Section III.
- (g) Nothing in this Article II, Section I (a) through (f) is intended to render "ineligible" any participant who was qualified, eligible, and receiving benefits as of July 10 to participate in the Plan. Nothing this Article II, Section 1 is intended to render "eligible" any participant who was not qualified or eligible to participate in the Plan as of July 10, 2009.
- (h) Notwithstanding the above, to be eligible for a benefit under Section II or III of this Article (without regard to the benefit formulas of the Delphi plan), payable upon separation from service, an executive employee of GM Global Steering Holdings LLC or GM Components Holdings must:
  - (1) Be a Regular Active or Flexible Service U.S. executive employee of GM or U.S. International Service Personnel executive employee of GM as of October 7, 2009; and
  - (2) As of date of vesting, be a Regular Active or Flexible Service U.S. executive employee of Delphi or GM (including their wholly owned subsidiaries), or U.S. International Service Personnel executive employee of Delphi or GM; and
  - (3) Be employed by Delphi as of October 6, 2009 and been eligible to retain a frozen Delphi SERP benefit had the executive remained at Delphi; and
  - (4) Be a U.S. executive employee of Delphi as of December 31, 2006; and
  - (5) Be vested at age 55 or older with at least 10 years of service (including Delphi service) at the time service ends. In case of the sale of an operation, service shall end on the closing date of the sale of the operation at which an executive works. In the case of the sale of an operation, eligibility is determined on the date of the sale. Age, service, and accruals end on the closing date of the sale.

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**Article II, Section II. Calculation of Regular Formula SERP Benefits for Credited Service Accrued Prior to January 1, 2007**

- (a) Regular Formula SERP benefits determined under this Section II as in effect prior to January 1, 2007, shall be frozen as of December 31, 2006. The amount of the frozen Regular Formula SERP benefits shall be calculated using the following factors:
  - (1) Part B or Part C Retirement Program credited service accrued as of December 31, 2006.
  - (2) Average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007, as described in Article II, Section II (f).
  - (3) The sum of all frozen accrued monthly benefits determined under the Retirement Program as of December 31, 2006, prior to reduction for the cost of any survivor coverage.
  - (4) Two percent (2%) of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of actual receipt) multiplied by the executive's years of Part A or Part C credited service, determined as of December 31, 2006, under the Retirement Program.
- (b) Regular Formula SERP benefits under this Article II, Section II shall be determined for all executive employees on the active rolls as of December 31, 2006. Those appointed to executive positions on or after January 1, 2007 are ineligible for SERP benefits under this Section.
- (c) Executives must meet the eligibility and vesting requirements as set forth in Article II, Section I to be eligible for SERP benefits under this Article II, Section II.



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**Article II, Section II. (d)**

- (d) The frozen monthly benefit determined under this Article II, Section II shall be an amount equal to two percent (2%) of average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007 (as described in Article II, Section II (f) below), multiplied by the years of credited service, determined as of December 31, 2006, used to determine the frozen Part B Supplementary benefit or the frozen benefit under the Account Balance Plan feature under Part C under the Retirement Program (hereinafter referred to as the "ABP"), less the sum of (1) all frozen accrued monthly benefits determined under the Retirement Program, prior to reduction for the cost of any survivor coverage, and BEP (if any), including the annuitized value of the frozen accrued ABP benefit (as described in Article II, Section II (g) below), (2) two percent (2%) of the monthly maximum Primary Social Security benefit payable in 2007 (regardless of actual receipt) multiplied by the executive's years of Part A or Part C credited service, determined as of December 31, 2006, under the Retirement Program, and (3) any benefits payable under certain other GM-provided benefit programs, such as Extended Disability Benefits.
- (e) The "Special Benefit" provided under the GM Health Care Program is not taken into account in determining the amount of any monthly SERP benefit payable under this Article II, Section II.
- (f) For purposes of this Article II, Section II, average monthly base salary means the monthly average of base salary for the highest 60 of the 120 months immediately preceding January 1, 2007. For executives with less than 60 months of base salary history prior to January 1, 2007, the executive's starting monthly base salary will be imputed for the number of months less than 60.
- (g) For purposes of determining the SERP benefits under this Article II, Section II for executives with a length of service date on and after January 1, 2001 who participate in the ABP, the frozen ABP amount accrued as of December 31, 2006 shall be converted to an annuity for the purpose of offsetting this amount from the target SERP using the following methodology:

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**Article II, Section II. (g) (1)**

- (1) First, credit the December 31, 2006 ABP account balance with interest credits until Normal Retirement Age (age 65) using the ABP crediting rate in effect as of December 31, 2006 to calculate a projected lump sum value at NRA.
  - (2) Second, convert the amount determined under (1) above to an annuity using the Retirement Program mortality table and the same ABP crediting rate used in Article II, Section II (g) (1) above as the discount rate.
    - a) Both the mortality table and the crediting rate will be those that were in effect under the Retirement Program as of December 31, 2006.
  - (3) Third, offset target frozen SERP with the annuitized amount determined under (2) above.
- (h) For purposes of calculating the SERP benefits under this Article II, Section II, the SERP benefit amounts will not be increased due to any election regarding commencement of Retirement Program benefits on a reduced for early receipt basis.
- (i) The monthly Social Security offset amount used in paragraph (d) of this Section shall be based upon the maximum 2007 monthly Primary Social Security benefit, regardless of the executive's age as of January 1, 2007 or availability to him/her of a U. S. Social Security benefit. This Social Security offset amount shall not be changed for any subsequent Social Security increase.
- (j) Any post-retirement increase under the Retirement Program does not reduce any monthly benefit payable under this Plan. For purposes of this subsection, adjustments to the IRC Section 415 limits are not considered post-retirement increases.

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**Article II, Section III. Calculation of Alternative Formula SERP Benefits for Credited Service Accrued Prior to January 1, 2007**

- (a) Alternative Formula SERP benefits determined under this Article II, Section III as in effect prior to January 1, 2007, shall be frozen as of December 31, 2006. The amount of the frozen benefits shall be calculated using the following factors:
  - (1) Part B or Part C Retirement Program credited service accrued as of December 31, 2006 (maximum 35 years).
  - (2) Average total direct compensation is the total of:
    - a) Average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007, as described in Article II, Section III (g) below, plus
    - b) Average monthly incentive compensation determined by dividing the total of the highest five of the ten years of annual incentive awards received for the period 1997 through 2006, as described in Article II, Section III (h) below, by 60.
  - (3) The sum of all frozen accrued monthly benefits determined under the Retirement Program as of December 31, 2006, prior to reduction for the cost of any survivor coverage.
  - (4) One hundred percent (100%) of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of actual receipt).
- (b) Alternative Formula SERP benefits under this Article II, Section III shall be determined for all executive employees on the active rolls as of December 31, 2006. Those appointed to executive positions on or after January 1, 2007 are ineligible for frozen Alternative Formula SERP benefits.
- (c) Executives must meet the eligibility and vesting requirements as set forth in Article II, Section I to be eligible for SERP benefits under this Article II, Section III.

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**Article II, Section III. (d)**

- (d) The frozen monthly benefit determined under this Article II, Section III for an eligible retiring executive shall be the greater of the monthly benefit, if any, determined under either (1) the formula set forth in this Article II Section III or (2) the formula described in Article II, Section II.
- (e) The frozen monthly benefit determined under this Article II, Section III will equal 1.5% of average total direct compensation (monthly base salary plus average monthly annual incentive compensation, as defined in Article II, Section III (g) and Article II, Section III (h) below), multiplied by the executive's years of credited service (35-year maximum), determined as of December 31, 2006, used to determine the frozen Part B Supplementary benefits or the frozen ABP benefits, less the sum of (1) all frozen accrued monthly benefits determined under the Retirement Program, prior to reduction for the cost of any survivor coverage, and BEP (if any), including the annuitized value of any frozen accrued ABP benefit, (as described in Article II, Section III (i) below), (2) 100% of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of executive's age in January 2007 or availability to him/her of a U.S. Social Security benefit), and (3) any benefits payable under certain other GM-provided programs, such as Extended Disability.
- (f) The "Special Benefit" provided under the GM Health Care Program is not taken into account in determining the amount of any monthly benefits payable under this Article II, Section III.
- (g) For purposes of this Article II, Section III, average monthly base salary means the monthly average of base salary for the highest 60 of the 120 months immediately preceding January 1, 2007. For executives with less than 60 months of base salary history prior to January 1, 2007, the executive's starting monthly base salary will be imputed for the number of months less than 60.

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**Article II, Section III. (h)**

- (h) For purposes of this Article II, Section III, average monthly incentive compensation means an amount determined by dividing the total of the highest five of the ten years of annual incentive awards received for the period 1997 through 2006, by 60. For executives with less than five years of service as of December 31, 2006 or those appointed to executive status within the last five years, the average of annual incentive compensation awards paid for service through December 31, 2006 divided by the number of years since date of hire or date of appointment to December 31, 2006 shall be imputed for the number of years less than five. Each annual incentive award amount is the final award amount related to the performance period year for which it was awarded. For purposes of clarity, "annual incentive awards" means those payments under the Annual Incentive Plan. Moreover, neither Stock Performance Program awards, Stock Incentive Plan grants, Cash-Based Restricted Stock Unit awards nor any other form of incentive payment, are eligible for inclusion in determining a benefit under this Article II, Section III. Non-consecutive years within the 1997 through 2006 period may be used for determining the blended amount of average monthly (1) base salary, and (2) incentive compensation.
- (i) For purposes of calculating the benefits under this Article II, Section III for executives with a length of service date on and after January 1, 2001 who participate in the ABP, the frozen ABP account balance accrued as of December 31, 2006 shall be converted to an annuity for the purpose of offsetting this amount from the frozen target Alternative Formula SERP using the following methodology:
  - (1) First, credit the December 31, 2006 ABP account balance with interest credits until Normal Retirement Age (age 65) using the ABP crediting rate in effect as of December 31, 2006 to calculate a projected lump sum value at NRA.

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**Article II, Section III. (i) (2)**

- (2) Second, convert the amount determined under (1) above to an annuity using the Retirement Program mortality table and the same ABP crediting rate used in Article II, Section II (g) (1) as the discount rate.
  - a) Both the mortality table and the crediting rate will be those that were in effect under the Retirement Program as of December 31, 2006.
- (3) Third, offset frozen target Alternative Formula SERP with the amount determined under (2) above.
- (j) For purposes of calculating the SERP benefits under this Article II, Section III, the SERP benefit amounts will not be increased due to any election regarding commencement of Retirement Program benefits on a reduced for early receipt basis.
- (k) The monthly Social Security offset amount used in paragraph (e) of this Section shall be based upon the maximum 2007 Primary Social Security benefit, regardless of the executive's age as of January 1, 2007 or availability to him/her of a U. S. Social Security benefit. This Social Security offset amount shall not be changed for any subsequent Social Security increase.
- (l) Any post-retirement increase under the Retirement Program does not reduce any monthly frozen Alternative Formula benefit that may become payable. For purposes of this subsection, adjustments to the IRC Section 415 limits are not considered post-retirement increases.
- (m) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for benefits under this Article II, Section III.

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**Article II, Section IV. Calculation of 1.25% Career Average Pay Benefits for Credited Service Accrued on and after January 1, 2007 for Executives With a Length of Service date Prior to January 1, 2001**

- (a) Effective for service on and after January 1, 2007, ERP benefits under this Article II, Section IV for GM or Corporation Regular Active or Flexible Service U.S. executives, or U. S. International Service Personnel executives, with a length of service date prior to January 1, 2001 will be calculated using a 1.25% Career Average Pay formula as set forth in this Article II, Section IV.
- (b) To be eligible for a 1.25% Career Average Pay ERP Benefit, an executive employee must:
  - (1) Be a GM or Corporation Regular Active or Flexible Service U.S. executive, or U.S. International Service Personnel executive, on and after January 1, 2007 with a length of service date prior to January 1, 2001; and
  - (2) Be at work for GM or the Corporation on or after January 1, 2007; and
  - (3) Meet the eligibility and vesting requirements as set forth in Article II, Section I.
- (c) Eligible executives will accrue benefits under this Article II, Section IV with respect to actual base salary and either Annual Incentive Plan or Short Term Incentive Plan final awards received while an executive for service on and after January 1, 2007 equal to 1.25% of the total of base salary plus either Annual Incentive Plan or Short Term Incentive Plan final awards received in excess of the compensation limit under IRC 401(a)(17) in effect for the Retirement Program. As benefits are specified on a career average pay basis, subsequent base salary increases will not impact the value of previously accrued benefits.
  - (1) Annual Incentive Plan final awards shall include only those paid with respect to performance periods commencing on and after January 1, 2007 and ending before 2010. Short Term Incentive Plan final awards shall include only those paid with respect to performance periods commencing on and after January 1, 2010.

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**Article II, Section IV. (c) (2)**

- (2) Pro-rata Annual Incentive Plan or Short Term Incentive Plan final awards attributable to the year of retirement will not be used in the calculation of benefits under this Section.
- (3) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for 1.25% Career Average Pay ERP benefits calculated with respect to annual incentive compensation.



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**Article II, Section V. Calculation of 4% Defined Contribution Benefits for Credited Service Accrued on and after January 1, 2007 for Executives With a Length of Service Date on or After January 1, 2001**

- (a) Effective for service on and after January 1, 2007, ERP benefits under this Article II, Section V for GM and Corporation Regular Active or Flexible Service U.S. executives, or U.S. International Service Personnel executives, with a length of service date on and after January 1, 2001 will be accumulated using a 4% defined contribution formula.
- (b) To be eligible for the 4% defined contribution benefits under this Section, an executive employee must:
  - (1) Be a GM or Corporation Regular Active or Flexible Service U.S. executive, or U.S. International Service Personnel executive, with a length of service date on or after January 1, 2001; and
  - (2) Be at work for GM or the Corporation on or after January 1, 2007; and
  - (3) Meet the eligibility and vesting requirements as set forth in Article II, Section I.
- (c) Eligible executives with a length of service date on and after January 1, 2001 will accrue benefits under this Article II, Section V with respect to actual base salary and either Annual Incentive Plan or Short Term Incentive Plan final awards received while an executive for service on and after January 1, 2007 equal to 4% of the total of base salary plus either Annual Incentive Plan or Short Term Incentive Plan final awards received in excess of the annual compensation limit under IRC 401(a)(17) in effect for the S-SPP. Once the total of base salary and either eligible Annual Incentive Plan or Short Term Incentive Plan final awards received in any Plan Year exceed the compensation limit under IRC 401(a)(17) in effect for the S-SPP for that year, notional contributions shall be allocated each pay period into an unfunded defined contribution account maintained for each eligible executive on a book reserve basis.

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**Article II, Section V. (c) (1)**

- (1) Annual Incentive Plan final awards shall include only those paid with respect to performance periods commencing on and after January 1, 2007 and ending before 2010. Short Term Incentive Plan final awards shall include only those paid with respect to performance periods commencing on and after January 1, 2010.
  - (2) Pro-rata Annual Incentive Plan or Short Term Incentive Plan final awards attributable to the year of retirement will not be used in the calculation of benefits under this Section.
  - (3) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for the 4% benefits calculated with respect to annual incentive compensation.
- (d) The individual amounts for each eligible executive shall be an unfunded, notional defined contribution account that will be credited with earnings based on investment options as selected by the executive from the list below:
- (1) Promark Income Fund
  - (2) Pyramis Strategic Balanced Commingled Pool
  - (3) SSgA Large Cap Index
  - (4) Fidelity Emerging Markets Fund
  - (5) Fidelity Contrafund
  - (6) Fidelity Diversified International Fund

Until such time as the executive makes an eligible investment choice, the executive's account will be credited with earnings based on the Pyramis Strategic Balanced Commingled Pool. In the event any of the listed funds are discontinued, absent an election by the executive (if any), the notional amounts in such funds will be transferred to other funds designated by the Plan Administrator.

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**Article II, Section VI. Payment of Benefits**

- (a) Payment of benefits determined pursuant to Article II, Section II, III, IV or V of this Plan, are payable in accordance with the provisions of Article II, Section VI (c) below effective the first day of the month following the employee's separation from service.
- (1) In the event of disability, as defined under IRC Section 409A, payment of benefits will commence from the first day of the month following twelve months of a Company approved disability leave of absence.
  - (2) Payment of benefits will commence not later than 90 days following separation from service or termination of disability leave of absence.
  - (3) In the case where a separate legal entity (e.g. a wholly owned subsidiary) is sold and an eligible employee remains employed with the entity, payment of vested Plan benefits shall begin only when such employee terminates employment from the sold entity.
  - (4) In the case where an eligible employee works for an operation that is not a separate legal entity (e.g., a plant), and such operation is sold and the employee remains employed at such operation, payment of vested Plan benefits shall begin following the date of sale.
- (b) Prior to an eligible employee's separation from service, at the discretion of the Plan Administrator, the payment of benefits under this Article II may be reduced, in an amount up to \$5,000 per year, as repayment of amounts that such eligible employee owes GM or any subsidiary, for any reason, including but not limited to benefit overpayments, wage overpayments, and amounts due under all incentive compensation plans. Following an eligible employee's separation from service, there shall be no limitation to the amount benefits may be reduced. The eligible employee will be relieved of liability in the amount of the reduction.

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**Article II, Section VI. (c)**

- (c) Prior to payment, all vested Plan benefits, including any frozen SERP benefits, if applicable, will be converted to a five year monthly annuity form of payment.
  - (1) For retirements or death in service at or after age 60, the monthly value of benefits under the Plan shall be unreduced for early age receipt.
  - (2) For retirements commencing at age 55 to age 59 and 11 months, or death in service at or after age 55 and prior to age 60, the monthly value of any Plan benefits determined under Article II, Section IV, and any frozen SERP benefits determined under Article II, Section II or III for executives with a length of service date prior to January 1, 2001, shall be reduced for early age receipt prior to conversion to a five year monthly annuity form of payment. The defined contribution individual account plan benefits under Article II, Section V for executives with a length of service date on or after January 1, 2001 will be converted to a five year monthly annuity form of payment without applying an early age reduction.

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**Article II, Section VI. (c) (3)**

- (3) In the event of disability as defined in Article II, Section VI (a) (1) above, the monthly value of benefits under Article II of this Plan shall be unreduced for early age receipt and converted to a five year monthly annuity using the following methodology:
- a) First, offset the lifetime monthly annuity value of benefits under this Article II by the amount of any Extended Disability Benefits (EDB) payable to age 65 to determine the amount of monthly ERP and frozen SERP payable to age 65, if any.
    - 1) For this purpose, the conversion of any Article II, Section V ERP to a lifetime monthly annuity will use the discount rate specified in Article II, Section VI (c) (5) below in effect at the date of total and permanent disability retirement.
  - b) Second, convert the monthly value of benefits determined in Article II, Section VI (c) (3) a) above to a five year monthly annuity using age at effective date of total and permanent disability retirement.
  - c) Third, convert the lifetime monthly annuity value of benefits under this Article II payable from age 65 to a five year annuity using age 65 as the effective date of payment.
  - d) Fourth, add the five year annuity values calculated in Article II, Section VI (c) (3) (b) plus Article II, Section VI (c) (3) (c) above to determine the total amount of the five year annuity payment.
- (4) Early receipt reduction factors will be identical to those used under the terms of the Retirement Program.

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**Article II, Section VI. (c) (5)**

- (5) The conversion of the monthly value of any benefits determined under Article II, Section II, III and IV (after applying any reduction for early age receipt) to a five year annuity form of payment, shall be made using the July average of the 30-year U.S. Treasury Securities rate and the same mortality tables applicable under the Retirement Program at date of separation from service. The discount rate will be redetermined each year as the average of the 30-year U.S. Treasury Securities rate for the month of July and be effective for retirements commencing October 1 following each redetermination through September 30 of the succeeding year. The defined contribution benefits under Article II, Section V for executives with a length of service date on or after January 1, 2001, will not use a mortality table for the conversion to a five year annuity form of payment.
- (6) Should the executive die during the five year annuity payment period, the remaining five year annuity payments will be converted to a one-time lump sum and paid to a beneficiary named at date of retirement. If the executive is married at date of retirement spousal consent will be required to name a beneficiary other than the spouse. If the primary beneficiary has predeceased the executive, any contingent beneficiaries designated for the executive's Basic Group Life Insurance (as referred to herein, "Basic Group Life Insurance" includes any successor life insurance plan, including Group Variable Universal Life) will receive the lump sum payment. If more than one person is named as the eligible beneficiary for the executive's Basic Group Life Insurance at date of death, the lump sum will be paid at the percentages designated for their respective interests as eligible beneficiaries of the executive's Basic Group Life Insurance. If their respective interests are not specified, their interests shall be several and equal. If a non-living entity such as a trust is named as beneficiary, or the executive should have no living beneficiary, any remaining five year annuity payments will be converted to a one-time lump sum for final payment.

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**Article II, Section VI. (c) (7)**

- (7) Should an executive who is vested pursuant to the provisions of Article II, Section I die during active service with GM, any five year annuity benefits payable under Article II, Section VI (c) (1) and Article II, Section VI (c) (2) will be converted to a one-time lump sum and paid to the executive's surviving spouse. If the executive is not married at date of death, the person designated as primary beneficiary for the executive's Basic Life Insurance will receive the lump sum payment. If the primary beneficiary has predeceased the executive any contingent beneficiaries designated for the executive's Basic Group Life Insurance will receive the lump sum payment. If more than one person is named as the eligible beneficiary for the executive's Basic Group Life Insurance at date of death, the lump sum will be paid at the percentages designated for their respective interests as eligible beneficiaries of the executive's Basic Group Life Insurance. If their respective interests are not specified, their interests shall be several and equal. If a non-living entity such as a trust is named as beneficiary, or the executive should have no living beneficiary, the five year annuity payments will be converted to a lump sum for final payment.
- (8) The obligation to provide benefits under this Article II shall cease at the end of the five year annuity period or upon payment of a present value lump sum to multiple named beneficiaries, a trust or to the executive's estate as described in Article II, Section VI (c) (6) and Article II, Section VI (c) (7) above.

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**Article II, Section VI. (c) (9)**

- (9) The Plan benefits under this Article II for active executives who were age 62 and above as of December 31, 2004 with a minimum of 10 years Part B or Part C credited service under the Retirement Program are grandfathered for benefit amounts accrued and vested through December 31, 2004, in accordance with IRC Section 409A, under the terms of the Plan in effect prior to January 1, 2007. Benefit amounts accrued and vested after December 31, 2004 for such grandfathered executives are payable only as a lifetime monthly annuity. Such grandfathered executives are not eligible for the five year annuity form of payment.



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**Article III. Benefit Equalization Plan**

**Article III, Section I. Eligibility and Vesting**

- (a) Eligibility to participate in this Article III shall be limited solely to those active executive level or separated executive level employees, or the designated beneficiaries of such active executive level or separated executive level employees, whose aggregate contributions and benefits under the S-SPP are in excess of the maximum limitations on compensation, contributions and benefits imposed by Sections 401(a)(17) and/or 415 of the Code.
- (b) For purposes of this Article III, the terms “designated beneficiary” or “designated beneficiaries” shall include surviving spouses and contingent beneficiaries. The term “Participant” shall refer to an eligible active executive level employee or a former executive level employee who has separated from service and is otherwise eligible for benefits under this Article III.
- (c) Eligible executives were immediately vested in any benefits accrued under Article III, Section II (a) prior to January 1, 2007.
- (d) Eligible executives will become vested in any benefits accrued on and after January 1, 2007 under Article III Section II (a) upon their attainment of age 55 with a minimum of 10 years’ credited service. For this purpose, credited service is as defined in the S-SPP.

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**Article III, Section II. Amount of Benefits**

- (a) An executive level employee who is eligible to participate in this Article III, or the designated beneficiary of such a deceased executive level employee who was eligible to participate in this Article III, shall be eligible to receive the value of the assets that would have been purchased with, if any, GM S-SPP matching contribution amounts and the S-SPP 1% GM Benefit Contribution, if eligible, plus related earnings on such assets, set forth in Article III, Section II (b) below, but for the maximum benefit limitations imposed under Section 415(c) of the Code and maximum compensation limits imposed under Section 401(a)(17) of the Code. The portion of the Plan that provides benefits in the event the maximum compensation limits under Section 401(a)(17) of the Code apply is an unfunded plan for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The value of assets described in this Article III, Section II (a) shall be separately accounted for each employee or designated beneficiary.

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**Article III, Section II (b)**

(b) Prior to April 1, 2007 earnings on the unfunded, notional account assets were valued as though such amounts had been invested in the GM \$1-2/3 par value Common Stock Fund under the S-SPP. Effective April 1, 2007 the value of the assets for each eligible executive shall be maintained in an unfunded, notional account that will be credited with earnings based on investment options as selected by the executive from the list below.

- (1) Promark Income Fund
- (2) Pyramis Strategic Balanced Commingled Pool
- (3) SSgA Large Cap Index
- (4) Fidelity Emerging Markets Fund
- (5) Fidelity Contrafund
- (6) Fidelity Diversified International Fund

Commencing effective April 1, 2007, until such time as the executive makes an eligible investment choice, the executive's account will be credited with earnings based on the Pyramis Strategic Balanced Commingled Pool. In the event any of the listed funds are discontinued, absent an election by the executive (if any), the notional amounts in such funds and future contributions that were designated for that fund will be transferred to the fund that such option is mapped to by the S-SPP.

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**Article III, Section III. Payment of Benefits**

- (a) For assets accrued and vested on or before December 31, 2004, payment of benefits in the amount determined pursuant to Article III, Section II (a) for separations prior to January 1, 2007, shall be payable to the Participant in a lump-sum amount on the earlier of the Participant's request or as soon as practicable following such Participant's total distribution of their S-SPP account. Such distributions will be based on the market value on the Business Day on which the request is received or the day in which the participant's S-SPP account is totally distributed, as confirmed by the GM Benefits & Services Center provided that the request is received or the S-SPP account is totally distributed before the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. (EST). A withdrawal request received and confirmed by the GM Benefits & Services Center after the close of business of the NYSE, or on a weekend or holiday observed by the NYSE, will be based on the market value on the next Business Day.
- (b) For separations on and after January 1, 2007, payment of vested plan benefits, in the amount determined pursuant to Article III, Section II (a) will be converted to a five year monthly annuity form of payment.
- 1) Conversion of the account value at date of separation to a five year annuity will use the same discount rate applicable under Article II, Section VI (c) (5) at date of separation from service.
  - 2) If the separated executive is eligible for payment of Executive Retirement Plan (ERP) benefits under Article II, payable as a five year annuity, payment of benefits as a five year annuity under this Article III will be combined with and paid coincident with ERP payments under Article II.

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**Article III, Section III. (c)**

- (c) Prior to an eligible Participant's separation from service, at the discretion of the Plan Administrator, the payment of benefits under Article III, Section III (a), and (b) above may be reduced in an amount up to \$5,000 per year as repayment of amounts that a Participant owes GM or any subsidiary, for any reason, including benefit overpayments, wage overpayments, and amounts due under all incentive compensation plans. Following an eligible Participant's separation from service, there shall be no limitation to the amount benefits may be reduced. The Participant will be relieved of liability in the amount of the reduction.

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**Article IV. Other Matters**

**Article IV, Section I. Amendment, Modification, Suspension, or Termination by Company**

- (a) The Company reserves the right, by and through the Executive Compensation Committee of the General Motors Company Board of Directors or its delegate, to amend, modify, suspend, or terminate this Plan in whole or in part, at any time. No oral statements can change the terms of this Plan. This Plan can only be amended, in writing, by the Board of Directors, the Executive Compensation Committee, or an appropriate individual or committee as designated by the Board of Directors or Executive Compensation Committee. The Company shall not terminate the Plan if such termination would result in tax and penalties under Section 409A of the Code, unless the Company acknowledges in writing that one of the results of a termination will be tax and penalties under the Code. Absent an express delegation of authority from the Board of Directors or the Executive Compensation Committee, no one has the authority to commit the Company to any benefit or benefits provision not provided for under this Plan or to change the eligibility criteria or other provisions of this Plan.
- (b) The Company may, from time-to-time and in its sole discretion, adopt limited early retirement provisions to provide retirements (i) during a specified period of time, (ii) at a specified level of benefits, and (iii) for identified executive employees. Any such early retirement provisions relating to the Plan that may be adopted by the Company are made a part of this Plan as though set out fully herein.
- (c) The Company may, from time-to-time and in its sole discretion, adjust the amount of an executive's credited service used to determine the benefits under this Plan, or the amount of benefits payable to an executive under this Plan.

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**Article IV Section II, Special Rules**

- (a) Notwithstanding any provision of this Plan, no elections, modifications or distributions will be allowed or implemented if they would cause an otherwise eligible Participant to be subject to tax (including interest and penalties) under Section 409A of the Code, unless the Committee specifies in writing that such elections, modifications or distributions shall be made notwithstanding the impact of such tax (e.g. court order, adverse business conditions).
- (b) Specified employees, as defined by IRC 409A, will have a six month waiting period (or, if earlier, the date of death) before commencement of payment of any Plan benefits payable on account of a separation from service. During the six month waiting period, all amounts payable under this Plan will accumulate without interest and be paid effective with the seventh monthly payment.
- (c) If at the time of separation from service the present value of all benefits under the Plan is less than the dollar limit under Section 402(g) of the Code as adjusted by the Secretary of the Treasury (\$16,500 for 2010) such amount shall be paid in a lump sum within 90 days of such separation.
- (d) Notwithstanding the provisions of the Plan to the contrary, under the provisions of Treasury Regulation Section 1.409A-3(j) benefits may be paid prior to the applicable payment date in the following events:
  - 1) Pursuant to the terms of a Qualified Domestic Relations Order, as defined in Section 414(p) of the Code;
  - 2) To comply with an ethics agreement with the federal government, or to avoid a violation any domestic or foreign ethics law or conflicts law;
  - 3) To satisfy any Federal Insurance Contributions Act (FICA) tax obligations;
  - 4) To pay the Participant an amount required to be included in income due to a failure of the Plan to comply with Section 409A of the Code;
  - 5) Upon termination of the Plan;
  - 6) To pay state, local or foreign taxes arising from participation in the Plan; and

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**Article IV Section II, (d)-(7).**

- 7) To settle a bona fide dispute as to a Participant's right to a Plan distribution.
- (e) Effective May 1, 2009 monthly benefits payable under Article II, Section VI shall be reduced by 10% on a temporary basis;
  - 1) For Participants receiving lifetime monthly annuity benefits, including those retired prior to January 1, 2007 and grandfathered executives referred to in Article II Section VI (c) (9), the 10% reduction shall be applied to the amount of monthly benefits in pay status as of April 2009.
  - 2) For Participants receiving five year monthly annuity benefits under this subsection (e), 10% of the life annuity value prior to its conversion to a five year annuity will be subtracted from the five year annuity that would otherwise be payable.
- (f) Effective June 1, 2009 the amount of monthly benefits payable is limited to \$8,000, on a temporary basis.
  - 1) For Participants receiving lifetime monthly annuity benefits, the \$8,000 monthly limit is applied to the amount of monthly benefits payable after imposition of the 10% reduction referred to in subsection (f).
  - 2) For Participants receiving five year monthly annuity benefits, first reduce the life annuity prior to conversion to a five year annuity by 10% as referred to in Article IV, Section II, (e) (2). Next, if the remaining life annuity exceeds \$8,000 per month, further reduce the five year annuity that would be otherwise payable by the difference between the 10% reduced life annuity and \$8,000.



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**Article IV Section II, (g).**

- (g) In the event of a sale of assets under Section 363 the Bankruptcy Code and the assumption of this Plan by General Motors LLC, the temporary 10% reduction under subsection (e) shall become permanent. In addition, for executive retirees who have a combined tax-qualified SRP plus non-qualified benefit under this Plan in excess of \$100,000 per annum on a life annuity basis, the amount of benefits under this Plan over the combined \$100,000 per annum threshold shall be reduced by  $\frac{2}{3}$ rds.
- 1) For the purpose of determining the \$100,000 threshold for Participants receiving monthly life annuity benefits, such determination shall be made after the reduction of the monthly benefit for the cost of any survivor option.
  - 2) For the purpose of determining the \$100,000 threshold convert any five year annuity form of payment to a life annuity. After application of any reduction described in Article IV Section II (g) above, convert the remaining life annuity back to a five year annuity for continued payment using the same five year annuity conversion factors as applied at original benefit commencement date.
- (h) In the event of a sale of assets under Section 363 the Bankruptcy Code and the assumption of this Plan by General Motors LLC as of the date of such sale, the monthly benefits accrued by active executive employees under Article II, Sections II, III and IV shall be frozen and reduced by 10%. Future benefit accruals for executive employees following the date of sale shall be determined under Article II, Sections IV and V.

***Notwithstanding the above, other than suspension or forfeiture as set forth in Article I, Section IV (b) with respect to any benefits that are vested or in payment pursuant to the terms of this Plan, the prior Benefit Equalization Plan or the prior Supplemental Executive Retirement Program (SERP), no amendment, modification, suspension, or termination may reduce the vested rights or benefits of participants under this Plan, including benefits being provided to current executive retirees or their surviving spouse, without the participant's, retiree's, or surviving spouse's written permission, unless such amendment, modification, suspension or termination is required by law.***

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**Article IV, Section III. Claim Denial Procedures**

This sets forth the mandatory, exclusive appeal procedure. The Plan Administrator will provide adequate notice, in writing, to any Participant or beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial. The Participant or beneficiary will be given an opportunity for a full and fair review of a decision by the Plan Administrator denying a claim for benefits. An appeal may be filed with the Executive Compensation Committee of the Board of Directors, which has been delegated final discretionary authority to construe, interpret, apply, and administer the Plan. Such appeal to the Executive Compensation Committee must be filed, in writing, within 60 days from the date of the written decision from the Plan Administrator denying the claim for benefits. Such an appeal may be initiated by forwarding the request to General Motors LLC, 300 Renaissance Center, Mail Code 482-C32-C61, P.O. Box 300, Detroit, Michigan 48265-3000. As a part of this review, the Participant or beneficiary must submit any written comments that may support their position. The Executive Compensation Committee shall be the final review authority with respect to appeals, and its decision shall be final and binding upon the Company and the participant or beneficiary.

**Article IV, Section IV. Service of Legal Process**

Service of legal process on General Motors LLC may be made at any office of the CT Corporation. The CT Corporation, which maintains offices in 50 states, is the statutory agent for services of legal process on General Motors LLC. The procedure for making such service generally is known to practicing attorneys. Services of legal process also may be made upon General Motors LLC, 400 Renaissance Center, Mail Code 482-038-210, Detroit, Michigan 48265-4000.

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**Article IV, Section V. Named Fiduciary**

The Executive Compensation Committee of the General Motors Company Board of Directors shall be the Named Fiduciary with respect to the Plan. The Executive Compensation Committee may delegate authority to carry out such of its responsibilities, as it deems proper, to the extent permitted by ERISA.

**Article IV, Section VI. Non-Assignability**

It is a condition of this Plan, and all rights of each Participant shall be subject thereto, that to the full extent permissible by law no right or interest of any Participant in this Plan or in his or her account shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, or in any other manner, and further excluding devolution by death or mental incompetence. No right or interest of any Participant in this Plan or in their account shall be liable for, or subject to, any obligation or liability of such Participant except as provided in Article II, Section VI (b).

**GENERAL MOTORS COMPANY 2009 LONG-TERM INCENTIVE PLAN***As Amended October 5, 2010*

*SECTION 1. Purpose.* The purpose of the General Motors Company 2009 Long-Term Incentive Plan is to motivate and reward participating Employees toward the long-term success of the business by making them participants in that success. Capitalized terms used in the Plan shall have the definitions set forth in Section 11 of the Plan.

*SECTION 2. Administration.* The Plan shall be administered by the Committee. The Committee shall have full discretionary power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to (i) select the Employees of the Company and its Subsidiaries to whom Awards may be granted hereunder; (ii) determine the number of Shares to be covered by each Award granted hereunder; (iii) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property, or canceled, and (iv) interpret and administer the Plan and any Award Agreement, and establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan. The Committee may delegate to an appropriate Executive Officer of the Company responsibility for determining, within the limits established by the Committee, individual Awards for Employees who are not Executive Committee members or Executive Officers of the Company.

Terms of Awards granted to Employees subject to compliance with the provisions of the Interim Final Rule and any determinations by the Special Master for TARP Executive Compensation will be determined by the Committee and will be included in the Award Agreements for those Employees

*SECTION 3. Shares Subject to the Plan.*

(a) Subject to the provisions of Section 3(f) below, the aggregate number of Shares with respect to which Awards may be granted under this Plan shall not exceed 25,000,000 Shares. Shares subject to awards granted under the General Motors Company Salary Stock Plan and the General Motors Company Short-Term Incentive Plan shall reduce the number of Shares with respect to which Awards may be granted under this Plan. Each share subject to a Stock Option or Stock Appreciation Right will reduce the number of shares available for issuance under the Plan by one share, and each share subject to a Restricted Stock Unit will reduce the number of shares available for issuance by two and one-half shares. Subject to the provisions of Section 3(f), for awards that are intended to constitute qualified performance based compensation under 162m, grants of Options or Stock Appreciation Rights in any calendar year may not cover more than 1,000,000 shares and grants of RSUs in any calendar year may not cover more than 250,000 shares.

(b) Awards granted under the Plan that are settled in cash will not count against the approved share reserve. Awards, other than Substitute Awards, that are forfeited or otherwise terminate without the issuance of Shares will no longer be charged against the maximum share limitation and will again be available for future grants. These Shares will return to the available share pool at the same ratio at which they were granted.

(c) Shares withheld by or delivered to the Company to satisfy the exercise or conversion price of an Award or in payment of taxes will not again be available for future grants.

(d) Substitute Awards will not reduce the number of Shares authorized for grant hereunder.

(e) Any Shares delivered in settlement of Awards hereunder may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares purchased in the open market or otherwise.

(f) In the event of any merger, reorganization, consolidation, re-capitalization, stock split or reverse stock split, stock dividend, extraordinary cash dividend, or other change in corporate structure affecting the Company's Shares, the Committee shall make such adjustments in the aggregate number of Shares which may be delivered under this Plan and the number of Shares subject to Awards granted under this Plan (provided the number of Shares subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee in order to prevent unintended enhancement or diminution of the benefits or potential benefits intended to be conferred on Participants pursuant to Awards granted hereunder.

*SECTION 4. Eligibility.*

(a) Any Employee shall be eligible to be selected as a Participant.

(b) *Conditions Precedent.* As a condition precedent to the vesting and settlement of any portion of an Award, Participants shall: (i) continue to render services as an Employee (unless this condition is waived by the Committee), (ii) refrain from engaging in any activity which, in the opinion of the Committee, is in any manner inimical or in any way contrary to the best interests of the Company, (iii) not for a period of 12 months following any voluntary termination of employment, directly or indirectly, knowingly induce any Employee or employee of an affiliate of the Company to leave their employment for participation, directly or indirectly, with any existing or future business venture associated with such individual, and (iv) furnish to the Company such information with respect to the satisfaction of the foregoing conditions precedent as the Committee shall reasonably request. Except as otherwise provided under paragraph 6(d)(i) below, the failure by any Participant to satisfy such conditions precedent shall result in the immediate cancellation of the unvested portion of any Award previously made to such Participant and such Participant shall not be entitled to receive any consideration in respect of such cancellation.

*SECTION 5.* The Committee may require a Participant to enter into such agreements as the Committee considers appropriate and in the best interests of the Company.

*SECTION 6. Restricted Stock Units.*

(a) *Grant and Performance Conditions.* The Committee will grant Restricted Stock Unit Awards to Participants, from time to time. Such Awards shall be valued by reference to a designated number of Shares. An RSU Award shall be subject to the terms and conditions set forth in this Section 6 and the terms set forth in the applicable Award Agreement. In the case of a discrepancy between the Plan and the RSU Award Agreement, the terms of the RSU Award Agreement will control.

(b) *Nonforfeiture*. No RSU Award shall become nonforfeitable prior to a date specified by the Committee in the Award Agreement except as set forth in Section 6(d). A Participant must remain continuously employed by the Company or a Subsidiary through the nonforfeiture date specified in the Award Agreement except as set forth in Section 6(d). Awards shall be conditioned upon the achievement of Performance Conditions, if applicable, as specified in the Award Agreement.

(c) *Payment and Delivery*. No Award shall be paid or settled prior to the first applicable Settlement Date, except as provided in Section 6(d)(i) .

(d) *Termination of Employment*. Except as set forth in this subsection, upon the termination of a Participant's employment, any Award (or portion thereof) held by such Participant that has not become nonforfeitable in accordance with Section 6(b) at the time of such termination shall be forfeited.

(i) In the event that the Participant's employment terminates as a result of his or her death, a pro rata portion of the Award held by such Participant shall be retained and become nonforfeitable. The retained portion shall be determined by multiplying the RSUs comprising the Award by a fraction, the numerator of which is the number of full and partial calendar months elapsed from the Proration Date to the date of death and the denominator of which is the number of months from the Grant Date to the date on which such Award would have become nonforfeitable in accordance with Section 6(b). In no event will such fraction exceed 1.0. The retained portion of the Award will be settled in the form provided in Section 6(e) and the Settlement Date for such Awards will occur as soon as practicable after the date of death.

(ii) In the event of the Participant's Disability, all Awards (or portions thereof) held by such Participant will be retained and will be subject to the payment and delivery provisions set forth in Section 6(c). The retained Award (or portion thereof) will be settled in the form provided in Section 6(e).

(iii) In the case of any Award which is not a TARP Award, in the event that the Participant retires from the Company at age 55 or older with ten or more years of service (or equivalent retirement eligibility in countries outside the United States) or for Awards granted after March 15, 2010 , retirement at age 55 or older with ten or more years of service (or equivalent retirement eligibility in countries outside the United States) or age 62 or older, subject to other terms and conditions of the Plan, a pro rata portion of the Award held by such Participant shall be retained and become nonforfeitable. The retained portion shall be determined by multiplying the RSUs comprising the Award by a fraction, the numerator of which is the number of full and partial calendar months elapsed from the Proration Date to the date of retirement and the denominator of which is the number of months from the Grant Date to the date on which such Award would have become nonforfeitable in accordance with Section 6(b). In no event will such fraction exceed 1.0. The retained Awards will be settled on the Settlement Date in the form provided in Section 6(e).

(iv) In the case of any TARP Award, in the event that the Participant retires from the Company at age 55 or older with ten or more years of service (or equivalent retirement eligibility in countries outside the United States) or for Awards granted after March 15, 2010, the Participant retires at age 55 or older with ten or more years of service (or equivalent retirement eligibility in countries outside the United States) or age 62 or older, and such Participant has remained continuously employed for two years from the Grant Date, subject to other terms and conditions of the Plan, a prorated portion of the Award held by such Participant shall be retained and become nonforfeitable. The retained portion shall be determined by multiplying the RSUs comprising the Award by a fraction, the numerator of which is the number of full and partial calendar months elapsed from the Proration Date to the date of retirement and the denominator of which is the number of months from the Grant Date to the date on which such Award would have become nonforfeitable in accordance with Section 6(b). In no event will such fraction exceed 1.0. The retained Awards will be settled on the Settlement Date in the form provided in Section 6(e).

(v) Notwithstanding the above provisions, any Participant who retires or separates from the Company or a Subsidiary under the terms of an approved separation agreement or program will not be entitled to retain any portion of an Award.

(e) *Form of Settlement.* Each Award shall be settled on any applicable Settlement Date by delivery of Shares. If a Settlement Date for any Award occurs prior to the date which is six months following the consummation of an underwritten public offering of Shares, the Award shall be settled by the delivery of the Fair Market Value of Shares, in cash. Such delivery shall take place promptly after the applicable Settlement Date; provided, however, that such delivery shall be made in all events not later than December 31 of the calendar year in which such Settlement Date occurs.

(f) *No Rights of a Shareholder.* No holder of any Award shall have any rights to dividends or any other rights of a stockholder with respect to Shares subject to the Award prior to becoming the record owner of such Shares.

(g) *Leave of Absence.* Notwithstanding Section 6(d), a qualifying leave of absence shall not constitute a termination of employment. A Participant's absence or leave shall be deemed to be a qualifying leave of absence if approved by the Committee in its sole discretion.

#### *SECTION 7. Stock Options and Stock Appreciation Rights*

(a) *Grant Price.* The Grant Price of any Option or SAR shall not be less than the Fair Market Value (and in no event less than the par value) of the Shares on the date the Option or SAR is granted, except in the case of Substitute Awards.

(b) *ISO; Nonqualified Option.* Determination as to whether Options granted shall be "Incentive Stock Options" ("ISO's), Nonqualified Stock Options, and as to any restrictions

which shall be placed on Options, shall be made by the Committee under such procedures as it may, from time to time, determine and each Option granted hereunder shall be identified as either an ISO or a Nonqualified Stock Option at the time of grant.

(c) *Terms of Options or Stock Appreciation Rights.* Options and SARs granted under this Plan shall be subject to the following provisions, except as otherwise determined by the Committee:

(i) *Vesting and Exercise.* Except in the case of death or except as set forth in Section 7(c)(iii)(B) or as set forth in Section 9, no Option or SAR shall vest or become exercisable prior to the first anniversary of the "Grant Date" (or such other date as may be established by the Committee or its delegate(s)); and after such date Options or SARs shall be exercisable only in accordance with the terms and conditions established at the time of grant and reflected in the Award Agreement. Unless otherwise specified in the Award Agreement, beginning on the first anniversary of the Grant Date, Options or SARs will vest and become exercisable in one-third increments. Subject to paragraph 7(c)(iii), each increment will first vest and become exercisable on the first, second and third anniversaries of the Grant Date, respectively. Upon becoming exercisable, the Option or SAR will remain exercisable until expiration, except as set for in Section 7(c)(iii).

(ii) *Term of Options or SARs.* The normal expiration date of an Option or SAR shall be determined at the time of grant, provided that each Option or SAR shall expire not more than ten years after the Grant Date.

(iii) *Termination of Employment.* Except as set forth in this subsection, upon the termination of a Participant's employment, any Award (or portion thereof) held by such Participant that has not vested in accordance with Section 7(c)(i) at the time of such termination shall be forfeited

(A) If the Employee quits employment with the Company or is terminated by the Company for inadequate job performance, or for willful misconduct harmful to the Company, all unvested and vested Options or SARs held by such Participant shall be forfeited as of the date of such termination, or if earlier, as of the date that such grounds for termination by the Company first exist.

(B) If the Employee retires from the Company at age 55 or older with ten or more years of credited service (or for a Participant who is a tax resident of a location outside the United States at equivalent normal retirement age in such country) or age 62 or older in the United States, subject to the other terms and conditions of the Plan, all Options or SARs will vest immediately, and will be exercisable until the expiration date of such Option. Notwithstanding this provision, the Committee may from time to time determine in its discretion that holders of Options or SARs retiring from the Company during specified time periods under specified circumstances may vest in and retain some portion of their Options or SARs granted in the year the retirement occurs.



(C) If employment is terminated by reason of death, all Options shall immediately vest and remain exercisable until the third anniversary of the date of death or, if earlier, the expiration date of such Option.

(D) If an employee becomes disabled, Options will continue to vest and become exercisable in accordance with the original terms of the grant while the Employee remains on the disability leave and, subject to the other terms and conditions of the Plan, vested Options will remain exercisable for the full remaining term.

(E) If employment terminates for any reason other than as set forth above (including, for the avoidance of doubt, retirement not meeting the conditions set forth in Section 7(c)(iii)(B) or other voluntary termination with the consent of the Company), subject to the other terms and conditions of the Plan, all vested Options will remain exercisable until the third anniversary of the date of termination of employment or, if earlier, the expiration date of such Option.

(F) If employment terminates for any reason (other than death) prior to the first anniversary of the date an Option is granted, except as provided in Section 7(c)(iii)(B) the Option shall be forfeited and terminate on the date of termination of employment.

(iv) Leave of Absence. Notwithstanding Section 7(c)(iii), a qualifying leave of absence shall not constitute a termination of employment. A Participant's absence or leave shall be deemed to be a qualifying leave of absence if approved by the Committee in its sole discretion.

(v) Payment of Exercise Price. All Shares purchased upon exercise of any Option shall be paid for in full at the time of purchase or adequate provision for such payment shall be made. Such payment shall be made (A) in cash, (B) through delivery or constructive delivery of Shares (provided that such Shares may be subject to such holding period or other requirement as the Committee may impose, (C) a combination of cash and stock or (D) through a broker-assisted cashless exercise facility if established by the Company. Any Shares delivered as a result of an Option exercise shall be valued at their Fair Market Value on the exercise date of the Option.

#### *SECTION 8. Amendments, Termination and Recoupment.*

(a) The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided, however; that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with the rules of the New York Stock Exchange or such other national securities exchange as may be from time to time the principal trading market for Shares, and (ii) except as provided in Section 8(f), the consent of the affected Participant, if such action would materially impair the rights of such Participant under any outstanding Award.

(b) The Committee may delegate to another committee, as it may appoint, the authority to take any action consistent with the terms of the Plan, either before or after an Award has been granted, which such other committee deems necessary or advisable to comply with any government laws or regulatory requirements of a foreign country, including, but not limited to, modifying or amending the terms and conditions governing any Awards, or establishing any local country plans as sub-plans to this Plan. In addition, under all circumstances, the Committee may make non-substantive administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

(c) The Committee may amend the terms of any Award and any Award Agreement theretofore granted, prospectively or retroactively, but no such amendment shall materially impair the rights of any Participant without his or her consent except as provided in Section 8(f).

(d) Notwithstanding any provision of this Plan to the contrary, any Award made and any amount of cash or Shares delivered in settlement thereof to a Participant under this Plan is subject to being called for repayment to the Company in any situation where the Board of Directors or a Committee thereof determines that the Company's Policy on Recoupment of Compensation requires such repayment, or that repayment is otherwise required by the rules of any national securities exchange on which the stock of the Company may be listed. The determination regarding repayment under this provision shall be within the sole discretion of the Committee and shall be final and binding on the Participant and the Company.

(e) If any provision of the Plan or any Award Agreement is invalid or unenforceable in any jurisdiction, (i) such provision shall be modified or eliminated, but only to the extent necessary to eliminate such invalidity or unenforceability and (ii) such invalidity, unenforceability, modification or elimination shall not affect the validity or enforceability of such provision in any other jurisdiction and shall not affect the validity or enforceability of any other provision of the Plan or any Award.

(f) Any Award hereunder that is or becomes a TARP Award is intended to comply with applicable Treasury regulations under TARP and shall be interpreted and amended as necessary to comply with any interpretations or guidance of the Special Master or his successor. In the event that an Award hereunder becomes a TARP Award, or is otherwise affected by any decision of the Special Master or his successor, the Company shall inform the affected Participant.

#### *SECTION 9. General Provisions.*

(a) An Award may not be sold, exercised, pledged, assigned, hypothecated, transferred, or disposed of in any manner.

(b) Neither the Award nor any benefits arising out of this Plan shall constitute part of a Participant's employment or service contract with the Company or any Subsidiary. The Awards under this Plan are not intended to be treated as compensation for any purpose under any other Company plan.

(c) No Employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants under the Plan.

(d) Nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment or service contract or confer or be deemed to confer on any Employee or Participant any right to continue in the employ or service of, or to continue any other relationship with the Company or any Subsidiary or limit in any way the right of the Company or any Subsidiary to terminate an Employee's employment or a Participant's service at any time, with or without cause.

(e) All Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any certificates or other indicia of ownership of such Shares to make appropriate reference to such restrictions.

(f) No Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would comply with all applicable requirements of the U.S. federal securities laws and any other laws to which such offer, if made, would be subject.

(g) The Company and its Subsidiaries shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company or its Subsidiaries to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by delivery of or transfer of Shares to the Company (to the extent the Participant has owned the surrendered Shares for more than six months if such a limitation is necessary to avoid a charge to the Company for financial reporting purposes), or by directing the Company to retain Shares (up to the minimum required tax withholding rate, to the extent such limitation is necessary to avoid a charge to the Company for financial reporting purposes) otherwise deliverable in connection with the Award.

(h) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(i) The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of Delaware without giving effect to principles of conflicts of law, except to the extent superseded by any controlling Federal statute.

(j) Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable

to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy; provided, however, that amendments deemed necessary under this Section 9(j) may not be made without stockholder approval or Participant approval, if such approval is required by Section 8. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

(k) If the Company shall have any unpaid claim against the Participant arising out of or in connection with the Participant's employment with the Company, prior to settlement of an Award, such claim may be offset against Awards under this Plan (up to \$5,000 per year) and upon settlement of any Award, such claim may be offset in total. Such claim may include, but is not limited to, unpaid taxes or corporate business credit card charges.

(l) Notwithstanding any provision of this Plan, no Plan elections, modifications or distributions will be allowed or implemented if they would cause the Participant to be subject to tax (including interest and penalties) under Section 409A of the Code. The settlement of Awards hereunder may be delayed up to six months following a Participant's termination of employment if the Participant is a "specified employee" for purposes of Section 409A and such delay is necessary to avoid the imposition of tax (including interest and penalties) under Section 409A.

*SECTION 10. Term of Plan.* The Plan shall terminate on the day after the date when all Awards hereunder have been settled in accordance with the terms of the Plan.

*SECTION 11. Definitions.* As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Award" shall mean an award hereunder of Restricted Stock Units, Options, or Stock Appreciation Rights

(b) "Award Agreement" shall mean the written instrument evidencing the terms of an Award hereunder.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, and any reference to any section of the Code shall also include any successor provision thereto.

(e) "Committee" shall mean the Executive Compensation Committee of the Board, its named successor, or such other persons or committee to whom the Board has delegated any authority, as may be appropriate.

(f) "Company" shall mean General Motors Company, a Delaware Company, or its successor.

(g) "Disability" shall mean the Participant is unable to engage in any gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(h) "Employee" shall mean any individual who is employed by the Company or any Subsidiary.

(i) "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934.

(j) "Executive Officer" shall mean any Participant required to provide periodic statements of beneficial ownership of Company equity securities as an executive officer of the Company under Section 16(a) of the Exchange Act.

(k) "Fair Market Value" shall mean the value of a Share, determined as follows: prior to the establishment of when-issued trading of the Shares on a national securities exchange, as determined by the Committee in its discretion; and after the establishment of when-issued trading of the Shares on a national securities exchange, the average of the high and low trading (or when-issued trading) prices for the Shares as reported on such national securities exchange for the applicable date or, if no such prices are reported for that date, the average of the high and low trading (or when-issued trading) prices on the immediately preceding date for which such prices were reported.

(l) "Grant Date" shall mean the grant date specified in the Award Agreement.

(m) "Grant Price" shall mean the average of the high and low trading price per Share on the Grant Date.

(n) "Incentive Stock Options" or "ISO" shall mean an Option granted hereunder that is intended to comply with the provisions of Section 422 of the Code.

(o) "Nonqualified Option" shall mean an Option that is not an ISO.

(p) "Options" or "Stock Options" shall mean any right granted to a Participant under the Plan pursuant to and described in Section 7 allowing such Participant to purchase Shares at such price or prices and during such period or periods, as the Committee shall determine and shall include ISOs and Nonqualified Options.

(q) "Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan

(r) "Plan" shall mean this General Motors Company 2009 Long-Term Incentive Plan, as amended from time to time.

(s) "Performance Conditions" shall mean measures of the operational performance of the Company or other performance criteria selected by the Committee, the degree of achievement of which will determine the portion of an Award that is earned by the Participant as specified in the Award Agreement. In creating these measures, the Committee may establish the

specific goals based upon or relating to one or more of the following business criteria: asset turnover, cash flow, contribution margin, cost objectives, cost reduction, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, economic value added, free cash flow, increase in customer base, initial public offering, inventory turnover, liquidity, market share, net income, net income margin, operating cash flow, operating profit margin, pre-tax income, productivity, profit margin, quality, return on assets, return on net assets, return on capital, return on equity, revenue, revenue growth, and/or warranty. The business criteria may be expressed in absolute terms or relative to the performance of other companies or to an index.

(t) "Proration Date" shall be a date established by the Committee at the time of grant of an Award and specified in the Award Agreement. If no such date is established, the Proration Date shall be the Grant Date.

(u) "Restricted Stock Unit" or "RSU" shall mean any unit granted pursuant to and described in Section 6.

(v) "Settlement Date" shall mean the date on which the Award becomes nonforfeitable and payable in accordance with the provisions of the Plan and the Award Agreement.

(w) "Shares" shall mean shares of the common stock of the Company, \$0.01 par value.

(x) "Special Master" shall mean the Office of the Special Master for TARP Executive Compensation, established by the United States Secretary of the Treasury under the American Recovery and Reinvestment Act of 2009 or any other office or agency which succeeds to the powers thereof.

(y) "Stock Appreciation Right" shall mean an Award denominated in Shares that entitles the Participant within the exercise period to receive a payment equal to the increase in value between the Grant Price and the fair market value of the underlying Shares at date of exercise.

(z) "Subsidiary" shall mean (i) a company of which capital stock having ordinary voting power to elect a majority of the board of directors of such company is owned, directly or indirectly, by the Company or (ii) any unincorporated entity in respect of which the Company can exercise, directly or indirectly, comparable control to that described in clause (i).

(aa) "Substitute Award" shall mean an Award granted hereunder in assumption or replacement of an award issued by a company acquired by the Company or with which the Company or its Subsidiary combines.

(bb) "TARP Award" shall mean an Award hereunder that is at any time required to comply with the requirements for "long-term restricted stock" set forth in Treasury Regulations Section 31 CFR 30.1 (Q-1) and as interpreted and applied by the Special Master.

(cc) "Unit" shall mean a Restricted Stock Unit or RSU.

**GENERAL MOTORS COMPANY**  
**SALARY STOCK PLAN**  
*As amended October 5, 2010*

Section 1. *Purpose.* The purpose of the General Motors Company Salary Stock Plan is to compensate participating Employees in a manner that is consistent with the Company's obligations under the ARRA and under the terms of the Treasury Agreement. Capitalized terms used in the Plan shall have the definitions set forth in Section 9 of the Plan.

Section 2. *Administration.* The Plan shall be administered by the Committee. The Committee shall have full discretionary power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to (i) select the Employees to whom Awards may be granted hereunder; (ii) determine the amount of base salary and other compensation to be delivered in the form of an Award hereunder; (iii) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property, and (iv) interpret and administer the Plan, and establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan. The Committee may delegate to an appropriate Executive Officer of the Company responsibility for determining, within the limits established by the Committee, individual Awards for Employees who are not Executive Committee members or Executive Officers of the Company.

Section 3. *Shares Subject to the Plan.*

(a) Subject to the provisions of Section 3(c) below, the aggregate number of Shares with respect to which Awards may be granted under this Plan shall not exceed 25,000,000 Shares minus the number of Shares granted under the Short Term Incentive Plan and the Long-Term Incentive Plan. Awards granted under the Plan that are settled in cash will not count against the approved Share reserve.

(b) Any Shares delivered in settlement of Awards hereunder may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares purchased in the open market or otherwise.

(c) In the event of any merger, reorganization, consolidation, re-capitalization, stock split or reverse stock split, stock dividend, extraordinary cash dividend, or other change in corporate structure affecting the Company's Shares, the Committee shall make such adjustments in the aggregate number of Shares which may be delivered under this Plan and the number of Shares subject to Awards granted under this Plan (provided the number of Shares subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee in order to prevent unintended enhancement or diminution of the benefits or potential benefits intended to be conferred on Participants pursuant to Awards granted hereunder.

(d) For avoidance of doubt, Shares which are tendered or withheld to pay tax withholding obligations arising from the grant, or settlement of an Award will not again become available for grant under the terms of this Plan.

Section 4. *Eligibility.* Any Employee shall be eligible to be selected as a Participant.

Section 5. *Restricted Stock Units.*

(a) *Salary Stock.* The Committee has the power to grant Restricted Stock Unit Awards to Participants on each Issue Date. Units are valued by reference to a designated number of Shares. An RSU Award shall be subject to the terms and conditions set forth in this Section 5.

(b) *Vesting.* All Awards granted hereunder shall be vested and nonforfeitable upon grant thereof.

(c) *Form of Settlement.* Each RSU shall be settled by delivery of one Share. If a settlement date for any RSU, as provided in Section 5(d), occurs prior to the date which is six months following the consummation of an initial public offering of Shares, the RSU shall be settled by the delivery of the Fair Market Value of a Share as of the applicable anniversary date of grant in cash. If at the time of settlement of any RSU, the affected Participant is subject to a restriction on sales imposed by underwriters in connection with an underwritten public offering of Company securities, the RSUs shall be settled by delivery of the Fair Market Value of a Share in cash.

(d) *Settlement.* (i) Except as set forth in Section 5(d)(iii), one third of the RSUs granted on any Issue Date will be settled on each of the first, second and third anniversaries of the Issue Date thereof, if permitted under Section 409A of the Code.

(ii) If a Participant's employment terminates as a result of his or her death or Disability prior to the settlement date(s) applicable to his or her Award, all Awards then held by such Participant will be settled as soon as is practicable after the date of termination of employment. The form of settlement shall be as provided in Section 5(c).

(iii) Notwithstanding any other provision of this Section, the Committee may grant Awards hereunder with different settlement schedules, as long as such different schedules do not contravene the instructions of the Special Master and do not violate ARRA.

(e) *No Rights of a Shareholder.* No holder of any Award shall have any rights to dividends or any other rights of a stockholder with respect to Shares subject to the Award prior to becoming the record owner of such Shares.

Section 6. *Amendments, Termination and Recoupment.*

(a) The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided, however; that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with the rules of the New York Stock Exchange or such other exchange as may constitute from time to time the principal trading market for the Company's Shares, and (ii) the consent of the affected Participant, if such action would materially impair the rights of such Participant under any outstanding Award.



(b) The Committee has the authority to take any action consistent with the terms of the Plan, either before or after an Award has been granted, that it deems necessary or advisable to comply with any government laws or regulatory requirements of a foreign country, including, but not limited to, modifying or amending the terms and conditions governing any Awards, or establishing any local country plans as sub-plans to this Plan. In addition, under all circumstances, the Committee or Officer of the Company may make non-substantive administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

(c) The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall materially impair the rights of any Participant without his or her consent.

(d) If any provision of the Plan or any Award is invalid or unenforceable in any jurisdiction, (i) such provision shall be modified or eliminated, but only to the extent necessary to eliminate such invalidity or unenforceability and (ii) such invalidity, unenforceability, modification or elimination shall not affect the validity or enforceability of such provision in any other jurisdiction and shall not affect the validity or enforceability of any other provision of the Plan or any Award.

#### Section 7. *General Provisions.*

(a) An Award may not be sold, exercised, pledged, assigned, hypothecated, transferred, or disposed of in any manner. For the avoidance of doubt, upon settlement of any Award, the cash or Shares delivered will not be subject to this restriction.

(b) Neither the Award nor any benefits arising out of this Plan shall constitute part of a Participant's employment or service contract with the Company or any Subsidiary and, accordingly, except as provided in Section 6(a) and (c) above, this Plan and the benefits hereunder may be terminated at any time in the sole discretion of the Company without giving rise to liability on the part of the Company or any Subsidiary for severance payments.

(c) No Employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants under the Plan.

(d) Nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment or service contract or confer or be deemed to confer on any Employee or Participant any right to continue in the employ or service of, or to continue any other relationship with, the Company or any Subsidiary or limit in any way the right of the Company or any Subsidiary to terminate an Employee's employment or a Participant's service at any time, with or without cause.

(e) All Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares may be then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any certificates or other indicia of ownership of such Shares to make appropriate reference to such restrictions.

(f) No Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would comply with all applicable requirements of the U.S. federal securities laws and any other laws to which such offer, if made, would be subject.

(g) The Company and its Subsidiaries shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company or its Subsidiaries to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by delivery of or transfer of Shares to the Company (to the extent the Participant has owned the surrendered Shares for more than six months if such a limitation is necessary to avoid a charge to the Company for financial reporting purposes), or by directing the Company to retain Shares (up to the minimum required tax withholding rate to the extent such limitation is necessary to avoid a charge to the Company for financial reporting purposes) otherwise deliverable in connection with the Award.

(h) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(i) The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of Delaware without giving effect to principles of conflicts of law, except to the extent superseded by any controlling Federal statute.

(j) Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy; provided, however, that amendments deemed necessary under this Section 7(j) may not be made without stockholder approval or Participant approval, if such approval is required by Section 6. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

(k) If the Company shall have any unpaid claim against the Participant arising out of or in connection with such Participant's employment with the Company, such claim may be offset against Awards delivered under this Plan. Such claim may include, but is not limited to, unpaid taxes or corporate business credit card charges.

(l) Notwithstanding any provision of this Plan, no Plan elections, modifications or distributions will be allowed or implemented if they would cause the Participant to be subject to

tax (including interest and penalties) under Section 409A of the Code. The settlement of Awards hereunder may be delayed up to six months following a Participant's termination of employment if the Participant is a "specified employee" for purposes of such Section 409A, and such delay is necessary to avoid the imposition of tax (including interest and penalties) under Section 409A.

Section 8. *Term of Plan.* The Plan shall terminate on the day after the date when all Awards hereunder are settled in accordance with the terms of the Plan, unless sooner terminated by the Board pursuant to Section 6.

Section 9. *Definitions.* As used in the Plan, the following terms shall have the meanings set forth below:

(a) "ARRA" shall mean the American Recovery and Reinvestment Act of 2009.

(b) "Award" shall mean an award hereunder of Restricted Stock Units.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, and any reference to any section of the Code shall also include any successor provision thereto.

(e) "Committee" shall mean the Executive Compensation Committee of the Board, its named successor, or such other persons or committee to whom the Board has delegated any authority, as may be appropriate.

(f) "Company" shall mean General Motors Company, a Delaware Company, or its successor.

(g) "Disability" shall mean the Participant is unable to engage in any gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months

(h) "Employee" shall mean any individual who is employed by the Company or any Subsidiary who is classified by the Company as an executive or who is in the group of employees whose compensation structure or compensation is subject to approval by the Special Master.

(i) "Executive Officer" shall mean any Participant required to provide periodic statements of beneficial ownership of Company equity securities as an executive officer of the Company under Section 16(a) of the Securities Exchange Act of 1934.

(j) "Fair Market Value" shall mean the value of a Share, determined as follows: prior to the establishment of when-issued trading of the Shares on a national securities exchange, as determined by the Committee in its discretion; and after the establishment of when-issued trading of the Shares on a national securities exchange, the average of the high and low trading (or when-issued trading) prices for the Shares as reported on such national securities exchange for the applicable date or, if no such prices are reported for that date, the average of the high and low trading (or when-issued trading) prices on the immediately preceding date for which such prices were reported.

(k) "Issue Date" shall mean the last business day of each calendar quarter or any other date designated as an Issue Date by the Committee.

(l) "Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan.

(m) "Plan" shall mean this General Motors Company Salary Stock Plan.

(n) "Restricted Stock Unit" or "RSU" shall mean any unit granted pursuant to and described in Section 6.

(o) "Shares" shall mean shares of the common stock of the Company, \$0.01 par value.

(p) "Special Master" shall mean the Office of the Special Master for TARP Executive Compensation, established by the Secretary of the U.S. Treasury under the ARRA or any other office or agency which succeeds to the powers thereof.

(q) "Subsidiary" shall mean (i) a company of which capital stock having ordinary voting power to elect a majority of the board of directors of such company is owned, directly or indirectly, by the Company or (ii) any unincorporated entity in respect of which the Company can exercise, directly or indirectly, comparable control to that described in clause (i).

(r) "Unit" shall mean a Restricted Stock Unit or RSU.

(s) "U.S. Treasury" shall mean the United States Department of the Treasury.

(t) "Treasury Agreement" shall mean the Secured Credit Agreement among the Company, the U.S. Treasury, and the guarantors named therein dated July 10, 2009 as it may be subsequently restated or amended.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
AND REPORT ON SCHEDULE**

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-168919 on Form S-1 of our report dated April 7, 2010 (August 18, 2010 as to the effect of the retrospective adjustment of reportable segments described in Notes 3 and 33) relating to the consolidated financial statements of General Motors Company as of December 31, 2009 (Successor) and for the period July 10, 2009 through December 31, 2009 (Successor), and of General Motors Corporation as of December 31, 2008 (Predecessor), the period January 1, 2009 through July 9, 2009 (Predecessor) and each of the two years in the period ended December 31, 2008 (Predecessor) (Successor and Predecessor collectively, the Company) (which report expresses an unqualified opinion on the financial statements and includes explanatory paragraphs relating to: (a) the Successor's acquisition of substantially all of the assets and assumption of certain of the liabilities of the Predecessor in accordance with the Amended and Restated Master Sale and Purchase Agreement pursuant to Section 363(b) of the Bankruptcy Code and the Bankruptcy Court sale order dated July 5, 2009 and the resulting application of fresh-start reporting, which resulted in a lack of comparability between the financial statements of the Successor and the Predecessor; (b) the Predecessor's adoption of new or revised accounting standards and (c) a retrospective change in the Successor's reportable segments) and of our report dated April 7, 2010 relating to internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of General Motors Company's internal control over financial reporting because of a material weakness), such audit reports appearing in each respective prospectus, which are part of this registration statement.

We also consent to the reference to us under the heading "Experts" in each respective prospectus.

Our audits of the consolidated financial statements referred to in our aforementioned report also included the financial statement schedule of the Company listed in Item 16(b) of this registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

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Deloitte & Touche LLP

Detroit, Michigan

October 14, 2010

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-168919 on Form S-1 of General Motors Company of our report dated February 26, 2010 (August 6, 2010 as to Note 2, *Discontinued and Held-for-sale Operations* and Note 32, *Subsequent Events*, October 12, 2010 as to Note 33, *Supplemental Financial Information*), relating to the consolidated financial statements of Ally Financial Inc. (formerly GMAC Inc.) as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, and to the reference to us under the heading "Experts" in each respective prospectus, which are part of the Registration Statement.

/s/ DELOITTE & TOUCHE LLP

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Deloitte & Touche LLP

Detroit, Michigan

October 12, 2010

# Report of Independent Registered Public Accounting Firm

To the Board of Directors of Ally Financial Inc.:

We have audited the accompanying Consolidated Balance Sheet of Ally Financial Inc. and subsidiaries (formerly GMAC Inc.) (the "Company") as of December 31, 2009 and 2008, and the related Consolidated Statements of Income, Changes in Equity, and Cash Flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

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Deloitte & Touche LLP

Detroit, Michigan

February 26, 2010 (August 6, 2010 as to Note 2, *Discontinued and Held-for-Sale Operations* and Note 32, *Subsequent Events*, October 12, 2010, as to Note 33, *Supplemental Financial Information*)

# Consolidated Statement of Income

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Revenue</b>			
Finance receivables and loans			
Consumer	\$ 4,566	\$ 6,168	\$ 9,037
Commercial	1,701	2,206	2,810
Notes receivable from General Motors	212	225	304
Total finance receivables and loans	6,479	8,599	12,151
Loans held-for-sale	447	837	1,066
Interest on trading securities	132	127	293
Interest and dividends on available-for-sale investment securities	234	384	675
Interest bearing cash	99	376	608
Other interest income	86	320	488
Operating leases	5,715	7,582	6,617
Total financing revenue and other interest income	13,192	18,225	21,898
<b>Interest expense</b>			
Interest on deposits	703	711	644
Interest on short-term borrowings	584	1,537	2,239
Interest on long-term debt	6,037	8,326	10,743
Total interest expense	7,324	10,574	13,626
Depreciation expense on operating lease assets	3,748	5,478	4,551
Impairment of investment in operating leases	—	1,218	—
Net financing revenue	2,120	955	3,721
<b>Other revenue</b>			
Servicing fees	1,549	1,747	2,137
Servicing asset valuation and hedge activities, net	(1,104)	(263)	(542)
Total servicing income, net	445	1,484	1,595
Insurance premiums and service revenue earned	1,977	2,710	2,806
Gain on mortgage and automotive loans, net	811	159	845
Gain on extinguishment of debt	665	12,628	563
Other gain (loss) on investments, net	331	(1,075)	(596)
Other income, net of losses	198	(618)	956
Total other revenue	4,427	15,288	6,169
<b>Total net revenue</b>	<b>6,547</b>	<b>16,243</b>	<b>9,890</b>
<b>Provision for loan losses</b>	<b>5,611</b>	<b>3,102</b>	<b>3,039</b>
<b>Noninterest expense</b>			
Compensation and benefits expense	1,581	1,919	2,130
Insurance losses and loss adjustment expenses	1,042	1,402	1,376
Other operating expenses	5,242	5,033	4,325
Impairment of goodwill	—	16	385
Total noninterest expense	7,865	8,370	8,216
<b>(Loss) income from continuing operations before income tax expense (benefit)</b>	<b>(6,929)</b>	<b>4,771</b>	<b>(1,365)</b>
Income tax expense (benefit) from continuing operations	77	(131)	514
<b>Net (loss) income from continuing operations</b>	<b>(7,006)</b>	<b>4,902</b>	<b>(1,879)</b>
Loss from discontinued operations, net of tax	(3,292)	(3,034)	(453)
<b>Net (loss) income</b>	<b>\$ (10,298)</b>	<b>\$ 1,868</b>	<b>\$ (2,332)</b>

The Notes to the Consolidated Financial Statements are an integral part of these statements.



# Consolidated Balance Sheet

December 31, (\$ in millions)	2009	2008
<b>Assets</b>		
Cash and cash equivalents		
Noninterest bearing	\$ 1,840	\$ 1,504
Interest bearing	12,948	13,647
Total cash and cash equivalents	14,788	15,151
Trading securities	739	1,207
Investment securities		
Available-for-sale	12,155	6,234
Held-to-maturity	3	3
Total investment securities	12,158	6,237
Loans held-for-sale (\$5,545 fair value elected at December 31, 2009)	20,625	7,919
Finance receivables and loans, net of unearned income		
Consumer (\$1,303 and \$1,861 fair value elected)	42,849	63,963
Commercial	33,941	36,110
Notes receivable from General Motors	911	1,655
Allowance for loan losses	(2,445)	(3,433)
Total finance receivables and loans, net	75,256	98,295
Investment in operating leases, net	15,995	26,390
Mortgage servicing rights	3,554	2,848
Premiums receivable and other insurance assets	2,720	4,507
Other assets	19,887	26,922
Assets of operations held-for-sale	6,584	—
<b>Total assets</b>	<b>\$172,306</b>	<b>\$189,476</b>
<b>Liabilities</b>		
Deposit liabilities		
Noninterest bearing	\$ 1,755	\$ 1,496
Interest bearing	30,001	18,311
Total deposit liabilities	31,756	19,807
Debt		
Short-term borrowings	10,292	10,386
Long-term debt (\$1,293 and \$1,899 fair value elected)	88,021	115,935
Total debt	98,313	126,321
Interest payable	1,637	1,517
Unearned insurance premiums and service revenue	3,192	4,356
Reserves for insurance losses and loss adjustment expenses	1,215	2,895
Accrued expenses and other liabilities	10,456	12,726
Liabilities of operations held-for-sale	4,898	—
<b>Total liabilities</b>	<b>151,467</b>	<b>167,622</b>
<b>Equity</b>		
Common stock and paid-in capital (Members' interests at December 31, 2008)	13,829	9,670
Preferred stock held by U.S. Department of Treasury (Preferred interests held by U.S. Department of Treasury at December 31, 2008)	10,893	5,000
Preferred stock (Preferred interests at December 31, 2008)	1,287	1,287
(Accumulated deficit) retained earnings	(5,630)	6,286
Accumulated other comprehensive income (loss)	460	(389)
<b>Total equity</b>	<b>20,839</b>	<b>21,854</b>
<b>Total liabilities and equity</b>	<b>\$172,306</b>	<b>\$189,476</b>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statement of Changes in Equity

(\$ in millions)	Members' interest	Preferred interests held by U.S. Department of Treasury	Preferred interests	Retained earnings	Accumulated other comprehensive income (loss)	Total equity	Comprehensive income (loss)
<b>Balance at December 31, 2006</b>	\$ 6,711			\$ 7,173	\$ 485	\$14,369	
Conversion of preferred membership interests	1,121		\$ 1,052			2,173	
Capital contributions	1,080					1,080	
Net loss				(2,332)		(2,332)	\$ (2,332)
Preferred interests dividends				(192)		(192)	
Other comprehensive income					450	450	450
Cumulative effect of a change in accounting principle, net of tax: Adoption of FASB ASC Topic 715, <i>Compensation-Retirement Benefits</i>					17	17	
<b>Balance at December 31, 2007</b>	\$ 8,912		\$ 1,052	\$ 4,649	\$ 952	\$15,565	\$ (1,882)
Cumulative effect of a change in accounting principle, net of tax: Adoption of FASB ASC Topic 820, <i>Fair Value Measurements and Disclosures</i> (a)				\$ 23		\$ 23	
Adoption of fair value option in accordance with FASB ASC Topic 825, <i>Financial Instruments</i> (a)				(178)		(178)	
<b>Balance at January 1, 2008, after cumulative effect of adjustments</b>	\$ 8,912		\$ 1,052	\$ 4,494	\$ 952	\$15,410	
Capital contributions (b)	758					758	
Net income				1,868		1,868	\$ 1,868
Dividends to members (b)				(79)		(79)	
Issuance of preferred interests to the U.S. Department of Treasury		\$ 5,000				5,000	
Issuance of preferred interest			235			235	
Other				3		3	
Other comprehensive loss					(1,341)	(1,341)	(1,341)
<b>Balance at December 31, 2008</b>	\$ 9,670	\$ 5,000	\$ 1,287	\$ 6,286	\$ (389)	\$21,854	\$ 527
Capital contributions (b)	\$ 1,247					\$ 1,247	
Net loss				\$ (4,578)		(4,578)	\$ (4,578)
Preferred interest dividends paid to the U.S. Department of Treasury				(160)		(160)	
Preferred interests dividends				(195)		(195)	
Dividends to members (b)				(119)		(119)	
Issuance of preferred interests to the U.S. Department of Treasury		\$ 7,500				7,500	
Other comprehensive income					\$ 497	497	497
<b>Balance at June 30, 2009, before conversion from limited liability company to a corporation (c)</b>	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$26,046	\$ (4,081)

# Consolidated Statement of Changes in Equity

<i>(\$ in millions)</i>	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
<b>Balance at June 30, 2009, after conversion from limited liability company to a corporations (c)</b>	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$26,046	\$ (4,081)
Capital contributions (b)	55					55	
Net loss				(5,720)		(5,720)	\$ (5,720)
Preferred stock dividends paid to the U.S. Department of Treasury				(695)		(695)	
Preferred stock dividends (b)				(175)		(175)	
Dividends to shareholders (b)				(274)		(274)	
Issuance of preferred stock to the U.S. Department of Treasury		1,250				1,250	
Conversion of preferred stock to the U.S. Department of Treasury to common stock	2,857	(2,857)					
Other comprehensive income					352	352	352
<b>Balance at December 31, 2009</b>	<b>\$ 13,829</b>	<b>\$ 10,893</b>	<b>\$ 1,287</b>	<b>\$ (5,630)</b>	<b>\$ 460</b>	<b>\$20,839</b>	<b>\$ (9,449)</b>

(a) Refer to Note 27 to the Consolidated Financial Statements for further detail.

(b) Refer to Note 25 to the Consolidated Financial Statements for further detail.

(c) Effective June 30, 2009, GMAC LLC was converted from a Delaware limited liability company into a Delaware corporation and renamed GMAC Inc. Each unit of each class of common membership interest issued and outstanding by GMAC LLC immediately prior to the conversion was converted into an equivalent number of shares of common stock of GMAC Inc. with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of GMAC LLC preferred interests also received an equivalent number of GMAC Inc. preferred stock with substantially the same rights and preferences as the former preferred interests. Refer to Note 19 to the Consolidated Financial Statements for further details.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statement of Cash Flows

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Operating activities</b>			
Net (loss) income	\$ (10,298)	\$ 1,868	\$ (2,332)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,958	6,722	5,998
Operating lease impairment	—	1,234	—
Impairment of goodwill and other intangible assets	607	58	455
Other impairment	1,516	—	—
Amortization and valuation adjustments of mortgage servicing rights	142	2,250	1,260
Provision for loan losses	6,173	3,683	3,096
(Gain) loss on sale of loans, net	(192)	1,825	(508)
Net (gains) losses on investment securities	(2)	1,203	737
Gain on extinguishment of debt	(665)	(12,628)	(563)
Originations and purchases of loans held-for-sale	(88,283)	(132,023)	(128,576)
Proceeds from sales and repayments of loans held-for-sale	78,673	141,312	121,620
Net change in:			
Trading securities	734	741	628
Deferred income taxes	(402)	(396)	95
Interest payable	83	(651)	(332)
Other assets	3,711	(1,213)	(121)
Other liabilities	(1,473)	178	686
Other, net	(1,414)	(68)	(683)
Net cash (used in) provided by operating activities	(5,132)	14,095	1,460
<b>Investing activities</b>			
Purchases of available-for-sale securities	(21,148)	(16,202)	(16,682)
Proceeds from sales of available-for-sale securities	10,153	14,068	8,049
Proceeds from maturities of available-for-sale securities	4,527	7,502	8,080
Net decrease (increase) in finance receivables and loans	14,259	5,570	(41,972)
Proceeds from sales of finance receivables and loans	260	1,366	70,903
Change in notes receivable from GM	803	(62)	138
Purchases of operating lease assets	(732)	(10,544)	(17,268)
Disposals of operating lease assets	6,612	7,633	5,472
Sales of mortgage servicing rights, net	—	797	561
Acquisitions of subsidiaries, net of cash acquired	—	—	(209)
Proceeds from sale of business units, net	296	319	15
Other, net (a)	2,098	471	1,157
Net cash provided by investing activities	17,128	10,918	18,244

# Consolidated Statement of Cash Flows

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Financing activities</b>			
Net change in short-term debt	(338)	(22,815)	(9,248)
Net increase in bank deposits	10,703	6,447	3,078
Proceeds from issuance of long-term debt	30,679	44,724	70,230
Repayments of long-term debt	(61,493)	(59,627)	(82,134)
Proceeds from issuance of common stock	1,247	—	—
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	8,750	5,000	—
Dividends paid	(1,592)	(113)	(179)
Other, net (b)	1,064	(1,784)	675
Net cash used in financing activities	(10,980)	(28,168)	(17,578)
Effect of exchange-rate changes on cash and cash equivalents	(602)	629	92
Net increase (decrease) in cash and cash equivalents	414	(2,526)	2,218
Cash and cash equivalents reclassified to assets held-for-sale	(777)	—	—
Cash and cash equivalents at beginning of year	15,151	17,677	15,459
Cash and cash equivalents at end of year	\$ 14,788	\$ 15,151	\$ 17,677
<b>Supplemental disclosures</b>			
Cash paid for:			
Interest	\$ 7,868	\$ 12,092	\$ 14,871
Income taxes	355	130	481
Noncash items:			
Increase in equity (c)	—	235	2,173
Loans held-for-sale transferred to finance receivables and loans	1,186	2,618	13,834
Finance receivables and loans transferred to loans-held-for sale	5,065	4,798	8,181
Finance receivables and loans transferred to other assets	732	1,294	2,976
Available-for-sale securities transferred to restricted assets (d)	—	548	—
Originations of mortgage servicing rights from sold loans	807	1,182	1,597
Decrease in mortgage loans held-for-investment upon initial adoption of the fair value option election	—	3,847	—
Decrease in collateralized borrowings upon initial adoption of the fair value option election	—	3,668	—
Capital contributions from stockholders/members	34	758	56
Other disclosures:			
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	1,010	1,747	6,790
Proceeds from sales of repossessed, foreclosed, and owned real estate	1,013	1,796	2,180
Liabilities assumed through acquisition	—	—	1,030
Consolidation of loans, net	1,410	—	—
Consolidation of collateralized borrowings	1,184	—	—
Deconsolidation of loans, net	—	2,353	25,856
Deconsolidation of collateralized borrowings	—	2,539	26,599

(a) Includes securities-lending transactions where cash collateral is received and a corresponding liability is recorded, both of which are presented in investing activities in the amount of \$856 million for 2007.

(b) 2007 includes a \$1 billion capital contribution from General Motors pursuant to the sale of 51% of GMAC to FIM Holdings LLC.

(c) Represents long-term debt exchanged for preferred interests in 2008 and conversion of preferred membership interests in 2007.

(d) Represents the noncash effects of the loss portfolio transfer further described in Note 17 of the Consolidated Financial Statements.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

## 1. Description of Business and Significant Accounting Policies

GMAC Inc. (referred to herein as GMAC, we, our, or us) was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (currently General Motors LLC or GM). We are a leading, independent, globally diversified, financial services firm with approximately \$172 billion in assets and operations in 40 countries. On December 24, 2008, the Board of Governors of the Federal Reserve System approved our application to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of GMAC Inc.

### Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, has been negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and has recognized credit and valuation losses resulting in a significant deterioration in capital. During 2009, ResCap received capital contributions from GMAC of \$4.0 billion in the form of cash, mortgage loans held-for-sale (which GMAC acquired from Ally Bank), receivables, the forgiveness of debt and affiliated payables, and recognized a gain on extinguishment of debt of \$1.7 billion as a result of contributions and forgiveness of ResCap's outstanding notes, which GMAC previously repurchased in the open market at a discount or through our private debt exchange and cash tender offers. Accordingly, ResCap's consolidated tangible net worth, as defined, was \$275 million as of December 31, 2009, and remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets and any equity in Ally Bank to the extent included on ResCap's consolidated balance sheet. There continues to be a risk that ResCap during December 2009 will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital, and/or will be in a negative liquidity position in 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap's initiatives include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; continued reduction of assets and other restructuring activities; focusing production on government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties; and continually exploring opportunities for funding and capital support from GMAC and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap's control resulting in increased uncertainty as to their successful execution.

On December 30, 2009, we announced that as a result of our ongoing strategic review of how to best deploy GMAC's current and future capital liquidity, we have decided to pursue strategic alternatives with respect to ResCap. In order to maximize value, we will consider a variety of options including one or more sales, spin-offs, or other potential transactions. The timing and form of execution of any such transactions will depend on market conditions.

Coincident with this announcement, ResCap determined, in conjunction with GMAC, to change its intent with respect to a significant portion of its portfolio of previously held-for-investment mortgage loans to held-for-sale. GMAC also announced its decision to commit to a plan to sell ResCap's U.K. and continental Europe platforms. As a result of these actions, ResCap incurred valuation losses of approximately \$1.1 billion related to its change in intent with respect to certain of its mortgage loan portfolio and impairments of \$903 million related to its commitment to sell the U.K. and continental Europe platforms. These actions, inclusive of operating losses for the period, required GMAC to make capital contributions of \$2.8 billion that were made to ResCap during December 2009 in the form of cash, asset contributions, and forgiveness of certain affiliate payables and debt to ensure that ResCap maintained a minimum acceptable level of required capital to meet certain covenants.

In the future, GMAC and ResCap may take actions with respect to ResCap as each party deems appropriate. These actions may include GMAC providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap's existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to

# Notes to Consolidated Financial Statements

ResCap or its debt securities; GMAC purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap's outstanding debt securities, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, GMAC and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations and prospects of GMAC and ResCap, ResCap's ability to obtain third-party financing, tax considerations, the current and anticipated future trading price levels of ResCap's debt instruments, conditions in the mortgage banking industry and general economic conditions, other investment and business opportunities available to GMAC and/or ResCap, and any nonpublic information that ResCap may possess or that GMAC receives from ResCap.

ResCap remains heavily dependent on GMAC and its affiliates for funding and capital support, and there can be no assurance that GMAC or its affiliates will continue such actions or that GMAC will be successful in executing one or more sales, spin-offs, or other potential transactions with respect to ResCap.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, other than as described above, there are currently no commitments or assurances for future funding and/or capital support. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

GMAC has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. As of December 31, 2009, we had approximately \$2.6 billion in secured financing arrangements with ResCap of which approximately \$1.9 billion in loans had been utilized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its financing facilities, including those with us, could be slower than if ResCap had not filed for bankruptcy. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. As a holder of unsecured notes, we would not receive any distributions for the benefit of creditors in a ResCap bankruptcy before secured creditors are repaid. In addition, should ResCap file for bankruptcy, our \$275 million investment related to ResCap's equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on GMAC's consolidated financial position over the longer term.

## **GMAC Conversion**

Effective June 30, 2009, GMAC converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law and was renamed "GMAC Inc." In connection with the Conversion, each unit of each class of membership interest issued and outstanding immediately prior to the Conversion was converted into shares of capital stock of GMAC with substantially the same rights and preferences as such membership interests. Refer to Note 23 for additional information regarding the tax impact of the conversion.

## **Consolidation and Basis of Presentation**

The consolidated financial statements include our accounts and accounts of our majority-owned subsidiaries after eliminating all significant intercompany balances and transactions and include all variable interest entities (VIEs) in which we are the primary beneficiary. Refer to Note 28 for further details on our VIEs. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP).

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency

# Notes to Consolidated Financial Statements

as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income, a component of equity. Income and expense items are translated at average exchange rates prevailing during the reporting period.

## Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

## Significant Accounting Policies

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments with original maturities of 90 days or less. Cash and cash equivalents that have restrictions on our ability to withdraw the funds are included in other assets on our Consolidated Balance Sheet. The balance of cash equivalents was \$1.8 billion and \$7.9 billion at December 31, 2009 and 2008, respectively. The book value of cash equivalents approximates fair value because of the short maturities of these instruments. Certain securities with original maturities less than 90 days that are held as a portion of longer-term investment portfolios, primarily held by GMAC Insurance, are classified as investment securities.

### Securities

Our portfolio of securities includes government securities, corporate bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. Securities are classified based on management's intent. Our trading securities primarily consist of retained and purchased interests in certain securitizations. The retained interests are carried at fair value with changes in fair value recorded in current period earnings. Debt securities that management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. All other securities are classified as available-for-sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss, a component of equity, on an after-tax basis. Premiums and discounts on debt securities are amortized as an adjustment to investment yield over the contractual term of the security. We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale or held-to-maturity. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value. We also evaluate the financial health of and business outlook for the issuer, the performance of the underlying assets for interests in securitized assets, and our intent and ability to hold the investment.

Once a decline in fair value of an equity security is determined to be other than temporary, an impairment charge is recorded to other gain (loss) on investments, net, in our Consolidated Statement of Income, and a new cost basis in the investment is established. Once a decline in value of a debt security is determined to be other than temporary, the other-than-temporary impairment is separated into credit and noncredit components in accordance with applicable accounting standards. Noncredit component losses of a debt security are recorded in other comprehensive income (loss) when the Company does not intend to sell the security or is not more likely than not to have to sell the security prior to the security's anticipated recovery. Noncredit component losses are amortized over the remaining life of the debt security by offsetting the recorded value of the asset. Credit component losses of a debt security are charged to earnings. Realized gains and losses on investment securities are reported in other gain (loss) on investments, net, and are determined using the specific identification method.

### Loans Held-for-sale

Loans held-for-sale may include automotive, commercial finance, and residential mortgage receivables and loans and are carried at the lower of aggregate cost or estimated fair value. Loan origination fees, as well as discount points and incremental direct origination costs, are initially recorded as an adjustment of the cost of the loan and are reflected in the gain or loss on



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sale of loans when sold. Fair value is determined by type of loan and is generally based on contractually established commitments from investors, current investor yield requirements, current secondary market pricing, or cash flow models using market-based yield requirements. Certain of our domestic residential mortgages are reported at fair value as a result of the fair value option election. Refer to Note 27 for details on fair value measurement.

## **Finance Receivables and Loans**

Finance receivables and loans are reported at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Unearned income, which includes deferred origination fees reduced by origination costs and unearned rate support received from an automotive manufacturer, is amortized over the contractual life of the related finance receivable or loan using the interest method. Loan commitment fees are generally deferred and amortized into commercial revenue over the commitment period.

We classify finance receivables and loans between loans held-for-sale and loans held-for-investment based on management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors including economic, liquidity, and capital conditions. Management's view of the foreseeable future is generally a twelve-month period based on the longest reasonably reliable net income, liquidity, and capital forecast period.

## **Nonaccrual Loans**

Consumer and commercial revenue recognition is suspended when finance receivables and loans are placed on nonaccrual status. Generally, finance receivable and loans are placed on nonaccrual status when delinquent for 90 days or when determined not to be probable of full collection. Exceptions include nonprime retail automotive receivables and commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days. Revenue accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed and subsequently recognized only to the extent it is received in cash until it qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

## **Impaired Loans**

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. Income recognition is consistent with that of nonaccrual loans discussed above. If the recorded investment in impaired loans exceeds the fair value, a valuation allowance is established as a component of the allowance for loan losses. In addition to commercial loans specifically identified for impairment, we have pools of loans that are collectively evaluated for impairment, as discussed within the allowance for loan losses accounting policy.

Impaired loans also include loans that have been modified in troubled debt restructurings as a concession to borrowers experiencing financial difficulties. Trouble debt restructurings typically result from our loss mitigation activities and could include rate reductions, principal forgiveness, forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. A troubled debt restructuring involving only a modification of terms requires that the restructured loan be measured at the present value of the expected future cash flows discounted at the effective interest rate at the time of modification, as based upon the original loan rate. Alternately, the loan may be measured for impairment based upon the fair value of the underlying collateral if the loan is collateral dependent. If the measure of the loan is less than the recorded investment in the loan, we recognize an impairment by creating a valuation allowance or by adjusting an existing valuation allowance for the impaired loan.

## **Charge-offs**

As a general rule, consumer secured closed-end installment loans are written down to estimated collateral value, less costs to sell, once a loan becomes 120 days past due; and consumer unsecured open-end (revolving) loans are charged off at 180 days past due. Closed-end consumer loans secured by real estate are written down to estimated collateral value, less costs to sell, once a mortgage loan becomes 180 days past due. Retail loans in bankruptcy that are 60 days past due are charged off within 60 days of receipt of notification of filing from the bankruptcy court.

# Notes to Consolidated Financial Statements

Commercial loans are individually evaluated and where collectability of the recorded balance is in doubt are written down to fair value of the collateral less costs to sell. Generally, all commercial loans are charged off when they are 360 days or more past due.

## **Allowance for Loan and Lease Losses**

The allowance for loan and lease losses (the allowance) is management's estimate of incurred losses in the lending portfolios. Portions of the allowance are specified to cover the estimated losses on commercial loans specifically identified for impairment in accordance with applicable accounting standards. The unspecified portion of the allowance covers estimated losses on the homogeneous portfolios of finance receivables and loans collectively evaluated for impairment in accordance with applicable accounting standards. Amounts determined to be uncollectible are charged against the allowance on our Consolidated Balance Sheet. Additionally, losses arising from the sale of repossessed assets, collateralizing automotive finance receivables, and loans are charged to the allowance. Recoveries of previously charged-off amounts are credited at time of collection.

Loans that are individually evaluated and determined not to be impaired are grouped into pools, based on similar risk characteristics, and evaluated for impairment in accordance with applicable accounting standards. Loans determined to be specifically impaired are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, an observable market price, or the fair value of the collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement.

We perform periodic and systematic detailed reviews of our lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. The allowance related to portfolios collectively reviewed for impairment (generally consumer finance receivables and loans) is based on aggregated portfolio evaluations by product type. Loss models are utilized for these portfolios, which consider a variety of factors including, but not limited to, historical loss experience, current economic conditions, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by receivable and loan type. Loans in the commercial portfolios are generally reviewed on an individual loan basis, and if necessary, an allowance is established for individual loan impairment. Loans subject to individual reviews are analyzed based on factors including, but not limited to, historical loss experience, current economic conditions, collateral performance, performance trends within specific geographic and portfolio segments, and any other pertinent information that results in the estimation of the allowance. The evaluation of these factors for both consumer and commercial finance receivables and loans involves complex, subjective judgments.

## **Securitizations and Other Off-balance Sheet Transactions**

We securitize, sell, and service retail finance receivables, operating leases, wholesale loans, securities, and residential loans. Securitizations are accounted for either as sales or secured financings. Interests in the securitized and sold assets are generally retained in the form of senior or subordinated interests, interest- or principal-only strips, cash reserve accounts, residual interests, and servicing rights. With the exception of servicing rights and senior interests, our retained interests are generally subordinate to investors' interests. The investors and the securitization trusts generally have no recourse to our other assets outside of customary market representation and warranty repurchase provisions and in certain transactions, early payment default provisions and other forms of guarantee or commitments.

We retain servicing responsibilities for all of our retail finance receivable, operating lease, and wholesale loan securitizations and for the majority of our residential loan securitizations. We may receive servicing fees based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Consolidated Statement of Income. We also retain the right to service the residential loans sold to Ginnie Mae, Fannie Mae, and Freddie Mac. We also serve as the collateral manager in the securitizations of commercial investment securities.

Gains or losses on securitizations and sales depend on the previous carrying amount of the assets involved in the transfer and are allocated between the assets sold and the retained interests based on relative fair values except for certain servicing assets or liabilities, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests requires us to exercise significant judgment about the timing and amount of future cash flows from interests. Refer to the Note 27 for a discussion of fair value estimates.

# Notes to Consolidated Financial Statements

Gains or losses on securitizations and sales are reported in gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income for retail finance receivables, wholesale loans, and residential loans. Declines in the fair value of retained interests below the carrying amount are reflected in other comprehensive income, a component of equity, or as other (loss) gain on investments, net, in our Consolidated Statement of Income if declines are determined to be other than temporary or if the interests are classified as trading. Retained interests, as well as any purchased securities, are generally included in available-for-sale investment securities, trading investment securities, or other assets. Designation of available-for-sale or trading depends on management's intent. Securities that are noncertificated and cash reserve accounts related to securitizations are included in other assets on our Consolidated Balance Sheet.

## **Mortgage Servicing Rights**

Primary servicing rights represent our right to service mortgages securitized by us or sold through agency and third-party whole loan sales. Primary servicing involves the collection of payments from individual borrowers and the distribution of these payments to the investors. Master servicing rights represent our right to service mortgage- and asset-backed securities and whole-loan packages issued for investors. Master servicing involves the collection of borrower payments from primary servicers and the distribution of those funds to investors in mortgage- and asset-backed securities and whole-loans packages. We also purchase and sell primary and master servicing rights through transactions with other market participants.

We capitalize the value expected to be realized from performing specified mortgage servicing activities for others as mortgage servicing rights (MSRs). These capitalized servicing rights are purchased or retained upon sale or securitization of mortgage loans. Mortgage servicing rights are not recorded on securitizations accounted for as secured financings. We measure mortgage servicing assets and liabilities at fair value at the date of sale.

We define our classes of servicing rights based on both the availability of market inputs and the manner in which we manage the risks of our servicing assets and liabilities. We leverage all available relevant market data to determine the fair value of our recognized servicing assets and liabilities.

Since quoted market prices for MSRs are not available, we estimate the fair value of MSRs by determining the present value of future expected cash flows using modeling techniques that incorporate management's best estimates of key variables including expected cash flows, credit losses, prepayment speeds, and return requirements commensurate with the risks involved. Cash flow assumptions are modeled using our internally forecasted revenue and expenses, and where possible, the reasonableness of assumptions is periodically validated through comparisons to other market participants. Credit loss assumptions are based upon historical experience and the characteristics of individual loans underlying the MSRs. Prepayment speed estimates are determined from historical prepayment rates on similar assets or obtained from third-party data. Return requirement assumptions are determined using data obtained from market participants, where available, or based on current relevant interest rates plus a risk-adjusted spread. We also consider other factors that can impact the value of the MSRs, such as surety provider termination clauses and servicer terminations that could result if we failed to materially comply with the covenants or conditions of our servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of mortgage servicing rights, we regularly evaluate the major assumptions and modeling techniques used in our estimate and review these assumptions against market comparables, if available. We monitor the actual performance of our MSRs by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates.

## **Reposessed and Foreclosed Assets**

Assets are classified as reposessed and foreclosed and included in other assets when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place. Reposessed and foreclosed assets are carried at the lower of the outstanding balance at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the revaluation of reposessed and foreclosed assets are charged to the allowance for loan and lease losses at the time of repossession.

## **Goodwill and Other Intangibles**

Goodwill and other intangible assets, net of accumulated amortization, are reported in other assets. In accordance with applicable accounting standards, goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires us to define the reporting units and compare the fair value of each of these reporting units to the respective carrying value. The fair

# Notes to Consolidated Financial Statements

value of the reporting units in our impairment test is determined based on various analyses including discounted cash flow projections. If the carrying value is less than the fair value, no impairment exists, and the second step does not need to be completed. If the carrying value is higher than the fair value or there is an indication that impairment may exist, a second step must be performed to compute the amount of the impairment, if any. Applicable accounting standards require goodwill to be tested for impairment annually at the same time every year and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our annual goodwill impairment assessment is concluded upon during the fourth quarter each year. Refer to Note 14 for a discussion of the related goodwill impairment charge in 2009 and 2008.

Other intangible assets, which include customer lists, trademarks, and other identifiable intangible assets, are amortized on a straight-line basis over an estimate useful life of 3 to 15 years and are subject to impairment testing.

## **Investment in Operating Leases**

Investment in operating leases is reported at cost, less accumulated depreciation and net of impairment charges and origination fees or costs. Income from operating lease assets that includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over a period, consistent with the term of the underlying operating lease agreement. We evaluate our depreciation policy for leased vehicles on a regular basis.

We have significant investments in the residual values of assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts and are initially determined based on residual values established at contract inception by consulting independently published residual value guides. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle (including any residual support payments from GM) at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary based on market considerations and portfolio characteristics. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. Certain triggering events necessitated an impairment review of the investment in operating leases of our Global Automotive Services beginning in the second quarter of 2008. Refer to Note 11 for a discussion of the impairment charges recognized in 2008.

When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases to other assets at the lower-of-cost or estimated fair value, less costs to sell.

## **Impairment of Long-lived Assets**

The carrying value of long-lived assets (including property and equipment and certain identifiable intangibles) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. Refer to the previous section of this note titled Investment in Operating Leases for a discussion pertaining to impairments related to our investment in operating leases in 2009. No material impairment was recognized in 2008 or 2007.

An impairment test on an asset group to be discontinued, held-for-sale, or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset can be disposed of within twelve months, appropriate levels of authority have approved the sale, and there is an active program to locate a buyer). Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell. During 2009, impairment losses were recognized on asset groups that were classified as held-for-sale or disposed of by sale. Refer to Note 2 for a discussion of held-for-sale and discontinued operations.

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## Property and Equipment

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, company vehicles, IT hardware and software, and capitalized software costs. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which generally ranges from 3 to 30 years. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

## Deferred Policy Acquisition Costs

Commissions, including compensation paid to producers of automotive service contracts and other costs of acquiring insurance that are primarily related to and vary with the production of business, are deferred and recorded in other assets. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and revenue are earned except for direct response advertising costs, which are amortized over their expected future benefit. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

## Private Debt Exchange and Cash Tender Offers

In evaluating the accounting for the private debt exchange and cash tender offers (the Offers) in 2008, management was required to make a determination as to whether the Offers should be accounted for as a troubled debt restructuring (TDR) or an extinguishment of GMAC and ResCap debt. In concluding on the accounting, management evaluated applicable accounting guidance. The relevant accounting guidance required us to determine whether the exchanges of debt instruments should be accounted for as a TDR. A TDR results when it is determined, evaluating six factors considered to be indicators of whether a debtor is experiencing financial difficulties, that the debtor is experiencing financial difficulties, and the creditors grant a concession; otherwise, such exchanges should be accounted for as an extinguishment or modification of debt. The assessment of this critical accounting estimate required management to apply a significant amount of judgment in evaluating the inputs, estimates, and internally generated forecast information to conclude on the accounting for the Offers.

In assessing whether GMAC was experiencing financial difficulties for the purpose of accounting for the Offers, management applied applicable accounting guidance. Our assessment considered internal analyses such as our short- and long-term liquidity projections, net income forecasts, and runoff projections. These analyses were based upon our consolidated financial condition and our comprehensive ability to service both GMAC and ResCap obligations and were based only on our current business capabilities and funding sources. In addition to our baseline projections, these analyses incorporated stressed scenarios reflecting continued deterioration of the credit markets, further GM financial distress, and significant curtailments of loans originations. Management assigned probability weights to each scenario to determine an overall risk-weighted projection of our ability to meet our consolidated obligations as they come due. These analyses indicated that we could service all GMAC and ResCap obligations as they came due in the normal course of business.

Our assessment also considered capital market perceptions of our financial condition, such as our credit agency ratings, market values for our debt, analysts' reports, and public statements made by us and our stakeholders. Due to the rigor applied to our internal projections, management placed more weight on our internal projections and less weight on capital market expectations.

Based on this analysis and after the consideration of the applicable accounting guidance, management concluded the Offers were not deemed to be a TDR. As a result of this conclusion, the Offers were accounted for as an extinguishment of debt.

Applying extinguishment accounting, we recognized a gain at the time of the exchange for the difference between the carrying value of the exchanged notes and the fair value of the newly issued securities. In accordance with applicable fair value accounting guidance related to Level 3 fair value measures, we performed various analyses with regard to the valuation of the newly issued instruments. Level 3 fair value measures are valuations that are derived primarily from unobservable inputs and rely heavily on management assessments, assumptions, and judgments. In determining the fair value of the newly

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issued instruments, we performed an internal analysis using trading levels on the trade date, December 29, 2008, of existing GMAC unsecured debt, adjusted for the features of the new instruments. We also obtained bid-ask spreads from brokers attempting to make a market in the new instruments.

Based on the determined fair values, we recognized a pretax gain upon extinguishment of \$11.5 billion and reflected the newly issued preferred shares at their face value, which was estimated to be \$234 million on December 29, 2008. The majority of costs associated with the Offers were deferred in the basis of the newly issued bonds. In the aggregate, the offers resulted in an \$11.7 billion increase to our consolidated equity position.

## **Unearned Insurance Premiums and Service Revenue**

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For extended service and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated loss emergence. For other short duration contracts, premiums and unearned service revenue are earned on a pro rata basis.

## **Reserves for Insurance Losses and Loss Adjustment Expenses**

Reserves for insurance losses and loss adjustment expenses are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from such estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

## **Reserves for Loans Sold with Recourse**

Reserves for loans sold with recourse result from customary market representations and warranties we provide when we sell or securitize loans. These provisions are generally triggered in cases of origination fraud, missing or insufficient underwriting documentation, or borrower compliance violations that exist at the time of sale. The initial reserve, classified in accrued expenses and other liabilities on our Consolidated Balance Sheet, is established on the transfer date at fair value and is recorded as gain (loss) on mortgage and automotive loans, net, on our Consolidated Statement of Income. We recognize changes in the liability as other operating expenses on our Consolidated Statement of Income. We use internally developed models to estimate the liability. Significant assumptions in the models include borrower performance, investor repurchase demand behavior, historic loan defect experience, and loss severity. Adjustments may be made to the modeled losses to take into account qualification factors, such as macroeconomic and other external factors. We regularly evaluate the major assumptions and modeling techniques used in our estimate, and we align assumptions with the our allowance and cash flow forecasting models. The models and assumptions require the use of judgment and can have a significant impact on the determination of the liability.

## **Derivative Instruments and Hedging Activities**

In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities carried at fair value. At inception of a hedging relationship, we designate each qualifying derivative financial instrument as a hedge of the fair value of a specifically identified asset or liability (fair value hedge), as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or as a hedge of the foreign currency exposure of a net investment in a foreign operation. We also use derivative financial instruments, which although acquired for risk management purposes, do not qualify for hedge accounting under GAAP. Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded in accumulated other comprehensive income, a component of equity, and recognized in the income statement when the hedged cash flows affect earnings. For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported in accumulated other

# Notes to Consolidated Financial Statements

comprehensive income as part of the cumulative translation adjustment with the exception of the spot to forward difference, which is recorded in current period earnings. Changes in the fair value of derivative financial instruments held for risk management purposes that do not meet the criteria to qualify as hedges under GAAP are reported in current period earnings. The ineffective portions of fair value and cash flow hedges are immediately recognized in earnings.

We formally document all relationships between hedging instruments and hedged items and or risk management objectives for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value, cash flow, or net investment hedges to specific assets and liabilities on our Consolidated Balance Sheet to specific firm commitments or the forecasted transactions. Both at the hedge's inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

The hedge accounting treatment described herein is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed or is assessed to be no longer highly effective. For these terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in other comprehensive income, a component of equity, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. The previously recognized net derivative gain or loss for a net investment hedge should continue to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

## Loan Commitments

We enter into commitments to make loans whereby the interest rate on the loans is set prior to funding (i.e., interest rate lock commitments). Interest rate lock commitments for loans to be originated or purchased for sale and for loans to be purchased and held-for-investment are derivative financial instruments carried at fair value in accordance with applicable accounting standards with changes in fair value included within current period earnings. The fair value of the interest rate lock commitments include expected net future cash flows related to the associated servicing of the loan are accounted for through earnings for all written loan commitments accounted at fair value. Servicing assets are recognized as distinct assets once they are contractually separated from the underlying loan by sale or securitization. Interest rate lock commitments are recorded at fair value with changes in value recognized in current period earnings. Day-one gains or losses on derivative interest rate lock commitments are recognized when applicable.

## Income Taxes

As of June 30, 2009, GMAC converted from an LLC to a Delaware corporation, thereby ceasing to be a pass-through entity for income tax purposes. As a result, we recorded our deferred tax assets and liabilities using the estimated corporate effective tax rate. Our banking, insurance, and foreign subsidiaries were generally always corporations and continued to be subject to tax and provide for U.S. federal, state, and foreign income taxes.

Deferred tax assets and liabilities are established for future tax consequences of events that have been recognized in the financial statements or tax returns based on enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Deferred tax assets are reduced through the recording of valuation allowances in cases where realization is not more likely than not. In addition, tax benefits related to positions considered uncertain are recognized only if, based on the technical merits of the issue, we are more likely than not to sustain the position and then at the largest amount that is greater than 50% likely to be realized upon ultimate settlement.

## Recently Adopted Accounting Standards

### Accounting Standards Codification (ASC) (Formerly SFAS No. 168)

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (SFAS 168). This standard established the FASB Codification as the

# Notes to Consolidated Financial Statements

exclusive authoritative reference for U.S. GAAP and superseded all existing non-SEC accounting and reporting standards. As a result, we updated the references to accounting literature contained in our financial statement disclosures to reflect the ASC structure.

## **Disclosures about Derivative Instruments and Hedging Activities (Formerly SFAS No. 161)**

As of January 1, 2009, we adopted SFAS No. 161 (SFAS 161), which amended ASC Topic 815, *Derivatives and Hedging*. SFAS 161 required specific disclosures regarding the location and amounts of derivative instruments in the financial statements, how derivative instruments and related hedged items were accounted for, and how derivative instruments and related hedged items affected the financial position, financial performance, and cash flows. Because SFAS 161 impacted only the disclosure and not the accounting treatment for derivative instruments and related hedged items, the adoption of SFAS 161 did not have an impact on our financial statements. Refer to Note 21 for disclosures required by SFAS 161.

## **Interim Disclosures about Fair Value of Financial Instruments (Formerly FSP FAS No. 107-1 and APB No. 28-1)**

As of June 30, 2009, we adopted FSP FAS No. 107-1 and APB No. 28-1, which amended ASC Topic 825, *Financial Instruments*, to require disclosures about the fair value of financial instruments in interim periods. Additionally, the guidance amends ASC Topic 270, *Interim Reporting*, to require these disclosures in all interim financial statements. Since this guidance related only to disclosures, adoption did not have a material effect on our financial statements.

## **Recognition and Presentation of Other-Than-Temporary Impairments (Formerly FSP FAS No. 115-2 and FSP FAS No. 124-2)**

As of April 1, 2009, we adopted FSP FAS No. 115-2 and FSP FAS 124-2, which amended the guidance for determining and recognizing impairment on debt securities. Under this FSP, an other-than-temporary impairment must be recognized if an entity has the intent to sell the debt security or if it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. In addition, the guidance changed the amount of impairment to be recognized in current period earnings when an entity does not have the intent to sell or it is more likely than not that it will be required to sell the debt security. In these cases, only the amount of the impairment associated with credit losses is recognized in earnings with all other fair value components in other comprehensive income. The guidance also required additional disclosures regarding the calculation of credit losses as well as factors considered in reaching a conclusion that an investment is not other-than-temporarily impaired. This guidance was effective for periods ending after June 15, 2009, and its adoption did not have a material impact on our financial statements.

## **Determining Fair Value for Assets in Inactive or Distressed Markets (Formerly FAS No. 157-4)**

As of April 1, 2009, we adopted FSP FAS No. 157-4, which amended ASC Topic 820, *Fair Value Measurements and Disclosures*, and clarified the guidance for determining fair value. This standard provided application guidance to assist preparers in determining whether an observed transaction had occurred in an inactive market and if the transaction was distressed. This standard was effective for periods ending after June 15, 2009, and its adoption did not have a material impact on our financial statements.

## **Recently Issued Accounting Standards**

### **Accounting for Transfers of Financial Assets (Accounting Standards Update (ASU) 2009-16) (Formerly SFAS No. 166)**

In December 2009, the FASB issued ASU 2009-16, which amends ASC Topic 860, *Transfers and Servicing*. This standard removes the concept of a qualifying special-purpose entity (QSPE) and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. To determine if a transfer is to be accounted for as a sale, the transferor must assess whether it and all of the entities included in its consolidated financial statements have surrendered control of the assets. This standard is effective for us as of January 1, 2010, with adoption applied prospectively for transfers that occur on and after the effective date. The elimination of the QSPE concept will require us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810, *Consolidation*, and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, is being assessed as part of the analysis required from ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to the section below for further information related to ASU 2009-17.



# Notes to Consolidated Financial Statements

## **Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17) (Formerly SFAS No. 167)**

In December 2009, the FASB issued ASU 2009-17, which amends ASC Topic 810, *Consolidation*. This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment; rather than using the quantitative-based model required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE's economic performance and has the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. This standard is effective for us as of January 1, 2010. As a result of the implementation of ASU 2009-16 and ASU 2009-17, we will be required to consolidate various securitization structures that were previously held off-balance sheet. On January 1, 2010, this consolidation will result in a net increase of \$17.6 billion to assets and liabilities on our Consolidated Balance Sheet (\$10.1 billion of the increase relates to operations classified as held-for-sale). As part of the day-one entry, there will also be an immaterial adjustment to our opening equity balance.

## **2. Discontinued and Held-for-sale Operations**

### **Discontinued Operations**

During the three months ended September 30, 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provide vehicle and home insurance in the United States through a number of distribution channels, including independent agents, affinity groups, and the internet. Additionally, during the three months ended December 31, 2009, we committed to sell the U.K. consumer property and casualty insurance business. In connection with the classification of these operations as held-for-sale we recognized pretax losses, including estimated direct costs to transact a sale, of \$250 million during the year ended December 31, 2009. The losses represent the impairment recognized to present the discontinued operations at the lower of cost or fair value less costs to sell. The fair values less costs to sell were determined based on sales price negotiations with potential third-party purchasers (a Level 2 fair value input) and price discoveries with potential third-party purchasers adjusted for factors deemed appropriate by management (a Level 3 fair value input). During the first quarter of 2010, the sale of our U.S. consumer property and casualty business was completed. We expect to complete the sale of our U.K. consumer property and casualty insurance business during 2010.

During the three months ended December 31, 2009, we committed to sell the continental Europe operations of ResCap's International Business Group (IBG). These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the Netherlands and Germany. In connection with the classification of these operations as held-for-sale, we recognized pretax losses, including estimated direct costs to transact a sale, of \$723 million during the three months ended December 31, 2009. The losses represent the impairment recognized to present the held-for-sale operations at the lower of cost or fair value less costs to sell. The fair values less costs to sell were determined based on sales price negotiations with potential third-party purchasers adjusted for anticipated price fades or other factors deemed appropriate by management (a Level 3 fair value input). We expect to complete the sale of the IBG's continental Europe operations during 2010.

During the three months ended December 31, 2009, we committed to sell the U.K. operations of ResCap's IBG and classified these operations as held-for-sale. The operations include residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations. In connection with the classification as held-for-sale, we recognized a pretax loss, including estimated direct costs to transact a sale, of \$181 million. The loss represents the impairment recognized to present the held-for-sale operations at the lower of cost or fair value less costs to sell. The fair values less costs to sell were determined based on price discoveries with potential third party purchasers adjusted for anticipated price fades or other factors deemed appropriate by management (a Level 3 fair value input). During the three months ended June 30, 2010, we classified these operations as discontinued. We expect to complete the sale of these operations during 2010.

During the three months ended September 30, 2009, we committed to sell certain operations of our International Automotive Finance operations. These include the sale of our Argentina operations and our Masterlease operations in the United Kingdom and Italy. Our Masterlease operations provide full-service individual leasing and fleet leasing products, including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title

# Notes to Consolidated Financial Statements

and licensing services. Additionally, during the three months ended December 31, 2009, we committed to sell our operations in Poland and Ecuador as well as our Masterlease operations in Australia, Belgium, France, Mexico, the Netherlands, and Poland. In connection with the classification of these operations as held-for-sale we recognized pretax losses of \$416 million during the year ended December 31, 2009. The losses represent the impairment recognized to present the discontinued operations at the lower of cost or fair value less costs to sell. The fair value less costs to sell were determined using final sales agreements or sales price negotiations entered into by willing parties (a Level 2 fair value input). As of December 31, 2009, the sale of the Masterlease operations in Mexico, Italy, and the Netherlands was completed. During the three months ended June 30, 2010, we completed the sale of our Poland operations and our Masterlease operations in Australia, Poland, Belgium, and France. In July 2010, we completed the sale of our Argentina operations. We expect to complete the sale of our Ecuador operations and our Masterlease operations in the United Kingdom during 2010.

During the three months ended June 30, 2010, we classified the operations of our International Automotive Finance operations in Australia and Russia as discontinued.

During the three months ended December 31, 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. In connection with the classification of these operations as held-for-sale we recognized pretax losses of \$30 million during the year ended December 31, 2009. The losses represent the impairment recognized to present the held-for-sale operations at the lower of cost or fair value, less costs to transact the sale. The fair value less costs to sell was determined based on preliminary bids with potential third-party purchasers (a Level 2 fair value input). On April 30, 2010, the sale of the North American based factoring business was completed.

The pretax losses recognized as of December 31, 2009, including the direct costs to transact a sale, for the discontinued operations could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions.

Selected financial information of these discontinued operations is summarized below.

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Select Mortgage operations</b>			
Total net (loss)	\$ (637)	\$ (2,073)	\$ (354)
Pretax (loss) including direct costs to transact a sale	(2,234)	(2,955)	(757)
Tax expense (benefit)	—	100	(174)
<b>Select Insurance operations</b>			
Total net revenue	\$ 1,448	\$ 1,780	\$ 1,737
Pretax (loss) income including direct costs to transact a sale	(810)	97	121
Tax (benefit) expense	(99)	25	38
<b>Select International operations</b>			
Total net revenue	\$ 298	\$ 375	\$ 402
Pretax (loss) income including direct costs to transact a sale	(291)	(19)	45
Tax expense	33	8	14
<b>Select Commercial Finance operations</b>			
Total net revenue	\$ 39	\$ 49	\$ 64
Pretax (loss) income including direct costs to transact a sale	(32)	(23)	18
Tax (benefit) expense	(9)	1	2

At December 31, 2009, we classified the assets and liabilities of these operations as discontinued operations using generally accepted accounting principles in the United States of America, as the associated operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. The previously issued Consolidated Financial Statements, for all periods presented, have been recast, such that all of the operating results for these operations have been removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

# Notes to Consolidated Financial Statements

## Held-for-sale Operations

All of our discontinued operations are classified as held-for-sale as of December 31, 2009, except for our International Automotive Finance operations in Australia and Russia.

The assets and liabilities of operations held-for-sale at December 31, 2009, are summarized below.

<i>(\$ in millions)</i>	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for- sale operations
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 4	\$ 578	\$ 33	\$ —	\$ 615
Interest bearing	151	—	11	—	162
Total cash and cash equivalents	155	578	44	—	777
Trading securities	36	—	—	—	36
Investment securities — available-for-sale	—	794	—	—	794
Loans held-for-sale	214	—	—	—	214
Finance receivables and loans, net of unearned income					
Consumer	2,650	—	400	—	3,050
Commercial	—	—	246	233	479
Notes receivable from General Motors	—	—	14	—	14
Allowance for loan losses	(89)	—	(11)	—	(100)
Total finance receivables and loans, net	2,561	—	649	233	3,443
Investment in operating leases, net	—	—	885	—	885
Mortgage servicing rights	(26)	—	—	—	(26)
Premiums receivable and other insurance assets	—	1,126	—	—	1,126
Other assets	512	176	135	—	823
Impairment on assets of held-for-sale operations					
	(903)	(231)	(324)	(30)	(1,488)
<b>Total assets</b>	<b>\$ 2,549</b>	<b>\$ 2,443</b>	<b>\$ 1,389</b>	<b>\$ 203</b>	<b>\$ 6,584</b>
<b>Liabilities</b>					
Debt					
Short-term borrowings	\$ —	\$ 34	\$ 57	\$ —	\$ 91
Long-term debt	1,749	—	237	—	1,986
Total debt	1,749	34	294	—	2,077
Interest payable	3	—	1	—	4
Unearned insurance premiums and service revenue					
	—	517	—	—	517
Reserves for insurance losses and loss adjustment expenses					
	—	1,471	—	—	1,471
Accrued expenses and other liabilities	430	84	128	187	829
<b>Total liabilities</b>	<b>\$ 2,182</b>	<b>\$ 2,106</b>	<b>\$ 423</b>	<b>\$ 187</b>	<b>\$ 4,898</b>

(a) Includes the operations of ResCap's International Business Group in continental Europe and the operations in the United Kingdom.

(b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.

(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in the United Kingdom, Italy, Australia, Belgium, France, Mexico, the Netherlands, and Poland.

(d) Includes the U.S.-based factoring business of our Commercial Finance Group.

# Notes to Consolidated Financial Statements

## 3. Insurance Premiums and Service Revenue Earned

The following table is a summary of insurance premiums and service revenue written and earned:

Year ended December 31, (\$ in millions)	2009		2008		2007	
	Written	Earned	Written	Earned	Written	Earned
Insurance premiums						
Direct	\$ 795	\$ 854	\$ 982	\$1,054	\$ 951	\$1,007
Assumed	604	680	737	682	644	652
Gross insurance premiums	1,399	1,534	1,719	1,736	1,595	1,659
Ceded	(604)	(695)	(481)	(321)	(183)	(190)
Net insurance premiums	795	839	1,238	1,415	1,412	1,469
Service revenue	685	1,138	964	1,295	1,118	1,337
Insurance premiums and service revenue written and earned	\$ 1,480	\$ 1,977	\$ 2,202	\$ 2,710	\$ 2,530	\$ 2,806

## 4. Other Income, Net of Losses

Details of other income, net of losses, were as follows:

Year ended December 31, (\$ in millions)	2009	2008	2007
Late charges and other administrative fees (a)	\$ 156	\$ 159	\$171
Mortgage processing fees and other mortgage income (loss)	128	(257)	70
Remarketing fees	128	120	99
Full-service leasing fees	128	154	125
Other equity method investments (b)	17	(496)	74
Fair value adjustment on certain derivatives (c)	(56)	(99)	100
Fair value adjustments due to fair value option elections, net (d)	(215)	(237)	—
Real estate services, net	(267)	(62)	218
Other, net	179	100	99
Total other income, net of losses	\$ 198	\$(618)	\$956

(a) Includes nonmortgage securitization fees.

(b) During 2008, we recognized \$765 million in losses related to an investment accounted for using the equity method. The losses included \$195 million as an estimate of our share of the investee's net loss and the impairment of our remaining investment interests of \$570 million. As of December 31, 2008, we have no remaining balance in our investment, no further financial obligations, and have ceased equity method accounting.

(c) Refer to Note 21 for a description of derivative instruments and hedging activities.

(d) Refer to Note 27 for a description of fair value option elections.

# Notes to Consolidated Financial Statements

## 5. Other Operating Expenses

Details of other operating expenses were as follows:

Year ended December 31, ( <i>\$ in millions</i> )	2009	2008	2007
Mortgage representation and warranty expense, net	\$1,494	\$ 238	\$ 256
Insurance commissions	635	803	831
Technology and communications expense	594	566	580
Professional services	506	608	383
Advertising and marketing	202	154	198
Vehicle remarketing and repossession	196	288	198
Lease and loan administration	164	152	204
Full-service leasing vehicle maintenance costs	132	150	115
Rent and storage	108	158	181
Premises and equipment depreciation	85	124	148
Restructuring expenses	63	192	129
Other	1,063	1,600	1,102
<b>Total other operating expenses</b>	<b>\$5,242</b>	<b>\$5,033</b>	<b>\$4,325</b>

## 6. Trading Securities

The fair value for our portfolio of trading securities was as follows:

December 31, ( <i>\$ in millions</i> )	2009	2008
Trading securities		
U.S. Treasury	\$ —	\$ 409
Mortgage-backed		
Residential	143	316
Commercial	—	7
Asset-backed	596	474
Debt and other	—	1
<b>Total trading securities</b>	<b>\$739</b>	<b>\$ 1,207</b>
Net unrealized gains (losses) (a)	\$203	\$(1,864)
Pledged as collateral	\$ 61	\$ 827

(a) Unrealized gains and losses are included in other gain (loss) on investments, net, on a current period basis. Net unrealized losses totaled \$1,590 million during the year ended December 31, 2007.

# Notes to Consolidated Financial Statements

## 7. Investment Securities

Our portfolio of investment securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale and held-to-maturity securities were as follows:

December 31, (\$ in millions)	2009			2008			Fair value	
	Cost	Gross unrealized gains	losses	Cost	Gross unrealized gains	losses		
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$ 3,501	\$ 15	\$ (6)	\$ 3,510	\$ 389	\$ 31	\$ —	\$ 420
States and political subdivisions	779	36	(4)	811	876	31	(26)	881
Foreign government	1,161	20	(8)	1,173	887	25	—	912
Mortgage-backed								
Residential (a)	3,404	76	(19)	3,461	191	6	(2)	195
Commercial	—	—	—	—	17	—	(2)	15
Asset-backed	1,000	7	(2)	1,005	664	—	(2)	662
Corporate debt securities	1,408	74	(9)	1,473	2,431	24	(165)	2,290
Other	47	—	—	47	350	4	(1)	353
Total debt securities (b)	11,300	228	(48)	11,480	5,805	121	(198)	5,728
Equity securities	631	52	(8)	675	525	79	(98)	506
Total available-for-sale securities	\$ 11,931	\$ 280	\$ (56)	\$ 12,155	\$ 6,330	\$ 200	\$ (296)	\$ 6,234
<b>Held-to-maturity securities</b>								
Total held-to-maturity securities	\$ 3	\$ —	\$ —	\$ 3	\$ 3	\$ —	\$ —	\$ 3

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$2,248 million and \$16 million at December 31, 2009 and 2008, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$164 million and \$154 million of primarily U.K. Treasury securities were pledged as collateral as of December 31, 2009 and 2008, respectively.

# Notes to Consolidated Financial Statements

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

December 31, 2009 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 3,510	1.9%	\$ 103	1.1%	\$ 3,390	1.9%	\$ 17	4.1%	\$ —	—%
States and political subdivisions	811	7.0	9	7.0	175	7.2	147	7.0	480	6.9
Foreign government	1,173	3.8	66	1.7	872	3.8	229	4.5	6	5.3
Mortgage-backed										
Residential	3,461	6.5	—	—	2	6.5	36	13.0	3,423	6.4
Asset-backed	1,005	2.5	34	5.2	735	2.3	186	2.6	50	3.9
Corporate debt	1,473	5.2	283	3.4	575	5.8	570	5.4	45	6.9
Other	47	3.6	—	—	32	3.4	15	4.0	—	—
<b>Total available-for-sale debt securities</b>	<b>\$ 11,480</b>	<b>4.3%</b>	<b>\$ 495</b>	<b>2.8%</b>	<b>\$ 5,781</b>	<b>2.8%</b>	<b>\$ 1,200</b>	<b>5.2%</b>	<b>\$ 4,004</b>	<b>6.5%</b>
<b>Amortized cost of available-for-sale debt securities</b>	<b>\$ 11,300</b>		<b>\$ 473</b>		<b>\$ 5,728</b>		<b>\$ 1,169</b>		<b>\$ 3,930</b>	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

December 31, 2008 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 420	3.9%	\$ 81	3.1%	\$ 208	4.0%	\$ 109	4.5%	\$ 22	4.5%
States and political subdivisions	881	7.6	16	9.2	223	7.6	210	7.4	432	7.7
Foreign government	912	3.4	403	1.2	325	4.9	166	5.3	18	9.2
Mortgage-backed										
Residential	195	5.3	2	10.3	—	—	—	—	193	5.2
Commercial	15	5.4	—	—	2	6.0	—	—	13	5.4
Asset-backed	662	0.4	585	0.1	63	2.7	10	4.4	4	0.7
Corporate debt	2,290	5.7	324	4.5	999	5.8	888	5.9	79	6.5
Other	353	3.7	320	3.6	32	4.9	1	—	—	—
<b>Total available-for-sale debt securities</b>	<b>\$ 5,728</b>	<b>4.8%</b>	<b>\$ 1,731</b>	<b>2.1%</b>	<b>\$ 1,852</b>	<b>5.5%</b>	<b>\$ 1,384</b>	<b>5.9%</b>	<b>\$ 761</b>	<b>6.8%</b>
<b>Amortized cost of available-for-sale debt securities</b>	<b>\$ 5,805</b>		<b>\$ 1,726</b>		<b>\$ 1,856</b>		<b>\$ 1,425</b>		<b>\$ 798</b>	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

# Notes to Consolidated Financial Statements

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

Year ended December 31, (\$ in millions)	2009	2008	2007
Gross realized gains	\$ 349	\$ 109	\$253
Gross realized losses	(129)	(238)	(65)
Other-than-temporary impairment	(55)	(223)	(5)
Net realized gains (losses)	\$ 165	\$(352)	\$183

The following table presents interest and dividends on investments.

Year ended December 31, (\$ in millions)	2009	2008	2007
Taxable interest	\$320	\$442	\$901
Taxable dividends	9	26	37
Interest and dividends exempt from U.S. federal income tax	37	43	30
Total interest and dividends	\$366	\$511	\$968

Certain available-for-sale securities were sold at a loss in 2009, 2008, and 2007 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that has been applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of December 31, 2009, we do not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will not be required to sell these securities before recovery of their amortized cost basis. Also, as of December 31, 2009, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired as of December 31, 2009. Refer to Note 1 to the Consolidated Financial Statements for further information related to investment securities and our methodology for evaluating potential other-than-temporary impairment.

(\$ in millions)	2009				2008			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$1,430	\$ (6)	\$ —	\$ —	\$ 7	\$ —	\$ 1	\$ —
States and political subdivisions	82	(2)	8	(2)	251	(18)	56	(8)
Foreign government	536	(8)	—	—	36	—	19	—
Mortgage-backed	811	(14)	6	(5)	19	(2)	23	(2)
Asset-backed	202	(1)	22	(1)	13	(2)	18	—
Corporate debt securities	47	(1)	120	(8)	1,190	(144)	235	(21)
Other	7	—	—	—	1	—	4	—
Total temporarily impaired debt securities	3,115	(32)	156	(16)	1,517	(166)	356	(31)
Equity securities	115	(5)	52	(3)	249	(98)	4	—
Total temporarily impaired available-for-sale securities	\$3,230	\$ (37)	\$ 208	\$ (19)	\$1,766	\$ (264)	\$ 360	\$ (31)

We employ a systematic methodology that considers available evidence in evaluating other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluated, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the



# Notes to Consolidated Financial Statements

issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. We had other-than-temporary impairment write-downs of \$55 million, \$223 million, and \$5 million for the years ended December 31, 2009, 2008, and 2007, respectively. Gross unrealized gains and losses on investment securities available-for-sale totaled \$278 million and \$123 million, respectively as of December 31, 2007.

In April 2009, the FASB amended the other-than-temporary impairment model for debt securities. The impairment model for equity securities was not affected. Under the new guidance, other-than-temporary impairment losses for debt securities must be recognized in earnings if an entity has the intent to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. However, even if an entity does not expect to sell a security, it must evaluate expected cash flows to be received and determine if a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recorded in other comprehensive income. The guidance also requires additional disclosures regarding the calculation of credit losses as well as factors considered in reaching a conclusion that an investment is not other-than-temporarily impaired. We adopted the new guidance effective for the period ended June 30, 2009. We did not record a transition adjustment for securities held at June 30, 2009, that were previously considered other-than-temporarily impaired as all previously impaired securities remaining in the portfolio were either equity securities or debt securities with impairments relating to credit losses.

## 8. Loans Held-for-sale

The composition of loans held-for-sale was as follows:

December 31, (\$ in millions)	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Consumer</b>						
Automobile	\$ 9,417	\$ 184	\$ 9,601	\$ 3,805	\$ —	\$3,805
1st Mortgage	9,269	530	9,799	1,576	1,052	2,628
Home equity	1,068	—	1,068	—	1	1
<b>Total consumer</b>	<b>19,754</b>	<b>714</b>	<b>20,468</b>	<b>5,381</b>	<b>1,053</b>	<b>6,434</b>
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automobile	—	—	—	148	103	251
Resort finance (a)	—	—	—	1,223	—	1,223
Other	—	157	157	—	9	9
<b>Commercial real estate</b>						
Mortgage	—	—	—	2	—	2
<b>Total commercial</b>	<b>—</b>	<b>157</b>	<b>157</b>	<b>1,373</b>	<b>112</b>	<b>1,485</b>
<b>Total loans held-for-sale</b>	<b>\$ 19,754</b>	<b>\$871</b>	<b>\$20,625</b>	<b>\$6,754</b>	<b>\$ 1,165</b>	<b>\$7,919</b>

(a) The resort finance business of our Commercial Finance Group provides capital to resort and timeshare developers. As of March 31, 2009, the resort finance business was reclassified from loans held-for-sale to commercial finance receivables and loans, net of unearned income, on the Consolidated Balance Sheet because it was unlikely a sale would occur within the foreseeable future.

# Notes to Consolidated Financial Statements

During the year ended December 31, 2009, our Mortgage operations reclassified loans with an unpaid principal balance of \$8.5 billion from finance receivables and loan, net of unearned income, to loans held-for-sale on our Consolidated Balance Sheet. Due to capital preservation strategies, business divestitures, and future liquidity considerations, we changed our intent to hold these mortgage loans for the foreseeable future. These loans were measured at fair value immediately prior to the transfer resulting in a valuation loss of approximately \$3.4 billion during the year ended December 31, 2009. We recognized the credit and noncredit component of these losses in provision for loan losses and gain (loss) on mortgage loans, net, respectively, in our Consolidated Statement of Income.

## 9. Finance Receivables and Loans, Net of Unearned Income

The composition of finance receivables and loans, net of unearned income, before allowance for loan losses was as follows:

December 31, (\$ in millions)	2009			2008		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Consumer</b>						
Automobile	\$ 12,514	\$ 17,731	\$ 30,245	\$ 16,281	\$ 21,705	\$ 37,986
1st Mortgage (a)	7,960	405	8,365	13,542	4,604	18,146
Home equity	4,238	1	4,239	7,777	54	7,831
<b>Total consumer</b>	<b>24,712</b>	<b>18,137</b>	<b>42,849</b>	<b>37,600</b>	<b>26,363</b>	<b>63,963</b>
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automobile	19,601	7,035	26,636	16,913	9,094	26,007
Mortgage	1,572	96	1,668	1,627	195	1,822
Resort finance	843	—	843	—	—	—
Other	1,845	437	2,282	3,257	960	4,217
<b>Commercial real estate</b>						
Automobile	2,008	221	2,229	1,941	167	2,108
Mortgage	121	162	283	1,696	260	1,956
<b>Total commercial</b>	<b>25,990</b>	<b>7,951</b>	<b>33,941</b>	<b>25,434</b>	<b>10,676</b>	<b>36,110</b>
Notes receivable from General Motors	3	908	911	—	1,655	1,655
<b>Total finance receivables and loans (b)</b>	<b>\$ 50,705</b>	<b>\$ 26,996</b>	<b>\$ 77,701</b>	<b>\$ 63,034</b>	<b>\$ 38,694</b>	<b>\$ 101,728</b>

(a) Domestic residential mortgages include \$1.3 billion and \$1.9 billion at fair value as a result of fair value option election as of December 31, 2009 and 2008, respectively. Refer to Note 27 for additional information.

(b) Totals are net of unearned income of \$2.5 billion and \$3.4 billion at December 31, 2009 and 2008, respectively.

# Notes to Consolidated Financial Statements

The following table presents an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Year ended December 31, (\$ in millions)	2009			2008		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at beginning of year	\$ 2,536	\$ 897	\$ 3,433	\$ 2,141	\$ 614	\$ 2,755
Provision for loan losses	4,713	898	5,611	2,360	742	3,102
Charge-offs						
Domestic	(2,425)	(955)	(3,380)	(1,714)	(478)	(2,192)
Foreign	(557)	(76)	(633)	(326)	(21)	(347)
Write downs related to transfers to held-for-sale	(3,428)	(10)	(3,438)	—	—	—
Total charge-offs	(6,410)	(1,041)	(7,451)	(2,040)	(499)	(2,539)
Recoveries						
Domestic	257	19	276	197	22	219
Foreign	71	5	76	67	4	71
Total recoveries	328	24	352	264	26	290
Net charge-offs	(6,082)	(1,017)	(7,099)	(1,776)	(473)	(2,249)
Reduction of allowance due to fair value option election	—	—	—	(489)	—	(489)
Reduction of allowance due to deconsolidation (a)	—	—	—	(127)	—	(127)
Discontinued operations	436	(4)	432	301	7	308
Other	61	7	68	126	7	133
Allowance at end of year	\$ 1,664	\$ 781	\$ 2,445	\$ 2,536	\$ 897	\$ 3,433

(a) During 2008, our Mortgage operations completed the sale of residual cash flows related to a number of on-balance sheet securitizations. Our Mortgage operations completed the actions necessary to cause the securitization trusts to satisfy the QSPE requirements. The actions resulted in the deconsolidation of various securitization trusts.

# Notes to Consolidated Financial Statements

The following tables present information about our commercial impaired finance receivables and loans.

December 31, (\$ in millions)	2009	2008	2007
Impaired finance receivables and loans			
With an allowance	\$1,760	\$2,780	
Without an allowance	296	106	
Total impaired loans	\$2,056	\$2,886	
Allowance for impaired loans	\$ 488	\$ 703	
Year ended December 31, (\$ in millions)	2009	2008	2007
Average balance of impaired loans during the year	\$2,768	\$1,600	\$1,066
Interest income recognized on impaired loans during the year	\$ 16	\$ 9	\$ 6

We have loans that were acquired in a transfer, which at acquisition had evidence of deterioration of credit quality since origination and for which it was probable (at acquisition) that all contractually required payments would not be collected. The carrying amount of these loans included in the balance sheet amounts of finance receivables and loans, was as follows:

December 31, (\$ in millions)	2009	2008	2007
Consumer finance receivables	\$318	\$ 965	\$1,641
Allowance for loan losses	(37)	(147)	(121)
Total carrying amount	\$281	\$ 818	\$1,520

For loans acquired after December 31, 2005, we are required to record revenue using an accretable yield method. The following table represents accretable yield activity:

Year ended December 31, (\$ in millions)	2009	2008
Accretable yield at beginning of year	\$ 6	\$ 98
Additions	—	—
Accretions	(5)	(14)
Reclassification from nonaccretable difference	2	(71)
Disposals	(1)	(7)
Accretable yield at end of year	\$ 2	\$ 6

Loans acquired during each year for which it was probable at acquisition that all contractually required payments would not be collected are as follows:

Year ended December 31, (\$ in millions)	2009	2008
Contractually required payments receivable at acquisition — consumer	\$ —	\$157
Cash flows expected to be collected at acquisition	—	154
Basis in acquired loans at acquisition	—	91

## 10. Off-balance Sheet Securitizations

We sell pools of automotive and residential mortgage loans via securitization transactions that qualify for off-balance sheet treatment under GAAP. The purpose of these securitizations is to provide permanent funding and asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned special-purpose entities (SPEs), which then sell the loans to a separate, transaction-specific bankruptcy remote SPE (a securitization trust) for cash, servicing rights, and in some transactions, retained interests. The securitization trust issues and sells interests to

# Notes to Consolidated Financial Statements

investors that are collateralized by the secured loans and entitle the investors to specified cash flows generated from the securitized loans. The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify as off-balance sheet.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans being sold to it, issue interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it has issued. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors.

Generally, the assets initially transferred into the securitization vehicle are the sole funding sources to the investors and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. In certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they have been received from borrowers. The servicer is allowed to reimburse itself for these servicing advances. Lastly, certain securitization transactions may allow for the acquisition of additional loans subsequent to the initial transaction. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Additionally, we provide certain guarantees as discussed in Note 30.

As part of our securitizations, we typically retain servicing responsibilities and other retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. As noted above, certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. In certain of our securitizations, we may be required to fund certain investor-triggered put redemptions and are allowed to reimburse ourselves by repurchasing loans at par. Typically, we have concluded that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation and consequently we do not recognize a servicing asset or liability. We do not recognize a servicing asset or liability for automotive wholesale loans because of their short-term revolving nature. As of December 31, 2009, the weighted average basic servicing fees for our primary servicing activities were 100 basis points and 27 basis points of the outstanding principal balance for sold retail automotive finance receivables and residential mortgage loans, respectively. Additionally, we retain the rights to cash flows remaining after the investors in most securitization trusts have received their contractual payments. Refer to Note 1 and Note 27 regarding the valuation of servicing rights.

We maintain cash reserve accounts at predetermined amounts for certain securitization activities in the event that deficiencies occur in cash flows owed to the investors. The amounts available in these cash reserve accounts related to securitizations of retail automotive finance receivables, automotive wholesale loans, and residential mortgage loans, totaled \$119 million, \$0 million, and \$221 million as of December 31, 2009, respectively, and \$136 million, \$576 million, and \$202 million as of December 31, 2008, respectively.

The retained interests we may receive represent a continuing economic interest in the securitization. Retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the securitization structure as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance driven. The value of any interests that continue to be held take into consideration the features of the securitization transaction and are generally subject to credit, prepayment, and/or interest rate risks on the transferred financial assets. Refer to Note 1 and Note 27 regarding the valuation of retained interests. We are typically not required to continue retaining these interests. In the past, we have sold certain of these retained interests when it best aligns to our economic or strategic plans.

# Notes to Consolidated Financial Statements

The investors and/or securitization trusts have no recourse to us with the exception of customary market representation and warranty repurchase provisions and in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans to the extent it is subsequently determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions were included in certain securitization transactions that require us to repurchase loans if the borrower is delinquent in making certain specific payments subsequent to the sale.

We hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain pre-specified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally we will do so when it is in our best interest. We purchased \$1 million and \$2 million of mortgage loans under delinquent loan repurchase options during the years ended December 31, 2009 and 2008, respectively.

As required under GAAP, the loans sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are reported as cash, retained interests, or servicing rights. We have elected fair value treatment for our existing mortgage servicing rights portfolio. We classify our retained interest portfolio as trading securities, available-for-sale securities, or other assets. The portfolio is carried at fair value with valuation adjustments reported through earnings or equity. We report the valuation adjustments related to trading securities as other income (loss) on investments, net, in our Consolidated Statement of Income. The valuation adjustments related to unrealized gains and losses of our available-for-sale securities are reported as a component of accumulated other comprehensive income on our Consolidated Balance Sheet. We report the realized gains and losses of our available-for-sale securities as other income (loss) on investments, net, in our Consolidated Statement of Income. The valuation adjustments and any gains and losses recognized by our retained interests classified as other assets are reported as other income, net of losses, in our Consolidated Statement of Income. Liabilities incurred as part of the transaction, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment:

December 31, (\$ in billions)	2009	2008
<b>Securitization</b>		
Retail finance receivables	\$ 7.5	\$ 13.3
Wholesale loans	—	12.5
Mortgage loans (a)	99.6	126.2
<b>Total off-balance sheet activities</b>	<b>\$107.1</b>	<b>\$152.0</b>

(a) Excludes \$237 million and \$1.6 billion at December 31, 2009 and 2008, respectively, of delinquent loans held by securitization trusts that we have the option to repurchase as they are included in consumer finance receivables and loans.

# Notes to Consolidated Financial Statements

Key economic assumptions used in measuring the estimated fair value of retained interests of sales completed during 2009, 2008, and 2007, as of the dates of those sales, were as follows:

Year ended December 31,	Retail finance receivables (a)	Mortgage operations (b)
<b>2009</b>		
<b>Key assumptions (c)</b>		
Prepayment speed (d)	(e)	10.0–12.0%
Weighted average life (in years)	(e)	4.6–6.3
Expected credit losses	(e)	11.0%
Discount rate	(e)	0.6–16.0%
<b>2008</b>		
<b>Key assumptions (c)</b>		
Prepayment speed (d)	1.2–1.4%	1.9–30.0%
Weighted average life (in years)	1.9–2.0	2.4–9.1
Expected credit losses	1.6–2.5%	0.0–3.5%
Discount rate	22.0–25.0%	2.8–25.0%
<b>2007</b>		
<b>Key assumptions (c)</b>		
Prepayment speed (d)	1.2–1.4%	0.6–43.4%
Weighted average life (in years)	1.8–1.9	1.1–14.0
Expected credit losses	1.5–2.1%	0.0–14.5%
Discount rate	16.0–20.0%	4.3–32.6%

(a) The fair value of retained interests in wholesale securitization approximates carrying value because of the short-term and floating-rate nature of wholesale loans.

(b) Included within residential mortgage loans are home equity loans and lines, high loan-to-value loans, and residential first and second mortgage loans.

(c) The assumptions used to measure the expected yield on variable-rate retained interests are based on a benchmark interest rate yield curve plus a contractual spread, as appropriate. The actual yield curve utilized varies depending on the specific retained interests.

(d) Based on monthly prepayment speeds for finance receivables and constant prepayment rate (CPR) for mortgage loans.

(e) During 2009, no new off-balance sheet retail finance receivables were sold.

The following table summarizes pretax gains on securitizations and certain cash flows received from and paid to securitization trusts for transfers of finance receivables and loans completed during 2009.

Year ended December 31, (\$ in millions)	2009		
	Retail finance receivables	Wholesale loans	Mortgage operations
Pretax gains on securitization	\$ —	\$ 110	\$ 21
<b>Cash inflows</b>			
Proceeds from new securitizations	—	—	1,258
Servicing fees received	111	39	272
Other cash flows received on retained interests	269	1,009	119
Proceeds from collections reinvested in revolving securitizations	—	5,998	—
Repayments of servicing advances	45	—	1,266
<b>Cash outflows</b>			
Servicing advances	(27)	—	(1,389)
<b>Purchase obligations and options</b>			
Representations and warranties obligations	—	—	(64)
Administrator or servicer actions	(58)	—	—
Asset performance conditional calls	—	—	(1)
Cleanup calls	(24)	—	—

# Notes to Consolidated Financial Statements

The following table summarizes pretax gains on securitizations and certain cash flows received from and paid to securitization trusts for transfers of finance receivables and loans completed in 2008 and 2007.

Year ended December 31, (\$ in millions)	2008			2007		
	Retail finance receivables	Wholesale loans	Mortgage operations	Retail finance receivables	Wholesale loans	Mortgage operations
Pretax (losses) gains on securitization	\$ (68)	\$ 269	\$ (161)	\$ 141	\$ 511	\$ 45
<b>Cash inflows</b>						
Proceeds from new securitizations	4,916	—	2,333	11,440	1,318	35,861
Servicing fees received	165	117	385	96	157	545
Other cash flows received on retained interests	301	505	193	284	522	401
Proceeds from collections reinvested in revolving securitizations	—	57,022	—	—	87,985	122
Repayments of servicing advances	65	—	1,145	79	—	987
<b>Cash outflows</b>						
Servicing advances	(72)	—	(1,195)	(90)	—	(1,023)
<b>Purchase obligations and options</b>						
Mortgage loans under conditional call options	—	—	—	—	—	(147)
Representations and warranties obligations	—	—	(160)	—	—	(457)
Administrator or servicer actions	(62)	—	—	(39)	—	(54)
Asset performance conditional calls	—	—	(2)	—	—	(101)
Cleanup calls	(6)	—	—	(8)	—	(254)

The following table summarizes the key economic assumptions and the sensitivity of the fair value of retained interests at December 31, 2009 and 2008, to immediate 10% and 20% adverse changes in those assumptions.

December 31, (\$ in millions)	2009		2008	
	Retail finance receivables (a)	Mortgage operations	Retail finance receivables (a)	Mortgage operations
Carrying value/fair value of retained interests	\$661	\$268	\$897	\$369
Weighted average life (in years)	0.0–0.9	0.0–4.6	0.0–1.5	0.9–10.4
Annual prepayment rate	0.2– 1.1% WAM	0.6– 97.5% WAM	0.6– 1.1% WAM	0.1– 85.5% CPR
Impact of 10% adverse change	\$(1)	\$(20)	\$(5)	\$(10)
Impact of 20% adverse change	(2)	(36)	(9)	(21)
Loss assumption	1.1–4.8% (b)	0.0–100.0%	0.2–3.4% (b)	0.0–59.0%
Impact of 10% adverse change	\$(13)	\$(4)	\$(23)	\$(9)
Impact of 20% adverse change	(26)	(8)	(46)	(16)
Discount rate	40%	0.2–102.5%	9.5–33.0%	(1.3)–125.3%
Impact of 10% adverse change	\$(23)	\$(10)	\$(42)	\$(16)
Impact of 20% adverse change	(44)	(20)	(81)	(30)
Market rate	(c)	(c)	(c)	(c)
Impact of 10% adverse change	\$—	\$(3)	\$—	\$(2)
Impact of 20% adverse change	—	(4)	—	(3)

- (a) The fair value of retained interests in wholesale securitizations approximates the carrying value of zero and \$710 million at December 31, 2009 and 2008, respectively, because of the short-term and floating-rate nature of wholesale receivables.
- (b) Net of a reserve for expected credit losses totaling \$0 million and \$8 million at December 31, 2009 and 2008, respectively. These amounts are included in the fair value of the retained interests, which are classified as investment securities.
- (c) Forward benchmark interest rate yield curve plus contractual spread.



# Notes to Consolidated Financial Statements

These sensitivities are hypothetical and should be viewed with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities. Additionally, we utilize derivative instruments to mitigate interest rate and prepayment risks associated with certain of the retained interests; the effects of these hedge strategies have not been considered herein.

Expected static pool net credit losses include actual incurred losses plus projected net loan losses divided by the original balance of the outstandings comprising the securitization pool. The following table displays the expected static pool net credit losses on our securitization transactions.

December 31, (a)	2009	2008	2007
Retail automotive	2.9%	1.9%	1.1%
Residential mortgage	0.0–100.0%	0.0–59.0%	0.0–38.0%

(a) Static pool losses not applicable to wholesale finance receivable securitizations because of their short-term nature.

The following table presents components of securitized financial assets and other assets managed along with quantitative information about delinquencies and net credit losses.

December 31, (\$ in millions)	Total finance receivables and loans		Amount 60 days or more past due		Net credit losses	
	2009	2008	2009	2008	2009	2008
Retail automotive	\$ 47,187	\$ 55,884	\$ 1,224	\$ 1,060	\$ 1,411	\$ 1,034
Residential mortgage	126,853	154,841	19,135	13,266	7,478	5,247
Total consumer	174,040	210,725	20,359	14,326	8,889	6,281
Wholesale	25,566	35,205	89	157	21	10
Other automotive and commercial	9,286	13,636	1,262	1,303	793	417
Total commercial	34,852	48,841	1,351	1,460	814	427
Total managed portfolio (a)	208,892	259,566	\$ 21,710	\$ 15,786	\$ 9,703	\$ 6,708
Securitized finance receivables and loans	(110,566)	(149,919)				
Loans held-for-sale	(20,625)	(7,919)				
Total finance receivables and loans	\$ 77,701	\$ 101,728				

(a) Managed portfolio represents finance receivables and loans on the balance sheet or that have been securitized, excluding securitized finance receivables and loans that we continue to service but have no other continuing involvement (i.e., in which we retain an interest or risk of loss in the underlying receivables).

## 11. Investment in Operating Leases

Investments in operating leases were as follows:

December 31, (\$ in millions)	2009	2008
Vehicles and other equipment, after impairment	\$23,919	\$35,625
Accumulated depreciation	(7,924)	(9,235)
Investment in operating leases, net	\$15,995	\$26,390

The future lease nonresidual rental payments due from customers for equipment on operating leases at December 31, 2009, totaled \$5,466 million and are due as follows: \$3,664 million in 2010, \$1,475 million in 2011, \$279 million in 2012, \$46 million in 2013, and \$2 million in 2014 and after.

# Notes to Consolidated Financial Statements

Our investment in operating lease assets represents the net book value of our leased assets based on the expected residual value upon remarketing the vehicle at the end of the lease. As described in Note 25, GM may sponsor residual support programs that result in the contractual residual value being in excess of our standard residual value. GM reimburses us if remarketing sales proceeds are less than the customer's contract residual value limited to our standard residual value. In addition to residual support programs, GM also participates in a risk-sharing arrangement whereby GM shares equally in residual losses to the extent that remarketing proceeds are below our standard residual rates (limited to a floor). In connection with the sale of 51% ownership interest in GMAC, GM settled its estimated liabilities with respect to residual support and risk sharing on a portion of our operating lease portfolio. Based on the December 31, 2009, outstanding U.S. operating lease portfolio, the maximum amount that could be paid by GM under the residual support programs and the risk-sharing arrangement is approximately \$1.1 billion and \$1.3 billion, respectively, as more fully discussed in Note 25.

In light of the significant declines in used vehicle prices during 2008 in the United States, Canada, and several international markets, we concluded certain triggering events occurred during the year ended December 31, 2008, requiring an evaluation of recoverability for certain operating lease assets within our Global Automotive Finance operations. We grouped these operating lease assets at the lowest level that we could reasonably estimate the identifiable cash flows. In assessing for recoverability, we compared our estimates of future cash flows related to these lease assets to their corresponding carrying values. We considered all of the expected cash flows including customer payments, the expected residual value upon remarketing the vehicle at lease termination, and any payments from GM under residual and risk-sharing agreements. To the extent these undiscounted cash flows were less than their respective carrying values, we discounted the cash flows to arrive at an estimated fair value. As a result of this evaluation, during the year ended December 31, 2008, we reduced our carrying values to equal the estimated fair values and realized impairment charges of \$1,234 million. Impairments recognized by our North American Automotive Finance operations consisted of \$808 million related to sport-utility vehicles and trucks in the United States and Canada and \$384 million related to the car portfolio in the United States. The impairment recognized by our International Automotive Finance operations totaled \$42 million for full-service leasing portfolio. During the year ended December 31, 2009, \$16 million of the 2008 impairment charges related to the full-service leasing portfolio were reclassified to discontinued operations.

While we believe our estimates of discounted future cash flows used for the impairment analysis were reasonable based on current market conditions, the process required the use of significant estimates and assumptions. In developing these estimates and assumptions, management used all available evidence. However, because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes, the actual cash flows could ultimately differ from those estimated as part of the recoverability and impairment analyses.

Imbedded in our residual value projections are estimates of projected recoveries from GM relative to residual support and risk-sharing agreements. No adjustment to these estimates has been made for the collectability of the projected recoveries from GM. As of December 31, 2009, expected residual values included estimates of payments from GM of approximately \$1.0 billion related to residual support and risk-sharing agreements. To the extent GM is not able to fully honor its obligations relative to these agreements, our depreciation expense and remarketing performance would be negatively impacted.

# Notes to Consolidated Financial Statements

## 12. Mortgage Servicing Rights

We define our classes of mortgage servicing rights (MSRs) based on both the availability of market inputs and the manner in which we manage our risks of our servicing assets and liabilities. Sufficient market inputs exist to determine the fair value of our recognized servicing assets and servicing liabilities.

The following table summarizes activity related to MSRs carried at fair value.

<i>(\$ in millions)</i>	2009	2008
Estimated fair value at January 1,	\$ 2,848	\$ 4,703
Additions obtained from sales of financial assets	807	1,182
Additions from purchases of servicing rights	19	—
Subtractions from sales of servicing assets	(19)	(797)
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model	1,120	(1,401)
Recognized day-one gains on previously purchased MSRs upon adoption of fair value measurement	—	11
Other changes in fair value (a)	(1,261)	(849)
Other changes that affect the balance	15	(1)
Transfer to assets of operations held-for-sale	25	—
<b>Estimated fair value at December 31,</b>	<b>\$ 3,554</b>	<b>\$ 2,848</b>

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

We pledged MSRs of \$1.5 billion and \$1.8 billion as collateral for borrowings at December 31, 2009 and 2008, respectively.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models include all changes due to a revaluation by a model or by a benchmarking exercise. This line item also includes changes in fair value due to a change in valuation assumptions and/or model calculations. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio, foreign currency adjustments, and the extinguishment of mortgage servicing rights related to clean-up calls of securitization transactions.

The key economic assumptions and sensitivity of the current fair value of MSRs to immediate 10% and 20% adverse changes in those assumptions are as follows:

<i>December 31, (\$ in millions)</i>	2009	2008
Range of prepayment speeds (constant prepayment rate)	2.4–47.1%	0.7–46.5%
Impact on fair value of 10% adverse change	\$(167)	\$(239)
Impact on fair value of 20% adverse change	(321)	(449)
Range of discount rates	7.2–15.5%	2.7–130.3%
Impact on fair value of 10% adverse change	\$(82)	\$(32)
Impact on fair value of 20% adverse change	(160)	(62)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

# Notes to Consolidated Financial Statements

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSR. Historically, we have economically hedged the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts and/or purchasing or selling U.S. Treasury and principal-only securities. The fair value of derivative financial instruments used to mitigate these risks amounted to \$198 million and \$977 million at December 31, 2009 and 2008, respectively. The change in fair value of the derivative financial instruments amounted to a loss of \$1 billion and a gain of \$2 billion for the years ended December 31, 2009 and 2008, respectively, and is included in servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income. Refer to Note 21 for a discussion of the derivative financial instruments used to hedge mortgage servicing rights.

The components of mortgage servicing fees were as follows:

Year ended December 31, ( <i>\$ in millions</i> )	2009	2008
Contractual servicing fees, net of guarantee fees and including subservicing	\$1,071	\$1,196
Late fees	77	112
Ancillary fees	164	144
<b>Total</b>	<b>\$1,312</b>	<b>\$1,452</b>

Our Mortgage operations that conduct primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with a government-sponsored entity. The servicer ratings provided by certain rating agencies are highly correlated with our Mortgage operations' consolidated tangible net worth and overall financial strength. At December 31, 2009, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

In certain of our Mortgage operation's domestic securitizations, the surety or other provider of contractual credit support is entitled to declare a servicer default and terminate the servicer upon the failure of the loans to meet certain portfolio delinquency and/or cumulative loss thresholds. In 2009, our Mortgage operations received notice of termination from surety providers with respect to securitizations having an unpaid principal balance of \$4.8 billion. Our Mortgage operations also recorded a loss on its MSRs of \$78 million due to existing or anticipated delinquency and/or cumulative loss threshold breaches.

## 13. Premiums Receivable and Other Insurance Assets

Premiums receivable and other insurance assets consisted of the following:

December 31, ( <i>\$ in millions</i> )	2009	2008
Prepaid reinsurance premiums	\$ 346	\$ 511
Reinsurance recoverable on unpaid losses	670	1,660
Reinsurance recoverable on paid losses	114	126
Premiums receivable (a)	388	698
Deferred policy acquisition costs	1,202	1,512
<b>Total premiums receivable and other insurance assets</b>	<b>\$2,720</b>	<b>\$4,507</b>

(a) Net of a \$7 million and \$18 million allowance for uncollectible premiums receivables at December 31, 2009 and 2008, respectively.

# Notes to Consolidated Financial Statements

## 14. Other Assets

Other assets consisted of:

December 31, (\$ in millions)	2009	2008
Property and equipment at cost	\$ 1,416	\$ 1,535
Accumulated depreciation	(1,080)	(1,104)
Net property and equipment	336	431
Restricted cash collections for securitization trusts (a)	3,654	3,143
Fair value of derivative contracts in receivable position	2,654	5,014
Servicer advances	2,180	2,126
Derivative collateral placed with counterparties	1,760	826
Cash reserve deposits held-for-securitization trusts (b)	1,594	3,160
Restricted cash and cash equivalents	1,590	2,014
Debt issuance costs	829	788
Prepaid expenses and deposits	749	428
Other accounts receivable	573	2,300
Goodwill	526	1,357
Investment in used vehicles held-for-sale	522	574
Interests retained in securitization trusts	471	1,001
Real estate and other investments (c)	340	642
Reposessed and foreclosed assets, net, at lower of cost or fair value	336	916
Accrued interest and rent receivable	326	591
Other assets	1,447	1,611
<b>Total other assets</b>	<b>\$19,887</b>	<b>\$26,922</b>

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions we have executed.

(c) Includes residential real estate investments of \$50 million and \$189 million and related accumulated depreciation of \$1 million and \$2 million for the years ended December 31, 2009 and 2008, respectively.

The changes in the carrying amounts of goodwill for the periods shown were as follows:

(\$ in millions)	North American Automotive Finance operations	International Automotive Finance operations	Insurance	Other	Total
Goodwill acquired prior to December 31, 2007	\$ 14	\$ 527	\$ 953	\$ 1,541	\$ 3,035
Accumulated impairment losses	—	—	—	(1,539)	(1,539)
Goodwill at December 31, 2007	\$ 14	\$ 527	\$ 953	\$ 2	\$ 1,496
Impairment losses (a)	(14)	—	(42)	(2)	(58)
Foreign currency translation effect	—	(37)	(44)	—	(81)
Goodwill at December 31, 2008 (b)	\$ —	\$ 490	\$ 867	\$ —	\$ 1,357
Sale of reporting unit	—	—	(107)	—	(107)
Impairment losses (a)	—	—	(607)	—	(607)
Transfer of assets of discontinued operations held-for-sale	—	(22)	(108)	—	(130)
Foreign currency translation	—	1	12	—	13
<b>Goodwill at December 31, 2009 (c)</b>	<b>\$ —</b>	<b>\$ 469</b>	<b>\$ 57</b>	<b>\$ —</b>	<b>\$ 526</b>

(a) During the three months ended December 31, 2008, and the three months ended June 30, 2009, our Insurance operations initiated an evaluation of goodwill for potential impairment, which was in addition to our annual impairment evaluation. These tests were initiated in light of a more-than-likely expectation that a reporting unit or a significant portion of a reporting unit will be sold. The fair value was determined using offers provided by willing purchasers. Based on the preliminary results of the assessments, our Insurance operations concluded that the carrying value of these reporting units exceeded the fair value resulting in an impairment loss during both 2008 and 2009.

(b) Net of accumulated impairment losses of \$14 million for North American Automotive Finance operations and \$42 million for Insurance operations.

(c) Net of accumulated impairment losses of \$649 million for Insurance operations.

# Notes to Consolidated Financial Statements

## 15. Deposit Liabilities

Deposit liabilities consisted of the following:

December 31, ( <i>\$ in millions</i> )	2009	2008
<b>Domestic deposits</b>		
Noninterest-bearing deposits	\$ 1,755	\$ 1,496
NOW and money market checking accounts	7,213	3,578
Certificates of deposit	19,861	13,705
Dealer wholesale deposits	1,041	342
<b>Total domestic deposits</b>	<b>29,870</b>	<b>19,121</b>
<b>Foreign deposits</b>		
NOW and money market checking accounts	165	9
Certificates of deposit	1,555	638
Dealer deposits	166	39
<b>Total foreign deposits</b>	<b>1,886</b>	<b>686</b>
<b>Total deposit liabilities</b>	<b>\$31,756</b>	<b>\$19,807</b>

Noninterest bearing deposits primarily represent third-party escrows associated with our Mortgage operations' loan servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At December 31, 2009 and 2008, certificates of deposit included \$4.8 billion and \$1.9 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

The following table presents the scheduled maturity of total certificates of deposit at December 31, 2009.

Year ended December 31, ( <i>\$ in millions</i> )	
2010	\$18,017
2011	2,148
2012	611
2013	307
2014	333
<b>Total certificates of deposit</b>	<b>\$21,416</b>

# Notes to Consolidated Financial Statements

## 16. Debt

The following table presents the composition of our debt portfolio at December 31, 2009 and 2008.

December 31, (\$ in millions)	Weighted average interest rates (a)		2009			2008		
	2009	2008	Unsecured	Secured	Total	Unsecured	Secured	Total
<b>Short-term debt</b>								
Commercial paper			\$ 8	\$ —	\$ 8	\$ 146	\$ —	\$ 146
Demand notes			1,311	—	1,311	1,342	—	1,342
Bank loans and overdrafts			1,598	—	1,598	2,963	—	2,963
Repurchase agreements and other (b)			348	7,027	7,375	657	5,278	5,935
<b>Total short-term debt</b>	<b>4.6%</b>	6.5%	<b>3,265</b>	<b>7,027</b>	<b>10,292</b>	5,108	5,278	10,386
<b>Long-term debt</b>								
Due within one year	4.0%	4.8%	7,429	18,898	26,327	10,279	18,858	29,137
Due after one year (c)	5.6%	5.8%	38,331	22,834	61,165	37,101	48,972	86,073
<b>Total long-term debt (d)</b>	<b>5.1%</b>	5.6%	<b>45,760</b>	<b>41,732</b>	<b>87,492</b>	47,380	67,830	115,210
Fair value adjustment (e)			529	—	529	725	—	725
<b>Total debt</b>			<b>\$ 49,554</b>	<b>\$ 48,759</b>	<b>\$ 98,313</b>	\$ 53,213	\$ 73,108	\$ 126,321

(a) The weighted average interest rates include the effects of derivative financial instruments designated as hedges of debt.

(b) Repurchase agreements consist of secured financing arrangements with third parties at ResCap. Other primarily includes nonbank secured borrowings and notes payable to GM. Refer to Note 25 for additional information.

(c) Includes \$7,400 million as of December 31, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) and \$2,747 million of junior subordinated notes related to trust preferred securities.

(d) Secured long-term debt includes \$1.3 billion and \$1.9 billion at fair value as of December 31, 2009 and 2008, respectively, as a result of fair value option election. Refer to Note 27 for additional information.

(e) Amount represents the hedge accounting adjustment on fixed-rate debt.

The following table presents the scheduled maturity of long-term debt at December 31, 2009, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	Unsecured (a)	Secured (b)	Total
2010	\$ 7,484	\$ 19,648	\$ 27,132
2011	9,952	12,606	22,558
2012	12,463	2,916	15,379
2013	1,882	1,824	3,706
2014	1,991	1,453	3,444
2015 and thereafter	16,362	1,344	17,706
Original issue discount (c)	(4,374)	—	(4,374)
Troubled debt restructuring concession (d)	—	457	457
<b>Long-term debt (e)</b>	<b>45,760</b>	<b>40,248</b>	<b>86,008</b>
Collateralized borrowings in securitization trusts (f)	—	1,484	1,484
<b>Total long-term debt</b>	<b>\$ 45,760</b>	<b>\$ 41,732</b>	<b>\$ 87,492</b>

(a) Scheduled maturities of ResCap unsecured long-term debt are as follows: \$1,316 million in 2010; \$208 million in 2011; \$358 million in 2012; \$528 million in 2013; \$118 million in 2014; and \$103 million in 2015 and thereafter. These maturities exclude ResCap debt held by GMAC.

(b) Scheduled maturities of ResCap secured long-term debt are as follows: \$1,554 million in 2010; \$0 million in 2011; \$0 million in 2012; \$707 million in 2013; \$707 million in 2014; and \$929 million in 2015 and thereafter. These maturities exclude ResCap debt held by GMAC.

(c) Scheduled amortization of original issue discount is as follows: \$1,244 million in 2010; \$1,015 million in 2011; \$337 million in 2012; \$252 million in 2013; \$176 million in 2014; and \$1,350 million in 2015 and thereafter.

(d) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain new secured notes. This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring is as follows: \$110 million in 2010; \$101 million in 2011; \$105 million in 2012; \$83 million in 2013; \$46 million in 2014; and \$12 million in 2015 and thereafter.

(e) Debt issues totaling \$10,735 million are redeemable at or above par, at our option, anytime before the scheduled maturity dates, the latest of which is November 2049.

(f) Collateralized borrowings in securitization trust represents mortgage lending-related debt that is repaid upon the principal payment of underlying assets.

# Notes to Consolidated Financial Statements

To achieve the desired balance between fixed- and variable-rate debt, we utilize interest rate swap and interest rate cap agreements. The use of these derivative financial instruments had the effect of synthetically converting \$33.4 billion of our \$74.1 billion of fixed-rate debt into variable-rate obligations and \$26.6 billion of our \$28.2 billion of variable-rate debt into fixed-rate obligations at December 31, 2009. In addition, certain of our debt obligations are denominated in currencies other than the currency of the issuing country. Foreign currency swap agreements are used to hedge exposure to changes in the exchange rates of obligations.

The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from securitization transactions accounted for as secured borrowings and repurchase agreements:

December 31, (\$ in millions)	2009		2008	
	Assets	Related secured debt (a)	Assets	Related secured debt (a)
Loans held-for-sale	\$ 1,420	\$ 454	\$ 1,549	\$ 660
Mortgage assets held-for-investment and lending receivables	1,946	1,673	7,011	5,422
Retail automotive finance receivables (b)	19,203	13,597	30,676	22,091
Wholesale automotive finance receivables	16,352	8,565	20,738	11,857
Investment securities	63	—	646	481
Investment in operating leases, net	13,323	9,208	18,885	16,744
Real estate investments and other assets	4,468	5,129	6,579	6,550
Ally Bank (c)	24,276	10,133	25,548	9,303
<b>Total</b>	<b>\$81,051</b>	<b>\$ 48,759</b>	<b>\$111,632</b>	<b>\$ 73,108</b>

- (a) Included as part of secured debt are repurchase agreements of \$26 million and \$588 million where we have pledged assets as collateral for approximately the same amount of debt at December 31, 2009 and 2008, respectively.
- (b) Included as part of retail automotive finance receivables are \$1.9 billion of assets and \$1.6 billion of secured debt related to Ally Bank.
- (c) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window and Term Auction Facility program. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling \$22.4 billion and \$21.9 billion as of December 31, 2009 and 2008, respectively. Furthermore, under the advance agreement the FHLB has a blanket lien on certain Ally Bank assets including approximately \$11.5 billion and \$18.3 billion in real estate-related finance receivables and loans and \$2.7 billion and \$1.6 billion in other assets as of December 31, 2009 and 2008, respectively. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of GMAC or its subsidiaries.

## Private Debt Exchange and Cash Tender Offers

On November 20, 2008, we commenced separate private exchange and cash tender offers to purchase and/or exchange certain of our and our subsidiaries (the GMAC Offers) and ResCap's (the ResCap Offers) outstanding notes held by eligible holders for cash, newly issued notes of GMAC, and in the case of the GMAC Offers only, preferred stock of a wholly owned GMAC subsidiary.

In the GMAC Offers, we offered to purchase and/or exchange any and all of certain old GMAC notes (the GMAC Old Notes) held by eligible holders for, at the election of each eligible holder, either (a)(1) newly issued senior guaranteed notes of GMAC on substantially the same terms as the applicable series of GMAC Old Notes exchanged (the Guaranteed Notes), except for the Guaranteed Notes being guaranteed by certain subsidiaries of GMAC, and (2) newly issued 9% perpetual senior preferred stock (which has been subsequently reduced to 7% pursuant to the terms of such securities) with a liquidation preference of \$1,000 per share of a wholly owned nonconsolidated subsidiary of GMAC (the New Preferred Stock) or (b) cash, in each case in the amounts per \$1,000 principal amount of GMAC Old Notes as specified in the related offering materials. To the extent that cash required to purchase all GMAC Old Notes tendered pursuant to cash elections exceeded \$2 billion, each eligible holder who made a cash election had the amount of GMAC Old Notes it tendered for cash accepted on a pro rate basis across all series such that the aggregate amount of cash spent in the offers equaled \$2 billion, and the balance of GMAC Old Notes each such holder tendered that was not accepted for purchase for cash was exchanged into new securities as if such holder had made a new securities election in accordance with option (a) described above.



# Notes to Consolidated Financial Statements

The Guaranteed Notes (the Note Guarantees) are guaranteed, on a joint and several basis, by GMAC Latin America Holdings LLC, GMAC International Holdings Coöperatief U.A., GMAC Continental LLC, IB Finance Holding Company LLC, and GMAC US LLC (each a Note Guarantor), which are all wholly owned subsidiaries of GMAC. The Note Guarantees are senior obligations of each Note Guarantor and rank equally with all existing and future senior debt of each Note Guarantor. The Note Guarantees rank senior to all subordinated debt of each Note Guarantor.

In the ResCap Offers, GMAC offered to purchase and/or exchange any and all of certain ResCap notes (the ResCap Old Notes) held by eligible holders for, at the election of each eligible holder, either (a)(1) in the case of 8.50% notes of ResCap maturing on May 15, 2010, newly issued 7.50% senior notes of GMAC due 2013 (the New Senior Notes) or (2) in the case of all other series of ResCap Old Notes, a combination of New Senior Notes and newly issued 8.00% subordinated notes of GMAC due 2018 (the Subordinated Notes), or (b) cash, in all cases in the amount of \$1,000 principal amount of ResCap Old Notes as specified in the related offering materials. To the extent that cash required to purchase all ResCap Old Notes tendered pursuant to cash elections exceeded \$500 million, each eligible holder who made a cash election had the amount of ResCap Old Notes it tendered for cash accepted on a pro rata basis across all series such that the aggregate amount of cash spent in the offers equaled \$500 million, and the balance of ResCap Old notes each such holder tendered that was not accepted for purchase for cash was exchanged into new securities as if such holder had made a new securities election in accordance with option (a) described above.

The GMAC Offers and ResCap offers (collectively, the Offers) settled on December 31, 2008. Approximately \$17.5 billion in the aggregate principal amount (or 59%) of the outstanding GMAC Old Notes were validly tendered and accepted in the GMAC Offers, and approximately \$3.7 billion in aggregate principal amount (or 39%) of the outstanding ResCap Old Notes were validly tendered and accepted in the ResCap Offers.

The GMAC Offers and the ResCap Offers were accounted for as a debt modification and resulted in a pretax gain on extinguishment of debt of \$11.5 billion. The gain on extinguishment consisted of a \$3.8 billion principal discount, a \$5.4 billion discount representing the difference between the face value and the estimated fair value of the new GMAC and ResCap notes, and a \$2.3 billion discount representing the difference between the face value and estimated fair value of new preferred stock. The discount of the new GMAC and ResCap notes will be amortized as interest expense over the terms of the new notes using the effective interest method.

The accounting for the GMAC Offers and ResCap Offers required the use of critical accounting judgments and estimates. Refer to Note 1 for additional information.

In the fourth quarter of 2007, we paid \$900 million through open-market repurchases and \$241 million through a tender offer for publicly traded ResCap debt securities resulting in an after-tax gain of \$563 million. Also in the fourth quarter of 2007, we paid \$287 million through open-market repurchases of GMAC debt securities resulting in an after-tax gain of \$16 million.

# Notes to Consolidated Financial Statements

## Funding Facilities

The following table highlights credit capacity under our secured and unsecured funding facilities as of December 31, 2009 and 2008. We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The amounts in the outstanding column in the table below are generally included on our Consolidated Balance Sheet with the exception of approximately \$3.1 billion, which is mainly composed of funding generated by special-purpose entities known as New Center Asset Trust (NCAT) and Total Asset Collateralized Notes LLC (TACN).

December 31, (\$ in billions)	Total capacity		Current capacity (a)		Potential capacity (b)		Outstanding	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Committed unsecured</b>								
Automotive Finance operations	\$ 0.8	\$ 1.7	\$ 0.1	\$ 0.2	\$ —	\$ —	\$ 0.7	\$ 1.5
<b>Committed secured</b>								
Automotive Finance operations (c)	35.8	56.2	3.1	0.7	9.0	15.6	23.7	39.9
Mortgage operations	2.1	5.4	—	—	0.4	2.3	1.7	3.1
Other	0.2	2.8	—	—	0.1	0.9	0.1	1.9
<b>Total committed facilities</b>	<b>38.9</b>	<b>66.1</b>	<b>3.2</b>	<b>0.9</b>	<b>9.5</b>	<b>18.8</b>	<b>26.2</b>	<b>46.4</b>
<b>Uncommitted unsecured</b>								
Automotive Finance operations	0.9	2.1	0.1	0.2	—	—	0.8	1.9
Mortgage operations	—	0.1	—	0.1	—	—	—	—
<b>Uncommitted secured</b>								
Automotive Finance operations (d)	5.7	4.4	1.9	4.1	0.1	—	3.7	0.3
Mortgage operations (e) (f)	8.6	9.5	1.7	0.2	0.2	—	6.7	9.3
<b>Total uncommitted facilities</b>	<b>15.2</b>	<b>16.1</b>	<b>3.7</b>	<b>4.6</b>	<b>0.3</b>	<b>—</b>	<b>11.2</b>	<b>11.5</b>
<b>Total</b>	<b>\$54.1</b>	<b>\$ 82.2</b>	<b>\$ 6.9</b>	<b>\$ 5.5</b>	<b>\$ 9.8</b>	<b>\$ 18.8</b>	<b>\$ 37.4</b>	<b>\$ 57.9</b>
Whole-loan forward flow agreements (g)	\$ 9.4	\$ 17.8	\$ —	\$ —	\$ 9.4	\$ 17.8	\$ —	\$ —
<b>Total commitments</b>	<b>\$63.5</b>	<b>\$100.0</b>	<b>\$ 6.9</b>	<b>\$ 5.5</b>	<b>\$19.2</b>	<b>\$ 36.6</b>	<b>\$ 37.4</b>	<b>\$ 57.9</b>

(a) Funding is generally available upon request as excess collateral resides in certain facilities.

(b) Funding is generally available to the extent incremental collateral is contributed to the facilities.

(c) Potential capacity at December 31, 2008, included undrawn credit commitments that served as backup liquidity to support our asset-backed commercial paper program (NCAT). There was \$9.0 billion of potential capacity that was supporting \$8.0 billion of outstanding NCAT commercial paper as of December 31, 2008. The NCAT commercial paper outstanding was not included on our Consolidated Balance Sheet.

(d) Included \$5.3 billion and \$4.0 billion of capacity from Federal Reserve Bank advances with \$3.4 billion and no amounts outstanding as of December 31, 2009 and 2008, respectively.

(e) Included \$2.5 billion of capacity from Federal Reserve Bank advances with \$1.6 billion outstanding as of December 31, 2009.

(f) Included \$5.9 billion and \$9.5 billion of capacity from FHLB advances with \$5.1 billion and \$9.3 billion outstanding as of December 31, 2009 and 2008, respectively.

(g) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

# Notes to Consolidated Financial Statements

## 17. Reserves for Insurance Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the activity in the reserves for insurance losses and loss adjustment expenses.

Year ended December 31, (\$ in millions)	2009	2008	2007
Balance at beginning of year	\$ 2,895	\$ 3,089	\$ 2,630
Reinsurance recoverables	(1,660)	(893)	(876)
Net balance at beginning of year	1,235	2,196	1,754
Net reserves ceded — retroactive reinsurance (a)	—	(703)	—
Net reserves from acquisitions	—	—	418
Net reserves from sale (b)	(82)	—	—
Incurring from continuing operations related to			
Current year	1,021	1,437	1,439
Prior years (c)	19	(41)	(57)
Total incurred from continuing operations	1,040	1,396	1,382
Incurring from discontinued operations related to			
Current year	1,007	1,142	1,083
Prior years (d)	(4)	(16)	(14)
Total incurred from discontinued operations	1,003	1,126	1,069
Paid related to			
Current year	(1,353)	(1,692)	(1,641)
Prior years	(583)	(931)	(808)
Total paid	(1,936)	(2,623)	(2,449)
Net reserves reclassified to liabilities of discontinued operations held-for-sale (e)	(784)	—	—
Effects of exchange-rate changes	69	(157)	22
Net balance at end of year (f)	545	1,235	2,196
Reinsurance recoverables	670	1,660	893
Balance at end of year	\$ 1,215	\$ 2,895	\$ 3,089

- (a) On November 3, 2008, we entered into a loss portfolio transfer that ceded our losses and loss adjustment expenses related to business underwritten by our U.S. reinsurance agency, which was sold on the same date. The loss portfolio transfer was accounted for as retroactive reinsurance. Retroactive reinsurance balances result from reinsurance placed to cover losses on insured events occurring prior to the inception of a reinsurance contract.
- (b) During 2009, the Company completed the sale of a personal automotive insurance division.
- (c) Incurred losses and loss adjustment expenses during 2009, 2008, and 2007 from continuing operations were adjusted by \$19 million, (\$41) million, and (\$57) million, respectively, as a result of decreases in prior years' reserve estimates for certain reinsurance coverages assumed and international private passenger automobile coverages. In 2009, there was a positive development in prior years' reserves estimates related to dealer-related products.
- (d) Incurred losses and loss adjustment expenses during 2009, 2008, and 2007 from discontinued operations were reduced by \$4 million, \$16 million, and \$14 million, respectively, as a result of decreases in prior years' reserve estimates that were lower than anticipated for certain private passenger automobile coverages.
- (e) Reclassification is net of reinsurance recoveries.
- (f) Includes exposure to asbestos and environmental claims from the reinsurance of general liability, commercial multiple peril, homeowners' and workers' compensation claims. Reported claim activity to date has not been significant. Net reserves for loss and loss adjustment expenses for these matters were \$3 million, \$4 million, and \$5 million at December 31, 2009, 2008, and 2007, respectively.

# Notes to Consolidated Financial Statements

## 18. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of:

December 31, (\$ in millions)	2009	2008
Loan repurchase liabilities	\$ 1,953	\$ 790
Fair value of derivative contracts in payable position	1,895	2,653
Reserves for loans sold with recourse	1,322	314
Accounts payable	1,275	2,586
Taxes payable, net	756	506
Securitization trustee payable	528	821
Derivative liabilities received from counterparties	432	1,486
Employee compensation and benefits	403	453
Deferred income taxes, net	302	558
Reinsurance payable	208	134
GM payable, net	179	322
Deferred revenue	91	602
Factored client payables	15	394
Other liabilities	1,097	1,107
<b>Total accrued expenses and other liabilities</b>	<b>\$10,456</b>	<b>\$12,726</b>

## 19. Equity

### Common Stock

We currently have a total of 2,021,384 shares of common stock authorized for issuance, and as of February 25, 2010, a total of 799,120 shares of common stock were issued and outstanding. Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. The U.S. Department of Treasury (the Treasury) holds 56.33% of GMAC common stock.

### Preferred Stock

#### Series F-2 Preferred Stock

On December 30, 2009, GMAC entered into a Securities Purchase and Exchange Agreement (the Purchase Agreement) with the Treasury, pursuant to which, among other things, the following transactions occurred:

- GMAC issued and sold to the Treasury 25,000,000 shares of GMAC's newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with an aggregate liquidation preference of \$1,250,000,000;
- GMAC issued and sold to the Treasury a ten-year warrant to purchase up to 1,250,000 additional shares of New MCP, with an aggregate liquidation preference of \$62,500,000, at an initial exercise price of \$0.01 per security (the MCP Warrant) (the Treasury immediately exercised the MCP Warrant in full);
- GMAC exchanged shares of its existing preferred stock held by the Treasury with an aggregate liquidation preference of \$10,125,000,000 consisting of (1) 5,000,000 shares of GMAC's Fixed Rate Cumulative Perpetual Preferred Stock, Series D-1 (the Series D-1 Preferred Stock); (2) 250,000 shares of GMAC's Fixed Rate Cumulative Perpetual Preferred Stock, Series D-2 (the Series D-2 Preferred Stock); and (3) 97,500,000 shares of GMAC Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F (the Series F Preferred Stock), for 202,500,000 shares of New MCP, with an aggregate liquidation preference of \$10,125,000,000; and
- 60,000,000 shares of existing Series F Preferred Stock, all of which were owned by the Treasury, were converted into 259,200 shares of GMAC common stock in accordance with the conversion terms applicable to the Series F Preferred Stock.

# Notes to Consolidated Financial Statements

As a result of the above transactions, the Treasury currently holds 228,750,000 shares of New MCP, with a total liquidation preference of \$11,437,500,000 (which are convertible into an additional 988,200 shares of GMAC common stock if converted as of the filing date of this Form 10-K). Each share of the new MCP has a liquidation preference of \$50 and dividends accrue at 9% per annum. The previously issued Series D-1 Preferred Stock, Series D-1 Preferred Stock and Series F Preferred Stock, are no longer outstanding.

## **Series G Preferred Stock**

Effective June 30, 2009, and as previously disclosed, GMAC was converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law, and was renamed "GMAC Inc." In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred) of Preferred Blocker Inc. (PBI), a wholly-owned subsidiary of GMAC, was required to be converted into or exchanged for preferred stock of GMAC. For this purpose, GMAC had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred Stock). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, PBI merged with and into GMAC with GMAC continuing as the surviving entity. At this time each share of the Blocker Preferred issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive an equal number of newly issued shares of Series G Preferred Stock. In the aggregate, 2,576,601 shares of Series G Preferred Stock were issued to holders of the Blocker Preferred in connection with the merger. The Series G Preferred Stock bears interest at a rate of 7% per annum and ranks equally in right of payment with each of GMAC's outstanding series of preferred stock in accordance with the terms thereof.

## **Series A Preferred Stock**

We currently have authorized 4,021,764 shares of GMAC Fixed Rate Perpetual Preferred Stock, Series A (the Series A Preferred Stock), 1,021,764 of which are outstanding and held by GM Preferred Finance Co. Holdings Inc., a wholly owned subsidiary of GM. We are required to make distributions for each fiscal quarter with respect to the Series A Preferred Stock if certain conditions are met. Distributions are made in cash no later than the tenth business day following the delivery of our quarterly and annual financial statements and are paid at the rate of 10% per annum. The GMAC Board of Directors is permitted to reduce any distribution to the extent required to avoid a reduction of the equity capital of GMAC below a minimum amount of equity capital as specified in our Certificate of Incorporation. In addition, with the consent of GM, the GMAC Board of Directors may suspend the payment of distributions with respect to any one or more fiscal quarters. Distributions not made do not accumulate.

## **20. Regulatory Capital and Other Regulatory Matters**

As a bank holding company, we and our wholly owned banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines by federal regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including fixed-rate cumulative preferred stock issued and sold to the Treasury) less goodwill and other adjustments. Tier 2 capital generally consist of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio of 4%.

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The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

A banking institution is considered “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6% unless subject to regulatory directive to maintain higher capital levels and for insured depository institutions, a leverage ratio that equals or exceeds 5%.

In conjunction with the conclusion of the Supervisory Capital Assessment Program (S-CAP), the banking regulators have developed a new measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries, and qualifying trust preferred securities.

On July 21, 2008, GMAC, FIM Holdings, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank’s leverage ratio is at least 11% for a three-year period and thereafter, remain “well-capitalized.” For this purpose, leverage ratio is determined in accordance with the FDIC’s regulations related to capital maintenance.

Additionally, on May 21, 2009, the Federal Reserve Board (FRB) granted Ally Bank an expanded exemption from Section 23A of the Federal Reserve Act. The exemption enables Ally Bank to make certain extensions of credit for the purchase of GM vehicles or vehicles floorplanned by GMAC. The exemption requires GMAC to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators have issued companion rules applicable to certain U.S.-domiciled institutions. GMAC qualified as a “mandatory” bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision has issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion guidance. We continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

# Notes to Consolidated Financial Statements

The following table summarizes our capital ratios. GMAC was not required to calculate risk-based capital ratios, a leverage ratio, or a Tier 1 common ratio prior to becoming a bank holding company in December 2008.

(\$ in millions)	December 31, 2009			
	Amount	Ratio	Required minimum	Well-capitalized minimum
<b>Risk-based capital</b>				
Tier 1 (to risk-weighted assets)				
GMAC Inc.	\$ 22,398	14.15%	4.00%	6.00%
Ally Bank	7,768	20.85%	(a)	6.00%
Total (to risk-weighted asset)				
GMAC Inc.	\$ 24,623	15.55%	15.00% (b)	10.00%
Ally Bank	8,237	22.10%	(a)	10.00%
Tier 1 leverage (to adjusted average assets) (c)				
GMAC Inc.	\$ 22,398	12.70%	3.00–4.00%	(d)
Ally Bank	7,768	15.42%	15.00% (a)	5.00%
Tier 1 common (to risk-weighted assets)				
GMAC Inc.	\$ 7,678	4.85%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a

n/a = not applicable

- (a) Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.
- (b) GMAC, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.
- (c) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies. We are in the process of modifying information systems to address the daily average requirement.
- (d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

At December 31, 2009, GMAC and Ally Bank met all required minimum ratios and exceeded “well-capitalized” under the federal regulatory agencies’ definitions as summarized in the table above. Furthermore, following the additional investments and related transactions with the Treasury on December 30, 2009, GMAC has achieved the capital buffer required under the Federal Reserve’s Supervisory Capital Assessment Program needed to meet the worse-than-expected economic scenario. For details of those transactions, refer to the two GMAC Form 8-Ks filed on January 5, 2010.

## Parent Company Agreement

On July 21, 2008, GMAC, FIM Holdings, IB Finance, Ally Bank, and the FDIC (collectively, the Contracting Parties) entered into a Parent Company Agreement (PA). The PA requires that GMAC maintain a total equity to total assets ratio of at least 5% (Equity Ratio). The PA defines “total equity” and “total assets” as total equity and total assets, respectively, as reported on our Consolidated Balance Sheet in our quarterly and annual reports filed with the United States Securities and Exchange Commission. The PA further requires that GMAC, beginning December 31, 2008, maintain a ratio of tangible equity to tangible assets of at least 5% (Tangible Equity Ratio). For this purpose, “tangible equity” means “total equity” minus goodwill and other intangible assets, net of accumulated amortization (other than mortgage servicing assets), and “tangible assets” means “total assets” less all goodwill and other intangible assets (other than mortgage servicing assets). As of December 31, 2009, GMAC’s Equity Ratio and Tangible Equity Ratio were 12.09% and 11.82%, respectively.

## International Banks, Finance Companies, and Other Non-U.S. Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets in regulated international banks and finance companies were approximately \$13.6 billion and \$17.3 billion as of December 31, 2009 and 2008, respectively. In addition, the Bank Holding Company Act imposes restrictions on GMAC’s ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

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## Depository Institutions

On December 24, 2008, Ally Bank received approval from the Utah Department of Financial Institutions (UDFI) to convert from an industrial bank to a commercial nonmember state chartered bank. Ally Bank, which provides services to both our North American Automotive Finance and Mortgage operations, was previously chartered as an industrial bank pursuant to the laws of Utah, and its deposits are insured by the FDIC. GMAC is required to file periodic reports with the FDIC concerning its financial condition. Assets in Ally Bank approximated \$55.3 billion and \$32.9 billion as of December 31, 2009 and 2008, respectively.

As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank's results of operations and financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective actions, Ally Bank must meet specific capital guidelines that involve quantitative measures of Ally Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Ally Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require Ally Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2009, Ally Bank was in compliance with its regulatory capital requirements.

## U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. It is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

## Insurance Companies

GMAC Insurance is subject to certain minimum aggregated capital requirements, restricted net assets, and restricted dividend distributions under applicable state insurance law, the National Association of Securities Dealers, the Financial Services Authority in England, the Office of the Superintendent of Financial Institutions of Canada, and the National Insurance and Bonding Commission of Mexico.

Under various U.S. state insurance regulations, dividend distributions may be made only from statutory unassigned surplus, and the state regulatory authorities must approve these distributions if they exceed certain statutory limitations. As of December 31, 2009, the maximum dividend that could be paid by the insurance subsidiaries over the next twelve months without prior statutory approval approximates \$211 million.

## 21. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign currency swaps, futures, forwards, options, swaptions, and credit default swaps in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, loans held-for-sale, mortgage servicing rights, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign currency risk associated with foreign-currency-denominated debt and foreign exchange transactions. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign currency risks related to the assets and liabilities of our automotive finance and mortgage operations. One of the key goals of our risk-mitigation strategy is to modify the asset and liability and interest rate mix including the assets and liabilities associated with securitization transactions that



# Notes to Consolidated Financial Statements

may be recorded in off-balance sheet SPEs. In addition, we use derivative financial instruments to mitigate the risk of changes in the fair values of loans held-for-sale and mortgage servicing rights.

## Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We have applied hedge accounting for certain derivative instruments used to hedge fixed-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt.

Our fair value hedges consist of hedges of fixed-rate debt obligations where individual swaps are designated as one-for-one hedges of specific fixed-rate debt obligations. As of December 31, 2009, outstanding interest rate swaps designated as fair value accounting hedges held in an asset position had a fair value of \$478 million, and those held in a liability position had a fair value of \$47 million. The outstanding notional amount as of December 31, 2009, was \$16.9 billion.

We enter into economic hedges to mitigate exposure for the following categories:

- **Mortgage servicing rights and retained interests** — Our mortgage servicing rights and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of mortgage servicing rights and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivatives that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of mortgage servicing rights due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

We use a multitude of derivative instruments to manage the interest rate risk related to mortgage servicing rights and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we have utilized them previously and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

As of December 31, 2009, outstanding contracts held in an asset position had a fair value of \$805 million, and those held in a liability position had a fair value of \$816 million. The outstanding notional amount was \$153.8 billion as of December 31, 2009.

- **Mortgage loan commitments and mortgage and automotive loans held-for-sale** — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale go up and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage and automotive loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis.

We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale. As of December 31, 2009, outstanding contracts held in an asset position had a fair value of \$225 million, and those held in a liability position had a fair value of \$132 million. The outstanding notional amount was \$45.5 billion as of December 31, 2009.

# Notes to Consolidated Financial Statements

- **Off-balance sheet securitization activities** — We enter into interest rate swaps to facilitate securitization transactions where the underlying receivables are sold to a nonconsolidated qualifying special-purpose entity (QSPE). As the underlying assets are carried in a nonconsolidated entity, the interest rate swaps do not qualify for hedge accounting treatment. As of December 31, 2009, outstanding contracts held in an asset position had a fair value of \$139 million. The outstanding notional amount was \$4.4 billion as of December 31, 2009.
- **Debt** — As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps have been included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender/provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal.

With the exception of a portion of our fixed-rate debt, we have not applied hedge accounting to our derivative portfolio held to economically hedge our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt. As of December 31, 2009, outstanding contracts held in an asset position had a fair value of \$392 million, and those held in a liability position had a fair value of \$548 million. The outstanding notional was \$53.5 billion as of December 31, 2009.

- **Other** — We enter into futures, options, swaptions, and credit default swaps to hedge our net fixed versus variable interest rate exposure. As of December 31, 2009, outstanding contracts held in an asset position had a fair value of \$51 million, and those in a liability position had a fair value of \$23 million. The outstanding notional amount was \$12.6 billion as of December 31, 2009.

## Foreign Currency Risk

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate hedges, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our non-U.S. subsidiaries maintain both assets and liabilities in local currencies; these local currencies are the subsidiaries' functional currencies for accounting purposes. Foreign currency exchange rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). We enter into foreign currency forwards with external counterparties to hedge foreign exchange exposure on the Company's net investments in foreign subsidiaries. Our net investment hedges are recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that is recorded in current period earnings.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign currency derivatives with external counterparties. Our foreign currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the hedged foreign currency transactions.

With limited exceptions, we have elected not to treat any foreign currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign currency swaps are substantially offset by the foreign currency revaluation gains and losses of the underlying assets and liabilities.

As of December 31, 2009, outstanding foreign currency swaps designated as cash flow accounting hedges held in a liability position had a fair value of \$112 million. The outstanding notional amount was \$334 million.

# Notes to Consolidated Financial Statements

As of December 31, 2009, outstanding foreign currency exchange derivatives designated as net investment hedges for accounting purposes held in an asset position had a fair value of \$10 million, and those held in a liability position had a fair value of \$41 million. The outstanding notional amount was \$2.4 billion as of December 31, 2009

As of December 31, 2009, outstanding foreign currency exchange derivatives not designated as hedges for accounting purposes held in an asset position had a fair value of \$555 million, and those held in a liability position had a fair value of \$175 million. The outstanding notional amount was \$22.9 billion as of December 31, 2009.

## Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument. At December 31, 2009 and 2008, the market value of derivative financial instruments in an asset or receivable position was \$2.7 billion and \$5.0 billion including accrued interest of \$314 million and \$271 million, respectively. At December 31, 2009 and 2008, the market value of derivative financial instruments in a liability or payable position was \$1.9 billion and \$2.7 billion including accrued interest of \$91 million and \$104 million, respectively.

To further mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of their total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based upon changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation has risen or removes collateral when it has fallen. We also have unilateral collateral agreements whereby we are the only entity required to post collateral. We have placed collateral totaling \$1.8 billion and \$1.6 billion December 31, 2009 and 2008, respectively, in accounts maintained by counterparties. We have received cash collateral from counterparties totaling \$432 million and \$1.5 billion at December 31, 2009 and 2008, respectively. The collateral placed and received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. In accordance with FASB ASC 860-30-25-5, we do not record such collateral received on our statement of financial position unless certain conditions have been met.

## Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

	Fair value of derivative contracts in	
	Receivable position (a)	Liability position (b)
December 31, 2009 (\$ in millions)		
Derivatives designated as hedging instruments		
Interest rate risk	\$ 478	\$ 47
Foreign exchange risk	10	153
Total derivatives designated as hedging instruments	488	200
Derivatives not designated as hedging instruments		
Interest rate risk	1,611	1,520
Foreign exchange risk	555	175
Total derivatives not designated as hedging instruments	2,166	1,695
Total derivatives	\$ 2,654	\$ 1,895

(a) Reported as other assets on the Consolidated Balance Sheet.

(b) Reported as accrued expenses and other liabilities on the Consolidated Balance Sheet.

# Notes to Consolidated Financial Statements

## Statement of Income Presentation and Accumulated Other Comprehensive Information

The following table summarizes the location and amounts of gains and losses reported in our Consolidated Statement of Income on derivative instruments and related hedge items and amounts flowing through accumulated other comprehensive income. Gains and losses are presented separately for (1) derivative instruments and related hedged items designated and qualifying in fair value hedges; (2) the effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges that were recognized in other comprehensive income during the period; (3) the effective portion of gains and losses on derivative instruments designated and qualifying as cash flow hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified into earnings in the current period; (4) the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges representing the hedges ineffectiveness and the amount, if any, excluded from the hedge effectiveness assessment; and (5) derivative instruments not designated as hedging instruments.

Year Ended December 31, (\$ in millions)	2009
<b>Derivatives in fair value hedging relationships</b>	
<b>(Loss) recognized in earnings on derivatives</b>	
Interest rate contracts	
Interest on long-term debt	\$ (311)
<b>Gain recognized in earnings on hedged items</b>	
Interest rate contracts	
Interest on long-term debt	260
Total designated interest rate contracts	(51)
<b>Derivatives not designated as hedging relationships</b>	
<b>Gain (loss) recognized in earnings on derivatives</b>	
Interest rate contracts	
Servicing asset valuation and hedge activities, net	(998)
Loss on mortgage and automotive loans, net	(156)
Other loss on investments, net	(4)
Other income, net of losses	183
Other operating expenses	(14)
Total nondesignated interest rate contracts	(989)
Foreign exchange contracts (a)	
Interest on long-term debt	(44)
Other income, net of losses	(195)
Total foreign exchange contracts	(239)
Loss recognized in earnings on derivatives	\$(1,279)

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

Year Ended December 31 (\$ in millions)	2009
<b>Derivatives in cash flow hedging relationships</b>	
<b>Gain recognized in other comprehensive income</b>	
Foreign exchange contracts (a)	
Other comprehensive income	\$ 10
<b>Derivatives used as net investment hedges</b>	
<b>Loss recognized in other comprehensive loss</b>	
Foreign exchange contracts (a)	
Other comprehensive loss	(31)
Loss recognized in other comprehensive loss	\$(21)

(a) Amount represents the effective portion, net of the revaluation of the related foreign denominated debt or net investment.

# Notes to Consolidated Financial Statements

## 22. Employee Benefit Plans

### Defined Contribution Plan

A significant number of our employees are covered by defined contribution plans. Employer contributions vary based on criteria specific to each individual plan and amounted to \$61 million, \$76 million, and \$71 million in 2009, 2008, and 2007, respectively. These costs were recorded in compensation and benefit expenses in our Consolidated Statement of Income. We expect contributions for 2010 to be similar to contributions made in 2009.

### Defined Benefit Pension Plan

Certain of our employees are eligible to participate in separate retirement plans that provide for pension payments to eligible employees upon retirement based on factors such as length of service and salary. Pursuant to the Sale Transactions, we transferred, froze, or terminated a portion of our other defined benefit plans. During 2006, we curtailed the GMAC Commercial Finance UK and GMAC Commercial Finance Canada (CF Canada) retirement plans and subsequently terminated the CF Canada plan in 2007. We recorded a curtailment charge of approximately \$9 million in 2006 for these plans that was revised to approximately \$4 million in 2007. During 2007, we closed the GMAC UK (Car Care) pension plan to future accrual, thereby freezing the benefits for all participants. This resulted in a minimal impact on earnings. Additionally, during 2009 we began the process of terminating certain of our international pension plans that resulted in a minimal impact on earnings. All income and expense noted for pension accounting was recorded in compensation and benefits expense in our Consolidated Statement of Income.

The following summarizes information related to our pension plans:

Year ended December 31, (\$ in millions)	2009	2008
Projected benefit obligation	\$ 457	\$ 435
Fair value of plan assets	356	295
Underfunded status	\$(101)	\$(140)

The underfunded status of our pension plans decreased primarily due to the improvement of the fair value of plan assets in 2009 as a result of market performance. The underfunded position is recognized on the Consolidated Balance Sheet and the change in the underfunded position was recorded in other comprehensive income (loss).

The weighted average assumptions used for determining the net periodic benefit cost were as follows:

Year ended December 31,	2009	2008
Discount rate	5.81%	5.84%
Expected long-term return on plan assets	8.23%	8.27%
Rate of compensation increase	2.94%	2.56%

Net periodic pension expense (income) includes curtailment, settlement, and other gains and losses and was minimal for 2009, 2008, and 2007.

Employer contributions to our pension plan for both 2009 and 2008 were approximately \$5 million. We expect these contribution levels to remain minimal in 2010. The weighted-average asset allocations for our pension plans by asset category were as follows:

Year ended December 31,	2009	2008
Equity securities	53%	49%
Debt securities	34%	41%
Other	13%	10%

# Notes to Consolidated Financial Statements

## Other Postretirement Benefits

Certain of our subsidiaries participated in various postretirement medical, dental, vision, and life insurance plans. We have provided for certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as other postretirement benefits. Other postretirement benefits expense (income), which is recorded in compensation and benefits expense in our Consolidated Statement of Income, was minimal in 2009, 2008, and 2007. We expect our other postretirement benefit expense to continue to be minimal in future years.

## 23. Income Taxes

Effective June 30, 2009, GMAC LLC converted (the Conversion) from a limited liability company (LLC) treated as a pass-through entity for U.S. federal income tax purposes to a corporation and was renamed GMAC Inc. As a result of the Conversion, GMAC Inc. became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to this change in tax status as of June 30, 2009, an additional net deferred tax liability of \$1.2 billion was established through income tax expense from continuing operations.

Prior to the Conversion, GMAC LLC and certain U.S. subsidiaries were pass-through entities for U.S. federal income tax purposes. U.S. federal, state, and local income taxes were generally not provided for these entities as they were not taxable entities except in a few local jurisdictions that tax LLCs or partnerships. LLC members were required to report their share of GMAC taxable income on their respective income tax returns. In addition, GMAC LLC's banking, insurance, and foreign subsidiaries generally were and continue to be corporations that are subject to, and required to provide for U.S. and foreign income taxes. The Conversion did not change the tax status of these subsidiaries. The income tax expense related to these corporations is included in income tax expense in the Consolidated Statement of Income, along with other miscellaneous state, local and franchise taxes of GMAC and certain other subsidiaries.

The significant components of income tax expense from continuing operations were as follows:

Year ended December 31, (\$ in millions)	2009	2008	2007
Current income tax expense (benefit)			
U.S. federal	\$ 146	\$ 148	\$229
Foreign	173	184	70
State and local	14	27	(58)
Total current expense	333	359	241
Deferred income tax (benefit) expense			
U.S. federal	(109)	(166)	108
Foreign	(29)	(290)	133
State and local	(118)	(34)	32
Total deferred (benefit) expense	(256)	(490)	273
Total income tax expense (benefit) from continuing operations	\$ 77	\$(131)	\$514

A reconciliation of the statutory U.S. federal income tax rate to our effective tax rate applicable to income and the change in tax status is shown in the following table.

Year ended December 31,	2009	2008	2007
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Change in tax rate resulting from			
Effect of valuation allowance change	(30.8)	2.9	(6.7)
Change in tax status	(17.9)	—	—
Foreign capital loss	15.1	—	—
LLC results not subject to federal or state income taxes	(7.9)	(40.9)	(66.8)
State and local income taxes, net of federal income tax benefit	4.1	0.6	—
Foreign income tax rate differential	(0.6)	0.2	0.3
Tax-exempt income	0.2	(0.2)	0.6
Other	1.7	(0.3)	(0.4)
Effective tax rate	(1.1)%	(2.7)%	(38.0)%

# Notes to Consolidated Financial Statements

Deferred tax assets and liabilities result from temporary differences between assets and liabilities measured for financial reporting purposes and those measured for income tax return purposes. The Conversion resulted in a \$1.2 billion increase in income tax expense related to the establishment of deferred tax liabilities and assets of \$2.5 billion and \$1.3 billion, respectively.

At December 31, 2009, we had U.S. federal and state net operating and capital loss carryforwards of \$878 million and \$803 million, respectively. The federal net operating loss carryforwards expire in the years 2026–2029. The capital loss carryforwards expire in the year 2014. The corresponding expiration periods for the state operating and capital loss carryforwards are 2014–2029 and 2014, respectively.

Also, at December 31, 2009, and 2008, we had foreign net operating loss carryforwards of \$1.8 billion and \$2.9 billion, respectively. The foreign operating loss carryforwards in the United Kingdom, Germany, and Australia have an indefinite carryforward period. The Canadian loss carryforwards expire in the years 2028–2029. The remaining net operating loss carryforwards expire in the years 2014 and 2029.

At December 31, 2009, valuation allowances have been established against our domestic net deferred tax assets and certain international net deferred tax assets. Valuation allowances have been established because we have determined that it is more likely than not that certain of these tax assets will not be realized before they expire. As a result, included within tax expense were charges of \$2.1 billion in 2009, \$139 million in 2008, and \$91 million in 2007 establishing valuation allowances reflecting management's judgment that certain tax assets will not be realized.

The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, (\$ in millions)	2009	2008
<b>Deferred tax liabilities</b>		
Lease transactions	\$ 1,556	\$1,320
Deferred acquisition costs	401	503
Unrealized gains on securities	368	—
Mortgage servicing rights	278	—
Tax on unremitted earnings	19	53
Other	80	8
Gross deferred tax liabilities	2,702	1,884
<b>Deferred tax assets</b>		
Provision for loan losses	1,702	382
Tax loss carryforwards	1,121	943
Basis difference in subsidiaries	917	—
State and local taxes	242	(19)
Contingency	207	128
Unearned insurance premiums	184	252
Mark-to-market on consumer loans	160	—
Hedging transactions	29	(1)
Sales of finance receivables and loans	22	132
Tax credit carryforwards	18	60
Postretirement benefits	16	10
Unrealized losses on securities	—	80
Other	285	283
Gross deferred tax assets	4,903	2,250
Valuation allowance	(2,503)	(924)
Net deferred tax assets	\$ 2,400	\$1,326
Net deferred tax liability	\$ 302	\$ 558

At December 31, 2008, the book basis of our net assets for flow-through entities exceeded their tax basis by approximately \$9.8 billion, primarily related to debt transactions, lease transactions, mortgage servicing rights, and sales of finance receivables.

# Notes to Consolidated Financial Statements

Foreign pretax losses totaled \$1.7 billion and \$2.2 billion in 2009 and 2008, respectively, and pretax income of \$107 million in 2007. Foreign pretax income is subject to U.S. taxation when effectively repatriated. Through the Conversion date, our U.S. incorporated insurance and banking operations provided federal income taxes on the undistributed earnings of foreign subsidiaries to the extent these earnings were not deemed indefinitely reinvested outside the United States. It was the responsibility of our members to provide for federal income taxes on the undistributed foreign subsidiary earnings of GMAC's disregarded entities to the extent the earnings were not indefinitely reinvested. Subsequent to the Conversion date, GMAC and all of its domestic subsidiaries fully provide for federal income taxes on the undistributed earnings of foreign subsidiaries except to the extent these earnings are indefinitely reinvested outside the United States. At December 31, 2009, \$2.9 billion of accumulated undistributed earnings of foreign subsidiaries were indefinitely reinvested. Quantification of the unrecognizable deferred tax liability for temporary differences related to investments in foreign subsidiaries that are permanent in duration is not practicable.

Under the terms of the Purchase and Sale Agreement between GM and FIM Holdings LLC, our tax-sharing agreement with GM was terminated as of November 30, 2006. Terms of the sale agreement stipulate GM will indemnify us for any tax liabilities related to periods before November 30, 2006, in excess of those established as of the sale date. Conversely, GM is entitled to any tax refunds in excess of those established on the closing balance sheet as of the sale date. Through December 31, 2009, \$133 million of tax refunds in excess of the amount on the closing balance sheet at the time of the sale have been remitted to GM as dividends as a result of this agreement.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

<i>(\$ in millions)</i>	2009	2008	2007
<b>Balance at January 1,</b>	<b>\$150</b>	<b>\$155</b>	<b>\$126</b>
Additions based on tax positions related to the current year	27	8	13
Additions for tax positions of prior years	24	33	5
Reductions for tax positions of prior years	(24)	(19)	(2)
Settlements	(28)	(2)	(1)
Foreign currency translation adjustments	23	(25)	14
<b>Balance at December 31,</b>	<b>\$172</b>	<b>\$150</b>	<b>\$155</b>

The amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate is approximately \$157 million. If the domestic and certain foreign positions are recognized and impact the effective tax rate, it would ultimately impact net operating loss carryforwards, which currently attract a full valuation allowance.

We recognize interest and penalties accrued related to uncertain income tax positions in interest expense and other operating expenses, respectively. For the years ended December 31, 2009, 2008, and 2007, \$12 million, \$25 million, and \$38 million were accrued for interest and penalties, respectively, with the cumulative accrued balance totaling \$170 million as of December 31, 2009, \$132 million as of December 31, 2008, and \$164 million as of December 31, 2007. In addition, the accrued balances for interest and penalties were impacted by translation adjustments on those denominated in foreign currencies.

We anticipate the examination of our U.S. income tax returns for 2004 through 2006 along with the examinations by various foreign, state, and local jurisdictions will be completed within the next twelve months. As such, it is reasonably possible that certain tax positions may be settled and the unrecognized tax benefits would decrease by approximately \$63 million.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. For our most significant operations, as of December 31, 2009, the oldest tax years that remain subject to examination are: United States — 2004, Canada — 2003; Germany — 2004, United Kingdom — 1995, Mexico — 2004, Brazil — 2004, and Australia — 2004.

## 24. Share-based Compensation Plans

In 2009, based on the transactions with the Treasury as described in Note 19 to the Consolidated Financial Statements, we are required to comply with the limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). As such, we established Deferred Stock Units (DSUs) and Incentive Restricted Share Units (IRSUs) as



# Notes to Consolidated Financial Statements

forms of compensation to our senior executives, which were subsequently approved by the Special Master. We also grant Restricted Share Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan, which was established to replace the previously approved Long-Term Phantom Interest Plan (LTIP) and the Management Profits Incentive Plan (MPI). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of GMAC, which is necessary to attract and retain key executives. These incentive plans are share-based compensation plans accounted for under ASC 718, *Compensation – Stock Compensation*.

RSU awards are incentive awards granted to executives in terms of basis points in the fair value of GMAC. The majority of awards granted in 2008 and 2009 vest ratably on an annual basis based on continued service on December 31, with the final tranche vesting on December 31, 2012. Annual award payouts are made in the quarter following their vesting and are based on the fair value of GMAC at each year-end as recommended by the Compensation Committee (Committee) and approved by the Board annually. Participants have the option at grant date to defer the valuation and payout for any tranche until the final year of the award. Under applicable accounting rules, the awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the applicable service period. We utilize an internal process to estimate the fair value of the RSU awards based on the estimated fair value of GMAC using changes in our performance, market, and industry. Changes in fair value related to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. The total RSU awards outstanding at December 31, 2009, represented approximately 281 basis points, with 166 basis points awarded during 2008 and 115 basis points awarded during the 2009. The fair value of the awards granted during 2008 was diluted by the capital transactions that occurred at the end of 2008. We recognized compensation expense of \$25 million and \$3 million for the years ended December 31, 2009 and 2008, respectively.

DSU awards are granted in terms of basis points in the fair value of GMAC to senior executives as part of their base salary. The DSU awards are granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash three years after grant. Under applicable accounting rules, the awards require liability treatment and are remeasured quarterly at fair value until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. The fair value for the DSU awards is determined based on the valuation of the RSU awards. The total DSU awards outstanding at December 31, 2009, represented approximately 57 basis points. We recognized compensation expense of \$35 million for the year ended December 31, 2009, for the outstanding awards.

IRSU awards are incentive awards granted to senior executives in terms of basis points in the fair value of GMAC. The IRSU awards cliff vest three years from the date of grant based on continued service with GMAC. The IRSU awards are paid out in 25% increments once we pay the Treasury a corresponding 25% increment of our TARP obligations. A participant must be employed by GMAC at the time of the payback to receive a payout for their award. The payouts are based on the fair value of GMAC at the time of payback. Under applicable accounting rules, the awards require liability treatment and are remeasured quarterly at fair value until they are paid. The fair value for the IRSU awards is determined based on the valuation of the RSU awards. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in fair value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. The total IRSU awards outstanding at December 31, 2009, represented approximately 45 basis points. We recognized compensation expense of \$1 million for the year ended December 31, 2009, for the outstanding awards.

During the third quarter of 2008, the Committee approved GMAC's purchase of substantially all of the MPI awards from the participants and the grant of RSU awards in exchange for the forfeiture of the majority of LTIP awards. The MPI awards were equity-based awards granted to senior executives. The MPI purchase agreements contain provisions that were designed to enhance GMAC's ability to retain the senior executives who participated in the purchase. The total cash paid for the purchased MPI awards was \$28 million, and the total compensation expense recognized during the year ended December 31, 2008, was \$26 million. The majority of the expense represented the accelerated recognition at the purchase date of the previously unrecognized compensation expense associated with the purchase of unvested MPI awards. The LTIP awards were liability-based awards granted to executives. Based on GMAC's results and the program requirements for payout, we did not have any compensation expense accrued for the LTIP awards at the time of the exchange. During the year ended December 31, 2008, we recognized a reduction of compensation expense for the LTIP awards of \$12 million due to a decline in the estimated fair value of the liability.

# Notes to Consolidated Financial Statements

## 25. Related Party Transactions

### Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows:

December 31, (\$ in millions)	2009	2008
<b>Assets</b>		
Available-for-sale investment in asset-backed security – GM (a)	\$ 20	\$ 35
<b>Secured</b>		
Finance receivables and loans, net of unearned income		
Wholesale automotive financing – GM (b)	280	595
Term loans to dealers – GM (b)	71	105
Lending receivables – GM	—	26
Lending receivables – affiliates of FIM Holdings	54	91
Investment in operating leases, net – GM (c)	69	291
Notes receivable from GM (d)	884	1,464
Other — GM	102	32
<b>Total secured</b>	<b>1,460</b>	<b>2,604</b>
<b>Unsecured</b>		
Notes receivable from GM (d)	27	191
<b>Other assets</b>		
Subvention receivables (rate and residual support) – GM	165	53
Lease pull-ahead receivable – GM	21	28
Other – GM	26	49
<b>Total unsecured</b>	<b>239</b>	<b>321</b>
<b>Liabilities</b>		
<b>Unsecured debt</b>		
Notes payable to GM	154	566
<b>Secured debt</b>		
Cerberus model home term loan	—	8
<b>Accrued expenses and other liabilities</b>		
Wholesale payable – GM	161	319
Deferred revenue — GM (e)	—	318
Other payables – GM	18	45

- (a) In November 2006, GMAC retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, GMAC provided a note to a trust, a wholly owned subsidiary of GM. The note is classified in investment securities on the Consolidated Balance Sheet.
- (b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.
- (c) Includes vehicles, buildings, and other equipment classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.
- (d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while primarily in the United Kingdom and Italy. The financing to GM remains outstanding until the title is transferred to GMAC or the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets (except loans relating to parts and accessories in Italy).
- (e) Represents prepayments made by GM in connection with the November 30, 2006, sale by GM of a 51% interest in GMAC (Sale Transactions) requiring that the aggregate amount of certain unsecured obligations of GM to us not exceed a prescribed cap. Subsequent to December 31, 2008, a new agreement was reached between GMAC and GM with new limitations on unsecured exposure going forward. Generally, unsecured exposure based on what we believe, from time to time, to be “probable” amounts owed from GM will be limited to \$2.1 billion; and unsecured exposures based on “maximum” possible amounts owed will be limited to \$4.1 billion. This distinction was established to more easily manage exposures since certain amounts that will be owed to us from GM (e.g., pursuant to risk-sharing and similar arrangements) are based on variables and assumptions that may change over time.

# Notes to Consolidated Financial Statements

## Statement of Income

A summary of the income statement effect of transactions with GM, FIM Holdings, and affiliated companies follows:

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Net financing revenue</b>			
GM and affiliates lease residual value support — North American operations (a)	\$195	\$779	\$ 473
GM and affiliates rate support — North American operations	770	985	1,351
Wholesale subvention and service fees from GM	215	304	269
Interest earned on wholesale automotive financing	14	25	52
Interest earned on term loans to dealers	3	4	7
Interest expense on loans with GM	(46)	(52)	(23)
Interest on notes receivable from GM and affiliates	63	122	125
Interest on wholesale settlements (b)	149	103	179
Interest income (expense) on loans with FIM Holdings affiliates, net	3	(40)	17
Consumer lease payments from GM (c)	78	66	39
<b>Other revenue</b>			
Insurance premiums earned from GM	159	242	254
Service fees on transactions with GM	6	6	6
Revenues from GM-leased properties, net	9	13	13
Losses on model home asset sales with an affiliate of Cerberus	—	(27)	—
Other (d)	(3)	5	9
<b>Servicing fees</b>			
U.S. automotive operating leases (e)	25	85	156
<b>Servicing asset valuation</b>			
Losses on sales of securitized excess servicing to Cerberus	—	(24)	—
<b>Expense</b>			
Employee retirement plan costs allocated by GM	—	—	(1)
Off-lease vehicle selling expense reimbursement (f)	(26)	(47)	(38)
Payments to GM for services, rent, and marketing expenses (g)	122	206	159

(a) Represents total amount of residual support and risk sharing earned under the residual support and risk-sharing programs.

(b) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.

(c) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle with the customer's remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.

(d) Includes income or (expense) related to derivative transactions that we enter into with GM as counterparty.

(e) Represents servicing income related to automobile leases distributed as a dividend to GM on November 22, 2006.

(f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.

(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

# Notes to Consolidated Financial Statements

## Statement of Changes in Equity

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows:

Year ended December 31, (\$ in millions)	2009	2008	2007
<b>Equity</b>			
Capital contributions received (a)	\$ 1,280	\$ 758	\$ 1,080
Dividends paid to shareholders/members (b)	393	79	—
Preferred interest dividends — GM	128	—	—
Preferred interests (c)	—	—	1,052
Conversion of preferred membership interests (c)	—	—	1,121
Preferred interest accretion to redemption value and dividends	—	—	192

- (a) On January 16, 2009, we completed a \$1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM. On December 29, 2008, GM and an affiliate of Cerberus Capital Management contributed to GMAC \$750 million subordinated participations in a \$3.5 billion senior secured credit facility between GMAC and ResCap in exchange for additional common membership interests in GMAC. During the first quarter of 2007, under the terms of the Sale Transactions, GM made a capital contribution of \$1 billion to GMAC.
- (b) Pursuant to the operating agreement with our shareholders, our shareholders are permitted distributions to pay the taxes they incurred from ownership of their GMAC interests prior to our conversion from a tax partnership to a corporation. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approval of both the GMAC Board of Directors and the Treasury was obtained in advance for the payment of tax distributions to our shareholders. Amounts distributed to GM and FIM Holdings were \$220 million and \$173 million, respectively, for the year ended December 31, 2009. Included in the 2009 amount is \$55 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions. The 2008 amounts primarily represent remittances to GM for tax settlements and refunds received related to tax period prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.
- (c) During the fourth quarter of 2007, GM and FIM Holdings converted \$1.1 billion of preferred membership interest into common equity interests. Refer to Note 1 to the Consolidated Financial Statements of our 2007 Annual Report on Form 10-K for further discussion.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Service operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM's business, including significant adverse changes in GM's liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM's relationships with its key suppliers, GM's relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. In 2009, our share of GM retail sales and sales to dealers were 20% and 78%, respectively, in markets where GM operates. As a result, GM's level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM's business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

Our Global Automotive Service operations are highly dependent on GM sales volume. In 2008 and 2009, global vehicle sales declined rapidly, and there is no assurance that the global automotive market or GM's share of that market will not suffer a significant further downturn. Vehicle sales volume could be further adversely impacted by ongoing restructuring that is expected to reduce the number of GM retail channels and core brands or consolidate GM's dealer network. Furthermore,

# Notes to Consolidated Financial Statements

with GM's recent emergence from bankruptcy protection, it is difficult to predict with certainty the consequences of the bankruptcy filing and the impact it could have on consumer sentiment and GM's business in the future. Any negative impact could in turn have a material adverse affect on our business, results of operations, and financial position.

Our credit exposure to GM is significant. As of December 31, 2009, we had an estimated \$1.5 billion in secured credit exposure, which included primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We further had approximately \$1.6 billion in unsecured exposure, which included estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of certain agreements between GMAC and GM, GMAC has the right to offset certain of its exposures to GM against amounts GMAC owes to GM.

## Retail and Lease Programs

GM may elect to sponsor incentive programs (on both retail contracts and operating leases) by supporting financing rates below the standard market rates at which we purchase retail contracts and leases. These marketing incentives are also referred to as rate support or subvention. When GM utilizes these marketing incentives, they pay us the present value of the difference between the customer rate and our standard rate at contract inception, which we defer and recognize as a yield adjustment over the life of the contract.

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer's contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle's disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For North American lease originations and balloon retail contract originations occurring in the United States after April 30, 2006, and in Canada after November 30, 2006, that remained with us after the consummation of the Sale Transactions, GM agreed to begin payment of the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM actually owes us is finalized as the leases actually terminate. Under these terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the December 31, 2009, outstanding North American operating lease and retail balloon portfolios, the additional maximum amount that could be paid by GM under the residual support programs is approximately \$1.1 billion and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than both the contractual residual value and our standard residual rates.

Based on the December 31, 2009, outstanding North American operating lease portfolio, the maximum amount that could be paid under the risk-sharing arrangements is approximately \$1.3 billion and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percent of total new retail and lease contracts acquired, were as follows:

December 31,	2009	2008
GM and affiliates subvented contracts acquired		
North American operations	69%	79%
International operations (a)	52%	40%

(a) Includes subvention for discontinued operations.

## Distribution of Operating Lease Assets

In connection with the Sale Transactions, we transferred to GM certain U.S. lease assets, related secured debt, and other assets, respectively. We retained an investment in a note, which had a balance on December 31, 2009, of \$19.7 million and was secured by the lease assets distributed to GM. We continue to service the assets and related secured debt on behalf of GM and receive a fee for this service. As required for other securitization transactions, we are obligated as servicer to repurchase

# Notes to Consolidated Financial Statements

any lease asset that is in breach of any of the covenants of the securitization documents. In addition, in a number of the transactions securitizing the lease assets transferred to GM, the trusts issued one or more series of floating-rate debt obligations and entered into primary derivative transactions to remove the market risk associated with funding the fixed payment lease assets with floating interest rate debt. To facilitate these securitization transactions, we entered into secondary derivative transactions with the primary derivative counterparties essentially offsetting the primary derivatives. As part of the distribution, GM assumed the rights and obligations of the primary derivatives whereas we retained the secondary, leaving both companies exposed to market value movements of their respective derivatives. GMAC and GM have subsequently entered into derivative transactions with each other intended to offset the exposure each party has to its component of the primary and secondary derivatives.

## Exclusivity Arrangement

On November 30, 2006, and in connection with the Sale Transactions, GM and GMAC entered into several service agreements that codified the mutually beneficial historical relationship between the companies. One such agreement was the United States Consumer Financing Services Agreement (the Financing Services Agreement). The Financing Services Agreement, among other things, provided that subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers (e.g., lower interest rates than market rates), it would do so exclusively through GMAC. This requirement was effective through November 2016, and in consideration for this, GMAC paid to GM an annual exclusivity fee and was required to meet certain targets with respect to consumer retail and lease financings of new GM vehicles.

Effective December 29, 2008, and in connection with the approval of GMAC's application to become a bank holding company, GM and GMAC modified certain terms and conditions of the Financing Services Agreement. Certain of these amendments include the following : (1) for a two-year period, GM can offer retail financing incentive programs through a third-party financing source under certain specified circumstances and, in some cases, subject to the limitation that pricing offered by such third party meets certain restrictions, and after such two-year period GM can offer any such incentive programs on a graduated basis through third parties on nonexclusive, side-by-side basis with GMAC, provided that pricing of such third parties meets certain requirements; (2) GMAC will have no obligation to provide operating lease products; and (3) GMAC will have no targets against which it could be assessed penalties. After December 31, 2013, GM will have the right to offer retail financing incentive programs through any third-party financing source, including GMAC, without any restrictions or limitations. A primary objective of the Financing Services Agreement continues to be supporting distribution and marketing of GM products.

## GM Call Option

In connection with the Sale Transactions, GM retained an option to repurchase certain assets from us related to the Automotive Finance operations of our North American operations and our International operations. In connection with approval of our application to become a bank holding company, the option was terminated effective December 29, 2008, and GM waived all its rights related to the option and released us from all obligations related to the option.

## Royalty Agreement

For certain insurance products, GM and GMAC have entered into the Intellectual Property License Agreement for the right of GMAC to use the GM name on certain insurance products. In exchange, GMAC will pay to GM a minimum annual guaranteed royalty fee of \$15 million.

## Other

We have entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

# Notes to Consolidated Financial Statements

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of December 31, 2009 and 2008, commercial obligations guaranteed by GM were \$68 million and \$88 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer franchise termination. We also have a consignment arrangement with GM for commercial inventories in Europe. As of December 31, 2009 and 2008, wholesale inventories related to this arrangement were \$12 million and \$141 million, respectively, and are reflected in other assets on the Consolidated Balance Sheet.

## 26. Comprehensive Income (Loss)

Comprehensive income is composed of net income and other comprehensive income (loss), which includes the after-tax change in unrealized gains and losses on available-for-sale securities, foreign currency translation adjustments, cash flow hedging activities, and the recognition of defined benefit pension plan overfunded/underfunded positions. The following table presents the components and annual activity in other comprehensive income (loss):

<i>(\$ in millions)</i>	Unrealized gains (losses) on investments (a)	Translation adjustments (b)	Cash flow hedges	Defined benefit pension plans over/(under) funded	Accumulated other comprehensive income (loss)
Balance at December 31, 2006	\$ 106	\$ 362	\$ 17	\$ —	\$ 485
2007 net change	(14)	490	(26)	17	467
Balance at December 31, 2007	92	852	(9)	17	952
2008 net change	(164)	(1,020)	(19)	(138)	(1,341)
Balance at December 31, 2008	(72)	(168)	(28)	(121)	(389)
2009 net change	223	601	1	24	849
<b>Balance at December 31, 2009</b>	<b>\$ 151</b>	<b>\$ 433</b>	<b>\$ (27)</b>	<b>\$ (97)</b>	<b>\$ 460</b>

(a) Primarily represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.

(b) Includes after-tax gains and losses on foreign currency translation from operations for which the functional currency is other than the U.S. dollar. Net change amounts are net of tax benefit of \$10 million, tax benefit of \$61 million, and tax expense of \$11 million for the years ended December 31, 2009, 2008, and 2007, respectively.

The net changes in the following table represent the sum of net unrealized gains (losses) of investments and net unrealized gains (losses) on cash flow hedges with the respective reclassification adjustments. Reclassification adjustments are amounts recognized in net income during the current year and that were reported in other comprehensive income (loss) in previous years.

<i>Year ended December 31, (\$ in millions)</i>	2009	2008	2007
<b>Investments (a):</b>			
Net unrealized gains (losses) arising during the period, net of taxes (b)	\$ 115	\$(255)	\$ (1)
Reclassification adjustment for net losses (gains) included in net income, net of taxes (c)	108	91	(13)
<b>Net change</b>	<b>223</b>	<b>(164)</b>	<b>(14)</b>
<b>Cash flow hedges:</b>			
Net unrealized losses on cash flow hedges, net of taxes (d)	—	(24)	(71)
Reclassification adjustment for net losses (gains) included in net income, net of taxes (e)	1	5	45
<b>Net change</b>	<b>\$ 1</b>	<b>\$ (19)</b>	<b>\$(26)</b>

(a) Represents our available-for-sale securities and certain interests retained in securitization trusts.

(b) Net of tax expense of \$75 million for 2009, tax benefit of \$153 million for 2008, and tax expense of \$24 million for 2007.

(c) Net of tax expense of \$58 million for 2009, tax expense of \$49 million for 2008, and tax expense of \$8 million for 2007.

(d) Net of tax benefit of \$13 million for 2009 and tax benefit of \$12 million for 2007. There was no tax impact for 2008.

(e) Net of tax benefit of \$12 million for 2007. There was no tax impact for 2009 or 2008.

# Notes to Consolidated Financial Statements

## 27. Fair Value

### Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance.

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

A three-level hierarchy is to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- |         |  |
|---------|--|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.   |
| Level 2 | Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that required significant judgment or estimation.  |

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

- Trading securities** — Trading securities are recorded at fair value and may be asset-backed or asset-related securities (including senior and subordinated interests), principal-only, or residual interests and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices are not available for a significant portion of these assets due to illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. In order to estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 94% and 60% of the trading securities reported at fair value as Level 3 at December 31, 2009 and 2008, respectively. Trading securities account for 2% and 4% of all assets reported at fair value at December 31, 2009 and 2008, respectively.



# Notes to Consolidated Financial Statements

- **Available-for-sale securities** — Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience of similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified less than 1% and 10% of the available-for-sale reported at fair value as Level 3 at December 31, 2009 and 2008, respectively. Available-for-sale securities account for 37% and 22% of all assets reported at fair value at December 31, 2009 and 2008, respectively.
- **Loans held-for-sale** — We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government and agency eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section within this Note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. We classified 49% and 63% of the loans held-for-sale at fair value as Level 3 at December 31, 2009 and 2008, respectively. Loans held-for-sale account for 32% and 9% of all assets reported at fair value at December 31, 2009 and 2008, respectively.

Approximately 4% and 6% of the total loans held-for-sale carried at fair value are automotive loans at December 31, 2009 and 2008, respectively. These automotive loans are presented in the nonrecurring fair value measurement table. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models or terms established under fixed-pricing forward flow agreements and classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending upon characteristics of the loans may be the whole-loan market, the securitization market, or committed prices contained in forward flow agreements. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan's value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 96% and 94% of the total loans held-for-sale carried at fair value are mortgage loans at December 31, 2009 and 2008, respectively. The increase was primarily due to strategic actions taken to sell certain legacy mortgage assets during the three months ended December 31, 2009, resulting in the reclassification of those assets from held-for-investment to held-for-sale. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Additionally, we originate or purchase mortgage loans both domestically and internationally that we intend to sell into the secondary markets through whole-loan sales or securitizations, although this activity was substantially curtailed beginning in 2008.

Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending upon underlying attributes of the loan, such as agency eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of loans held-for-sale. The methodology used depends on the exit market as described below.

*Loans valued using observable market prices for identical or similar assets* — This includes all domestic loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This will also include all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. As of December 31, 2009 and 2008, 52% and 40%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 2. Due to the current illiquidity of the mortgage market, it may be necessary to look for alternative sources of value, including the whole-loan purchase market for similar loans and place more reliance on the valuations using internal models.

# Notes to Consolidated Financial Statements

*Loans valued using internal models* — To the extent observable market prices are not available, we will determine the fair value of loans held-for-sale using internally developed valuation models. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending upon characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan's fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. As of December 31, 2009 and 2008, 48% and 60%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

Due to limited sales activity and periodically unobservable prices in certain markets, certain loans held-for-sale may transfer between Level 2 and Level 3 in future periods.

- **Consumer finance receivables and loans, net of unearned income** — We elected the fair value option for certain mortgage loans held-for-investment. The elected loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have, or already had, exceeded our economic exposure. The elected loans represent a portion of the consumer finance receivable and loans on the Consolidated Balance Sheet. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The mortgage loans held-for-investment that collateralized securitization debt are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. Values of loans held on an in-use basis may differ considerably from loans held-for-sale that can be sold in the whole-loan market. This difference arises primarily due to the liquidity of the asset- and mortgage-backed securitization market and is evident in the fact that spreads applied to lower rated asset- and mortgage-backed securities are considerably wider than spreads observed on senior bonds classes and in the whole-loan market. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans held-for-investment elected under the fair value option as Level 3, as of December 31, 2009 and 2008. Consumer finance receivables and loans account for 4% and 7% of all assets reported at fair value at December 31, 2009 and 2008, respectively. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

- **Commercial finance receivables and loans, net of unearned income** — We evaluate our commercial finance receivables and loans, net of unearned income, for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source or repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement. As of December 31, 2009 and 2008, we classified 94% and 73% of the impaired commercial finance receivables and loans as Level 3, respectively. Commercial finance receivables and loans accounted for 4% and 8% of all assets reported at fair value at December 30, 2009 and 2008, respectively.
- **Mortgage servicing rights** — We typically retain MSRs when we sell assets into the secondary market, MSRs do not trade in an active market with observable prices; therefore, we use internally developed cash flow models to estimate the fair value of MSRs. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. All MSRs are classified as Level 3 at December 31, 2009 and 2008. MSRs account for 10% of all assets reported at fair value at December 31, 2009 and 2008.

# Notes to Consolidated Financial Statements

- **Interest retained in securitization trusts** — Interests retained in securitization trusts are carried at fair value. Due to current inactivity in the market, valuations are based on internally developed discounted cash flow models that use a market-based discount rate. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). All interests retained in securitization trusts were classified as Level 3 at December 31, 2009 and 2008. Interests retained in securitization trusts accounted for less than 1% and 3% of all assets reported at fair value at December 31, 2009 and 2008, respectively.
- **Derivative instruments** — We manage risk through our balance of loan production and servicing businesses while using portfolios of financial instruments (including derivatives) to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSR, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated QSPE. During the twelve months ended December 31, 2009, we recorded net economic hedge losses of \$390 million. During the twelve months ended December 31, 2008, we recorded net economic hedge gains of \$1.2 billion. Refer to Note 21 for additional information regarding changes in the fair value of economic hedges.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We classified 7% of the derivative assets and 9% of the derivative liabilities reported at fair value as Level 1 at December 31, 2009. We classified less than 1% of the derivative assets and 3% of the derivative liabilities at fair value as Level 1 at December 31, 2008.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable. We classified 77% of the derivative assets and 73% of the derivative liabilities reported at fair value as Level 2 at December 31, 2009. We classified 69% of the derivative assets and 44% of the derivative liabilities reported at fair value as Level 2 at December 31, 2008.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. We classified 16% of the derivative assets and 18% of the derivative liabilities reported at fair value as Level 3 at December 31, 2009. We classified 31% of the derivative assets and 53% of the derivative liabilities reported at fair value as Level 3 at December 31, 2008.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. The CVA calculates the probable or potential future exposure on the derivative under different interest and currency exchange rate environments using simulation tool. For each simulation, a CVA is calculated using either our credit default spread or the default spread of the counterparty and, in both cases, the potential exposure of the simulation.

# Notes to Consolidated Financial Statements

Derivative assets accounted for 8% and 17% of all assets reported at fair value at December 31, 2009 and 2008, respectively. Derivative liabilities accounted for 59% and 58% of all liabilities reported at fair value at December 31, 2009 and 2008, respectively.

- **Derivative collateral placed with counterparties** — Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets. We classified 96% of securities posted as collateral as Level 1 at December 31, 2009. Securities posted as collateral accounted for 2% of all assets reported at fair value at December 31, 2009.
- **Reposessed and foreclosed assets** — Foreclosed on or reposessed assets resulting from loan defaults are carried at the lower of either cost or fair value less costs to sell and are included in other assets on the Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value less costs to sell.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals less costs to sell as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we classified these assets as Level 3 in the fair value disclosures. As of December 31, 2009, 51% and 49% of foreclosed and reposessed properties carried at fair value less costs to sell were classified as Level 2 and Level 3, respectively. As of December 31, 2008, 38% and 62% of foreclosed and reposessed properties carried at fair value less costs to sell were classified as Level 2 and Level 3, respectively. Reposessed and foreclosed assets accounted for less than 1% and 2% of all assets reported at fair value at December 31, 2009 and 2008, respectively.

- **On-balance sheet securitization debt** — We elected the fair value option for certain mortgage loans held-for-investment and on-balance sheet securitization debt. In particular, we elected the fair value option on securitization debt issued by domestic on-balance sheet securitization vehicles as of January 1, 2008, in which we estimated credit reserves pertaining to securitized assets could have, or already had, exceeded our economic exposure. The objective in measuring the loans and related securitization debt at fair value was to approximate our retained economic interest and economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounted for 41% and 42% of all liabilities reported at fair value at December 31, 2009 and 2008, respectively. As a result of reduced liquidity in capital markets, values of both the elected loans and the securitized debt are expected to be volatile. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for a complete description of these securitizations.

# Notes to Consolidated Financial Statements

## Recurring Fair Value

The following tables display the assets and liabilities measured at fair value on a recurring basis, including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The table below displays the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

December 31, 2009 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading securities				
Mortgage-backed				
Residential	\$ —	\$ 44	\$ 99	\$ 143
Asset-backed	—	—	596	596
Total trading securities	—	44	695	739
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,989	1,521	—	3,510
States and political subdivisions	—	811	—	811
Foreign government	911	262	—	1,173
Mortgage-backed				
Residential	—	3,455	6	3,461
Asset-backed	—	985	20	1,005
Corporate debt securities	2	1,471	—	1,473
Other	47	—	—	47
Total debt securities	2,949	8,505	26	11,480
Equity securities	671	4	—	675
Total available-for-sale securities	3,620	8,509	26	12,155
Loans held-for-sale (a)	—	5,545	—	5,545
Consumer finance receivables and loans, net of unearned income (a)	—	—	1,303	1,303
Mortgage servicing rights	—	—	3,554	3,554
Other assets				
Cash reserve deposits held-for-securitization trusts	—	—	31	31
Interests retained in securitization trusts	—	—	471	471
Derivative assets, net (b)	12	644	103	759
Derivative collateral placed with counterparties	808	37	—	845
Total assets	\$ 4,440	\$ 14,779	\$ 6,183	\$ 25,402
<b>Liabilities</b>				
Secured debt				
On-balance sheet securitization debt (a)	\$ —	\$ —	\$ (1,294)	\$ (1,294)
Total liabilities	\$ —	\$ —	\$ (1,294)	\$ (1,294)

(a) Carried at fair value due to fair value option election.

(b) At December 31, 2009, derivative assets within Level 1, Level 2, and Level 3 were \$184 million, \$2.0 billion, and \$435 million, respectively. Additionally, derivative liabilities within Level 1, Level 2, and Level 3 were \$172 million, \$1.4 billion, and \$332 million, respectively.

# Notes to Consolidated Financial Statements

December 31, 2008 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading securities	\$ 1	\$ 486	\$ 720	\$ 1,207
<b>Investment securities</b>				
Available-for-sale securities	1,736	3,867	631	6,234
Consumer finance receivables and loans, net of unearned income (a)	—	—	1,861	1,861
Mortgage servicing rights	—	—	2,848	2,848
<b>Other assets</b>				
Cash reserve deposits held-for-securitization trusts	—	—	41	41
Interests retained in securitization trusts	—	—	1,001	1,001
Derivative (liabilities) assets, net (b)	(51)	2,263	149	2,361
<b>Total assets</b>	<b>\$ 1,686</b>	<b>\$ 6,616</b>	<b>\$ 7,251</b>	<b>\$ 15,553</b>
<b>Liabilities</b>				
<b>Secured debt</b>				
On-balance sheet securitization debt (a)	\$ —	\$ —	\$(1,899)	\$(1,899)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(1,899)</b>	<b>\$(1,899)</b>

(a) Carried at fair value due to fair value option election.

(b) At December 31, 2008, derivative assets within Level 1, Level 2, and Level 3 were \$21 million, \$3.4 billion, and \$1.5 billion, respectively. Additionally, derivative liabilities within Level 1, Level 2, and Level 3 were \$72 million, \$1.1 billion, and \$1.4 billion, respectively.

# Notes to Consolidated Financial Statements

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

(\$ in millions)	Level 3 recurring fair value measurements						Fair value as of December 31, 2009	Net unrealized (losses) gains included in earnings still held as of December 31, 2009
	Fair value as of January 1, 2009	Net realized/ unrealized gains (losses)		Purchases, issuances, and settlements, net	Net transfers into/ (out of) Level 3	Included in other comprehensive income (a)		
		Included in earnings						
<b>Assets</b>								
Trading securities								
Mortgage-backed								
Residential	\$ 211	\$ (42) (b)	\$ —	\$ (89)	\$ 19	\$ 99	\$ 33 (b)	
Asset-backed	509	165 (b)	13	(91)	—	596	166 (b)	
Total trading securities	720	123	13	(180)	19	695	199	
Investment securities								
Available-for-sale securities								
Debt securities								
Mortgage-backed								
Residential	2	—	(4)	—	8	6	—	
Asset-backed	607	6 (b)	5	(598)	—	20	—	
Total debt securities	609	6	1	(598)	8	26	—	
Equity securities	22	—	1	—	(23)	—	—	
Total available-for-sale securities	631	6	2	(598)	(15)	26	—	
Consumer finance receivables and loans, net of unearned income (c)								
	1,861	941 (d)	—	(1,499)	—	1,303	480 (d)	
Mortgage servicing rights	2,848	(122) (e)	—	828	—	3,554	(110) (e)	
Other assets								
Cash reserve deposits held-for-securitization trusts								
	41	2 (f)	—	(12)	—	31	3 (f)	
Interests retained in securitization trusts								
	1,001	(14) (f)	3	(519)	—	471	(10) (f)	
Fair value of derivative contracts in receivable (liability) position, net								
	149	324 (g)	(5)	(510)	145	103	917 (g)	
Total assets	\$ 7,251	\$ 1,260	\$ 13	\$ (2,490)	\$ 149	\$ 6,183	\$ 1,479	
<b>Liabilities</b>								
Secured debt								
On-balance sheet securitization debt (c)								
	\$ (1,899)	\$ (875) (h)	\$ —	\$ 1,480	\$ —	\$ (1,294)	\$ (445) (h)	
Total liabilities	\$ (1,899)	\$ (875)	\$ —	\$ 1,480	\$ —	\$ (1,294)	\$ (445)	

(a) Includes foreign currency translation adjustments, if any.

(b) The fair value adjustment is reported as other gain (loss) on investments, net, and the related interest is reported as interests and dividends on investment securities in the Consolidated Statement of Income.

(c) Carried at fair value due to fair value option elections.

(d) The fair value adjustment is reported as other income, net of losses, and the related interest is reported as consumer financing revenue in the Consolidated Statement of Income.

(e) Fair value adjustment reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(f) Reported as other income, net of losses, on investments, net, in the Consolidated Statement of Income.

(g) Refer to Note 21 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

(h) Fair value adjustment is reported as other income, net of losses, and the related interest is reported within total interest expense in the Consolidated Statement of Income.

# Notes to Consolidated Financial Statements

(\$ in millions)	Level 3 recurring fair value measurements						Net unrealized (losses) gains included in earnings still held as of December 31, 2008
	Fair value as of January 1, 2008	Net realized/unrealized gains (losses)		Purchases, issuances, and settlements, net	Net transfers into Level 3	Fair value as of December 31, 2008	
		Included in earnings	Included in other comprehensive income (a)				
<b>Assets</b>							
Trading securities	\$ 1,642	\$ (767) (b)	\$ (16)	\$ (139)	\$ —	\$ 720	\$ (325) (b)
<b>Investment securities</b>							
Available-for-sale securities	868	(26)	(8)	(203)	—	631	(1) (b)
<b>Consumer finance receivables and loans, net of unearned income (c)</b>							
	6,684	(2,391) (d)	—	(2,432)	—	1,861	(3,467) (d)
Mortgage servicing rights	4,713	(2,333) (e)	—	468	—	2,848	(2,250) (e)
<b>Other assets</b>							
Cash reserve deposits held-for-securitization trusts	141	(21) (f)	(7)	(72)	—	41	(296) (f)
Interests retained in securitization trusts	1,465	(196) (f)	8	(276)	—	1,001	(499) (f)
Fair value of derivative contracts in (liability) receivable position, net	(46)	539 (g)	22	(368)	2	149	767 (g)
<b>Total assets</b>	<b>\$ 15,467</b>	<b>\$ (5,195)</b>	<b>\$ (1)</b>	<b>\$ (3,022)</b>	<b>\$ 2</b>	<b>\$ 7,251</b>	<b>\$ (6,071)</b>
<b>Liabilities</b>							
<b>Secured debt</b>							
On-balance sheet securitization debt (c)	\$ (6,734)	\$ 2,478 (h)	\$ —	\$ 2,357	\$ —	\$ (1,899)	\$ 2,916 (h)
Collateralized debt obligations (c)	(351)	101 (i)	—	250	—	—	111 (i)
<b>Total liabilities</b>	<b>\$ (7,085)</b>	<b>\$ 2,579</b>	<b>\$ —</b>	<b>\$ 2,607</b>	<b>\$ —</b>	<b>\$ (1,899)</b>	<b>\$ 3,027</b>

(a) Includes foreign currency translation adjustments, if any.

(b) The fair value adjustment is reported as other gain (loss) on investments, net, and the related interest is reported as consumer interest and dividends on investment securities in the Consolidated Statement of Income.

(c) Carried at fair value due to fair value option election.

(d) The fair value adjustment is reported as other income, net of losses, and the related interest is reported as consumer financing revenue in the Consolidated Statement of Income.

(e) Fair value adjustment reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(f) Reported as other income, net of losses, in the Consolidated Statement of Income.

(g) Refer to Note 21 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

(h) Fair value adjustment is reported as other income, net of losses, and the related interest is reported as total interest expense in the Consolidated Statement of Income.

(i) Reported as other gain (loss) on investments, net, and the related interest is reported as total interest expense in the Consolidated Statement of Income.



# Notes to Consolidated Financial Statements

## Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower of cost or fair value accounting or certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures.

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

December 31, 2009 (\$ in millions)	Nonrecurring fair value measurements				Lower of cost or fair value or valuation reserve allowance	Total gains (losses) included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
<b>Assets (a)</b>						
Loans held-for-sale (b)	\$ —	\$ 31	\$ 5,453	\$ 5,484	\$ (227)	n/m (c)
Commercial finance receivables and loans, net of unearned income (d)	—	85	1,443	1,528	(770)	\$ (87) (e)
Other assets						
Real estate and other investments (f)	—	49	65	114	n/m (g)	(226)
Repossessed and foreclosed assets, net (h)	—	111	108	219	(104)	n/m (c)
Goodwill (i)	—	—	—	—	n/m (g)	(607)
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 276</b>	<b>\$ 7,069</b>	<b>\$ 7,345</b>	<b>\$ (1,101)</b>	<b>\$ (920)</b>

n/m = not meaningful

- (a) Refer to Note 2 for the nonrecurring fair value measurements recognized on our discontinued and held-for-sale operations. The measurements were recognized to present these operations at the lower of cost or fair value less costs to sell.
- (b) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair value below cost as of December 31, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets. Refer to Note 8 for information related to the fair value measurement recognized on certain mortgage loans reclassified to held-for-sale on our Consolidated Balance Sheet during the year ended December 31, 2009.
- (c) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (d) Represents the portion of the commercial portfolio impaired as of December 31, 2009. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables.
- (e) Represents losses recognized on the impairment of our resort finance business, which provided debt capital to resort and timeshare developers.
- (f) Represents assets impaired as of December 31, 2009. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the year ended December 31, 2009.
- (g) The total loss included in earnings is the most relevant indicator of the impact on earnings.
- (h) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
- (i) Represents goodwill impaired as of December 31, 2009. The impairment related to a reporting unit within our Insurance operations. As of December 31, 2009, these losses were classified with income (loss) from discontinued operations, net of tax, on the Consolidated Statement of Income. Refer to Note 14 for additional goodwill information.

# Notes to Consolidated Financial Statements

December 31, 2008 (\$ in millions)	Nonrecurring fair value measurements				Lower of cost or fair value allowance or valuation reserve	Total losses included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
<b>Assets</b>						
Loans held-for-sale (a)	\$ —	\$ 925	\$ 1,550	\$ 2,475	\$ (917)	(b)
Commercial finance receivables and loans, net of unearned income (c)	—	566	1,511	2,077	(703)	(b)
Investment in operating leases, net (d)	—	—	4,730	4,730	(e)	\$ (1,234)
<b>Other assets</b>						
Real estate and other investments (d)	—	81	—	81	(e)	(54)
Repossessed and foreclosed assets, net (f)	—	250	405	655	(256)	(b)
Goodwill (g)	—	—	—	—	(e)	(16)
Investment in used vehicles held-for-sale (a)	—	—	461	461	(86)	(b)
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 1,822</b>	<b>\$ 8,657</b>	<b>\$ 10,479</b>	<b>\$ (1,962)</b>	<b>\$ (1,304)</b>

n/m = not meaningful

- (a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of December 31, 2008. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the commercial portfolio impaired as of December 31, 2008. The related credit allowance represents the cumulative adjustment to fair value of those specific receivables. Refer to Note 1 for additional information related to impaired loans.
- (d) Represents assets impaired as of December 31, 2008. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the year ended December 31, 2008.
- (e) The total loss included in earnings is the most relevant indicator of the impact on earnings.
- (f) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
- (g) Represents goodwill impaired as of December 31, 2008. The entire goodwill balance of our North American Automotive Finance operations and our Commercial Finance Group were deemed to have a fair value of zero as of December 31, 2008.

## Fair Value Option for Financial Assets and Financial Liabilities

On January 1, 2008, our Mortgage operations elected to measure at fair value certain mortgage loans held-for-investment and the related debt held in the financing securitization structures that existed. During the three months ended September 30, 2009, our Mortgage operations also elected the fair value option for government and agency-eligible residential loans held-for-sale funded after July 31, 2009. Our intent in electing fair value for these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

A description of financial assets and liabilities elected to be measured at fair value is as follows.

- **On-balance sheet securitizations** — In years prior to 2008, our Mortgage operations executed certain domestic securitizations that did not meet sale criteria. As part of these domestic on-balance sheet securitizations, we typically retained the economic residual interest in the securitization. The economic residual entitles us to excess cash flows that remain at each distribution date after absorbing any credit losses in the securitization. Because sale treatment was not achieved, the mortgage loan collateral remained on the balance sheet and was classified as consumer finance receivables and loans; the securitization's debt was classified as secured debt; and the economic residuals were not carried on the balance sheet. After execution of the securitizations, we were required under GAAP to continue recording an allowance for loan losses on these held-for-investment loans.

As a result of market conditions and deteriorating credit performance of domestic residential mortgages, our economic exposure on certain of these domestic on-balance sheet securitizations was reduced to zero, thus indicating we expected minimal to no future cash flows to be received on the economic residual. While we no

# Notes to Consolidated Financial Statements

longer were economically exposed to credit losses in the securitizations, we were required to continue recording additional allowance for loan losses on the securitization collateral as credit performance deteriorated. Further, in accordance with GAAP, we did not record any offsetting reduction in the securitization's debt balances, even though any nonperformance of the assets would ultimately pass through as a reduction of the amount owed to the debt holders once they are contractually extinguished. As a result, we were required to record accounting losses beyond our economic exposure.

To mitigate the divergence between accounting losses and economic exposure, we elected the fair value option for a portion of the domestic on-balance sheet securitizations on January 1, 2008. In particular, we elected the fair value option for domestic on-balance sheet securitization vehicles in which we estimated that the credit reserves pertaining to securitized asset could, or already had, exceeded our economic exposure. The fair value option election was made at a securitization level; thus the election was made for both the mortgage loans held-for-investment and the related portion of on-balance sheet securitized debt for these particular securitizations.

We carry the fair value-elected loans as consumer finance receivables and loans, net of unearned income, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status), which continues to be classified as consumer financing revenue in the Consolidated Statement of Income. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

We continue to record the fair value-elected debt balances as secured debt on the Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected securitization debt, which continues to be classified as interest expense in the Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

- **Government and agency eligible loans** — During the three months ended September 30, 2009, our Mortgage operations elected the fair value option for government and agency eligible residential loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were government and agency eligible loans funded on or prior to July 31, 2009, and those repurchased or re-recognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and re-recognized government and agency eligible loans were not elected because the elections will not mitigate earning volatility. We repurchase or re-recognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected government and agency eligible loans as loans held-for-sale on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status), which continues to be classified as loans held-for-sale revenue in the Consolidated Statement of Income. Upfront fees and costs related to the fair value-elected loans are not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold under government programs or to the agencies.

# Notes to Consolidated Financial Statements

The following tables summarize the fair value option election and information regarding the amounts recorded as earnings for each fair value option elected item.

(\$ in millions)	Changes included in the Statement of Income for the year ended December 31, 2009						
	Consumer financing revenue	Loans held- for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>							
Loans held-for-sale	\$ —	\$ 85	\$ —	\$ 344	\$ —	\$ 429	\$ — (b)
Consumer finance receivables and loans, net of unearned income	508	—	—	—	433	941	(118) (c)
<b>Liabilities</b>							
Secured debt							
On-balance sheet securitization debt	\$ —	\$ —	\$ (227)	\$ —	\$ (648)	\$ (875)	\$ 230 (d)
<b>Total</b>						\$ 495	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
- (c) The credit impact for consumer finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

(\$ in millions)	Changes included in the Statement of Income for the year ended December 31, 2008					
	Consumer financing revenue	Total interest expense	Other gain (loss) on investments, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>						
Consumer finance receivables and loans, net of unearned income	\$ 709	\$ —	\$ —	\$ (3,101)	\$ (2,392)	\$ (809) (b)
<b>Liabilities</b>						
Secured debt						
On-balance sheet securitization debt	\$ —	\$ (387)	\$ —	\$ 2,865	\$ 2,478	\$ 618 (c)
Collateralized debt obligations	—	(10)	111	—	101	— (d)
<b>Total</b>					\$ 187	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for consumer finance receivables and loans were quantified by applying internal credit loss assumptions to cash flow models.
- (c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.
- (d) The credit impact for collateralized debt obligations is assumed to be zero until our economic interests in the securitization is reduced to zero at which point the losses projected on the underlying collateral will be expected to be passed through to the securitization's bonds. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

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Interest income on mortgage loans held-for-investment is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due. Interest expense on the on-balance sheet securitizations is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.

The following tables provide the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

December 31, 2009 (\$ in millions)	Unpaid principal balance	Premium/ (discount)	Loan advances/ other	Accrued interest	Fair value allowance	Fair value
<b>Assets</b>						
Loans held-for-sale						
Total loans	\$ 5,427	\$ 94	\$ —	\$ 6	\$ 19	\$ 5,546
Nonaccrual loans	3	—	—	—	—	3
Loans 90+ days past due (a)	—	—	—	—	—	—
Consumer finance receivables and loans, net of unearned income						
Total loans	7,180	—	(147)	59	(5,789)	1,303
Nonaccrual loans	2,343	(b)	(b)	(b)	(b)	(b)
Loans 90+ days past due (a)	1,434	(b)	(b)	(b)	(b)	(b)
<b>Liabilities</b>						
Secured debt						
On-balance sheet securitization debt	\$ (7,166)	\$ —	\$ —	\$ (15)	\$ 5,888	\$(1,293)

(a) Loans 90+ days past due are also presented within the nonaccrual loan balance and within the total loan balance.

(b) The fair value of loans held-for-investment is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled, *Consumer finance receivables, net of unearned income*.

December 31, 2008 (\$ in millions)	Unpaid principal balance	Loan advances/ other	Accrued interest	Fair value allowance	Fair value
<b>Assets</b>					
Consumer finance receivables and loans, net of unearned income					
Total loans	\$ 8,735	\$ (135)	\$ 90	\$ (6,829)	\$ 1,861
Nonaccrual loans	1,695	(a)	(a)	(a)	(a)
Loans 90+ days past due (b)	1,204	(a)	(a)	(a)	(a)
<b>Liabilities</b>					
Secured debt					
On-balance sheet securitization debt	\$ (8,414)	\$ (2)	\$ (18)	\$ 6,535	\$(1,899)

(a) The fair value of loans held-for-sale is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled, *Consumer finance receivables, net of unearned income*.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and within the total loan balance.

## Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is

# Notes to Consolidated Financial Statements

internally derived based upon appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein is based on information available at December 31, 2009 and 2008. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been updated since those dates; therefore, the current estimates of fair value at dates after December 31, 2009 and 2008, could differ significantly from these amounts.

December 31, (\$ in millions)	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Trading securities	\$ 739	\$ 739	\$ 1,207	\$ 1,207
Investment securities	12,158	12,158	6,237	6,237
Loans held-for-sale (a)	20,625	19,855	7,919	8,182
Finance receivables and loans, net	75,256	72,213	98,295	92,681
Derivative assets	2,654	2,654	5,014	5,014
Derivative collateral placed with counterparties (b)	845	845	—	—
Interests retained in securitization trusts	471	471	1,001	1,001
<b>Financial liabilities</b>				
Debt (c)	\$ 98,819	\$ 95,588	\$ 126,771	\$ 106,119
Deposit liabilities (d)	30,549	30,795	19,221	19,298
Derivative liabilities	1,895	1,895	2,653	2,653

(a) The balance includes options to repurchase delinquent assets from certain off-balance securitizations and agency whole-loan sales. We are not exposed to the losses on these delinquent loans, unless we exercise the repurchase option. Until we exercise the option, the carrying value of these loans equals the unpaid principal balance and the fair value is based on internal valuation models. As a result, the carrying value (or unpaid principal balance) is greater than the fair value due to the underlying characteristics of the loans.

(b) Represents collateral in the form of investment securities.

(c) Debt includes deferred interest for zero-coupon bonds of \$506 million and \$450 million as of December 31, 2009 and 2008, respectively.

(d) The carrying value and fair value amounts exclude dealer deposits.

The following describes the methodologies and assumptions used to determine fair value for the respective classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market is not active and a transaction is not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not forced liquidation or distressed sale.

- **Trading securities** — Refer to the previous section of this note titled *Trading securities* for a description of the methodologies and assumptions used to determine fair value.
- **Investment securities** — Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous section of this note titled *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. The fair value of the held-to-maturity investment securities is based on valuation models using market-based assumption.
- **Loans held-for-sale** — Refer to the previous sections of this note also titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine fair value.
- **Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach). The carrying value of wholesale receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because

# Notes to Consolidated Financial Statements

of the short-term nature or because of the interest rate adjustment feature. The fair value of wholesale receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach or an in-use premise to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the previous section in this note titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- **Derivative assets and liabilities** — Refer to the previous section of this note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.
- **Derivative collateral placed with counterparties** — Derivative collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this note titled *Investment securities* for additional information.
- **Interests retained in securitization trusts** — Interest retained in securitization trusts are carried at fair value. Refer to the previous sections of this note titled *Interests retained in securitization trusts* for a description of the methodologies and assumptions used to determine fair value.
- **Debt** — The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.
- **Deposit liabilities** — Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

## 28. Variable Interest Entities

The following describes the VIEs that we have consolidated or in which we have a significant variable interest. We have certain secured funding arrangements that are structured through consolidating entities, as described in further detail in Note 16.

- **On-balance sheet securitization trusts** — We have certain securitization transactions that are not qualifying special-purpose entities (QSPEs) and are VIEs. We typically hold the first loss position in these securitization transactions and, as a result, anticipate absorbing the majority of the expected losses of the VIE. Accordingly, we are the primary beneficiary; thus, we have consolidated these securitization trusts entities. The assets of the consolidated securitization trusts totaled \$38.4 billion and \$49.9 billion at December 31, 2009 and 2008, respectively. The majority of the assets are included as finance receivables and loans, net of unearned interest, on the Consolidated Balance Sheet. The liabilities of these securitization trust entities totaled \$28.9 billion and \$39.0 billion at December 31, 2009 and 2008, respectively. The majority of these liabilities were included as secured debt on the Consolidated Balance Sheet.

The nature of, purpose of, activities of, and our continuing involvement with the consolidated securitization trusts are virtually identical to those of our off-balance sheet securitization trusts, which are discussed in Note 10. The assets of the securitization trusts generally are the sole source of repayment on the securitization trusts' liabilities. The creditors of the securitization trusts do not have recourse to our general credit with the exception of the customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions.

# Notes to Consolidated Financial Statements

During 2009, we executed an amendment to a wholesale automotive securitization transaction that was previously classified as a QSPE and, therefore, was not consolidated. The amendment contractually required us to deposit additional cash into a collateral account held by the trust. Management determined the amendment caused the trust to no longer be classified as a QSPE. As a result, the trust became a consolidated entity.

- **Mortgage warehouse funding** — We transfer international residential mortgage loans into SPEs to obtain funding. The facilities have advance rates less than 100% of the pledged asset values, and in certain cases, we have provided a subordinated loan to the facility to serve as additional collateral. For certain facilities, we provide an unconditional guarantee of the entity's repayment on the related debt to the facility that provides the facility provider with recourse to our general credit. We continue to service the assets within the mortgage warehouse facilities.

The over-collateralization and the subordinated loan support the liability balance and are the primary source of repayment of the entities' liabilities. Assets can be sold from the facilities so long as we support the minimum cash reserve under the borrowing base should the eligibility/concentration limit of the remaining assets require it. We are entitled to excess cash flows generated from the assets beyond those necessary to pay the facility during a particular period; therefore, we hold an economic residual. There are no other forms of support that we provide to the SPE beyond the assets (over-collateralization and subordinated loan) initially provided and the guarantee of the entities' performance.

Due to the subordinated loan and the guarantee, we anticipate absorbing the majority of the expected losses of the VIE. Accordingly, we are the primary beneficiary and thus have consolidated these entities.

The assets of these residential mortgage warehouse entities totaled \$264 million, and liabilities totaled \$400 million at December 31, 2009. At December 31, 2008, the assets of these residential mortgage warehouse entities totaled \$1.4 billion, and liabilities totaled \$1.5 billion. The majority of the assets and liabilities are included in loans held-for-sale or assets of operations held-for-sale and secured debt, respectively, on the Consolidated Balance Sheet. The creditors of these VIEs do not have legal recourse to our general credit.

- **Model home financings** — In June 2008, Cerberus purchased certain assets of our Mortgage operations with a carrying value of approximately \$480 million for consideration consisting of \$230 million in cash and Series B junior preferred membership interests in the newly formed entity, CMH, which is not a subsidiary of our Mortgage operations and the managing member of which is an affiliate of Cerberus. CMH purchased model home and lot option assets from our Mortgage operations.

In conjunction with this agreement, Cerberus entered into a term loan and a revolving loan with CMH. The term loan principal amount was \$230 million, and the revolving loan maximum amount was \$10 million. Both loans had a five-year term and a 15% interest rate. The term loan and related interest are paid from the dispositions of the model homes and lot options.

The term loan and interest due are repaid out of the dispositions of the models after CMH has repaid the loan and paid the accrued interest. Cash is distributed in the following order: (1) to the Class A senior preferred member all unreturned preferred capital including a preferred return equal to 20% of total cash outlay less the aggregate amount of interest payments made, (2) to the Class B junior preferred member all unreturned preferred capital including a preferred return equal to 20% of the initial Class B capital account, (3) to the Class B member until all reimbursable costs have been returned, and (4) to the common unit member (Cerberus). Based on the market conditions and market valuation adjustments, there is a risk that our Mortgage operations will not receive all of its Tier 2 payments.

As of June 30, 2009, Cerberus was repaid in full under the term loan and was paid their preferred return on Class A Senior Preferred Capital.

We consolidate CMH as we hold all the remaining interests in CMH and are, therefore, the primary beneficiary. The assets of CMH were \$55 million and \$186 million as of December 31, 2009 and 2008, respectively, and were included in other assets on the Consolidated Balance Sheet. The liabilities of CMH were less



# Notes to Consolidated Financial Statements

than \$1 million and \$47 million as of December 31, 2009 and 2008, respectively, which were classified as debt and accrued expenses and other liabilities on the Consolidated Balance Sheet. The beneficial interest holders of this VIE do not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support or any type of support to the entity during the year ended December 31, 2009.

We continue to service, account for, market, and sell the assets without a servicing fee. However, we do receive reimbursement of expenses directly related to the assets such as property taxes and other direct out-of-pocket expenses. This VIE does not conduct new business; therefore, no new assets were transferred into CMH.

- **Servicing funding** — To assist in the financing of our servicing advance receivables, our Mortgage operations formed an SPE that issues term notes to third-party investors that are collateralized by servicing advance receivables. These servicing advance receivables are transferred to the SPE and consist of delinquent principal and interest advances made by our Mortgage operations, as servicer, to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our Mortgage operations. Management determined that we are the primary beneficiary of the SPE and therefore consolidated the entity. The assets of this entity totaled \$1.4 billion and \$1.2 billion as of December 31, 2009 and 2008, respectively, which are included in other assets on the Consolidated Balance Sheet. The liabilities of this entity totaled \$1.4 billion at December 31, 2009, consisting of \$700 million in third-party term notes that are included in debt on the Consolidated Balance Sheet, and \$677 million in affiliate payables to our Mortgage operations, which are eliminated in consolidation. The liabilities of this entity totaled \$1.2 billion at December 31, 2008, consisting of \$700 million in third-party term notes that are included in debt on the Consolidated Balance Sheet and \$507 million in affiliate payables to our Mortgage operations that are eliminated in consolidation. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the year ended December 31, 2009.
- **Commercial Finance receivables** — We transfer asset-backed lending receivables and commercial trade receivables into bank-sponsored multiseller commercial paper conduits. These conduits provide a funding source to us (and to other transferors into the conduit) as they fund the purchase of the receivables through the issuance of commercial paper. Total assets and liabilities outstanding in these bank-sponsored conduits approximated \$231 million and \$82 million, respectively, as of December 31, 2009. Total assets and liabilities outstanding in these bank-sponsored conduits approximated \$2.1 billion and \$781 million, respectively, as of December 31, 2008. Although we have a variable interest in these conduits, we may prepay all of the loans at our discretion at any time, and as such, on January 11, 2010, these conduits were settled and discontinued due to the availability of alternative funding.

Prior to July 21, 2009, we also had a facility in which we transferred commercial-lending receivables to a 100% owned SPE that, in turn, issued notes to third-party financial institutions, our Commercial Finance Group, and asset-backed commercial paper conduits. The SPE funded the purchase of receivables from us with cash obtained from the sale of notes. Management determined we were the primary beneficiary of the SPE and therefore consolidated the entity. Additionally, beneficial interest holders of this variable interest entity did not have legal recourse to our general credit. On July 21, 2009, this facility was settled and discontinued due to the availability of alternative funding. As a result, there were no remaining assets or liabilities included in our Consolidated Balance Sheet as of December 31, 2009. As of December 31, 2008, the assets and liabilities of the SPE totaled \$2.2 billion and \$1.1 billion respectively, and they were included in finance receivables and loans, net of unearned income, on our Consolidated Balance Sheet.

- **Preferred Blocker Inc.** — In connection with the fourth quarter 2008 private debt exchange, we transferred GMAC Preferred Membership Interests (the Blocker Preferred) to Preferred Blocker Inc. (Blocker), a newly formed taxable C-corporation. Blocker was established for the sole purpose of investing in the Blocker Preferred and financing them through the issuance of preferred stock (the Blocker Preferred Stock) to third-party investors in

# Notes to Consolidated Financial Statements

connection with the December 2008 private debt exchange. Blocker did not engage in any business activities, hold any assets, or incur any liabilities other than in connection with the issuance and maintenance of Blocker Preferred Stock. In connection with the arrangement described above, GMAC held 5,000,000 shares of Blocker common stock with a par value of \$0.01. Additionally, we were bound by a Keep-Well Agreement with Blocker in which we were required to make payment to Blocker in the event that Blocker's expenses, primarily its income tax expense, were greater than the dividend spread between the Blocker Preferred (11.86% dividend rate per annum) and the Blocker Preferred Stock (7% dividend rate per annum). Due to the spread in rates, Blocker's tax rate would have to have exceeded 41.0% before we would have been required to make payment under the Keep-Well Agreement. Since this rate is in excess of common corporate taxable rates, the potential for loss under the agreement was considered remote, unless corporate tax rates increased. Although we held these variable interests in Blocker, we were not considered to be the primary beneficiary as we did not retain the majority of the expected losses or returns. Blocker was a wholly owned nonconsolidated subsidiary of GMAC. In connection with GMAC's June 30, 2009, conversion from a limited liability company to a corporation, effective October 15, 2009, Blocker was merged with and into GMAC with GMAC continuing as the surviving entity. The Blocker Preferred Stock was required by its terms to be converted into or exchanged for preferred stock of GMAC. As such, the Blocker Preferred Stock was converted into the right to receive an equal number of newly issued shares of GMAC's 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G, which has substantially the same rights, preferences, and economic benefits as previously provided to the holders of the Blocker Preferred Stock. The Blocker Preferred, held by Blocker, was canceled and returned to authorized but unissued status. Additionally, the Keep-Well Agreement was terminated in accordance with its terms.

## 29. Segment and Geographic Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

### Change in Reportable Segment Information

As a result of a change in management's view of our operations, we have changed the presentation and profit measures of our reportable operating segments as of December 31, 2009. These changes include the following:

- We presented our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations reportable operating segments under the new collective business description, Global Automotive Services. Previously our North American Automotive Finance operations and International Automotive Finance operations reportable operating segments were collectively described as our Global Automotive Finance operations. The combination of these three reportable operating segments under the Global Automotive Services description is consistent with the organizational alignment of these businesses and management's current view of the automotive finance and insurance businesses.
- We have implemented a funds-transfer-pricing (FTP) methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our asset liability management (ALM) practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other as summarized below.

We may periodically refine our segment reporting methodology as our management reporting practices and businesses change. Amounts for 2008 and 2007 have been reclassified to conform to the current management view.

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Financial information for our reportable operating segments is summarized as follows:

Year ended December 31, (\$ in millions)	Global Automotive Services (a)						Consolidated (e)
	North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Mortgage operations (c)	Corporate and Other (d)		
<b>2009</b>							
Net financing revenue (loss)	\$ 3,202	\$ 738	\$ —	\$ 568	\$ (2,388)	\$ 2,120	
Other revenue	757	281	2,271	378	740	4,427	
Total net revenue (loss)	3,959	1,019	2,271	946	(1,648)	6,547	
Provision for loan losses	611	237	—	4,272	491	5,611	
Other noninterest expense	1,596	910	1,942	2,939	478	7,865	
Income (loss) from continuing operations before income tax expense (benefit)	1,752	(128)	329	(6,265)	(2,617)	(6,929)	
Income tax expense (benefit) from continuing operations	1,206	112	57	(226)	(1,072)	77	
Net income (loss) from continuing operations	546	(240)	272	(6,039)	(1,545)	(7,006)	
Loss from discontinued operations, net of tax	—	(325)	(711)	(2,234)	(22)	(3,292)	
Net income (loss)	\$ 546	\$ (565)	\$ (439)	\$ (8,273)	\$ (1,567)	\$ (10,298)	
Total assets	\$ 68,282	\$ 21,802	\$ 10,614	\$ 38,894	\$ 32,714	\$ 172,306	
<b>2008</b>							
Net financing revenue (loss)	\$ 1,646	\$ 908	\$ —	\$ 361	\$ (1,960)	\$ 955	
Other revenue	1,066	389	2,961	1,449	9,423	15,288	
Total net revenue	2,712	1,297	2,961	1,810	7,463	16,243	
Provision for loan losses	1,198	204	—	1,690	10	3,102	
Impairment of goodwill and other intangible assets	14	—	—	—	2	16	
Other noninterest expense	1,707	957	2,462	2,728	500	8,354	
(Loss) income from continuing operations before income tax expense (benefit)	(207)	136	499	(2,608)	6,951	4,771	
Income tax expense (benefit) from continuing operations	88	20	112	(76)	(275)	(131)	
Net (loss) income from continuing operations	(295)	116	387	(2,532)	7,226	4,902	
(Loss) income from discontinued operations, net of tax	—	(37)	72	(3,055)	(14)	(3,034)	
Net (loss) income	\$ (295)	\$ 79	\$ 459	\$ (5,587)	\$ 7,212	\$ 1,868	
Total assets	\$ 71,981	\$ 29,290	\$ 12,013	\$ 44,763	\$ 31,429	\$ 189,476	

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Year ended December 31, (\$ in millions)	Global Automotive Services (a)					Corporate and Other (d)	Consolidated (e)
	North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Mortgage operations (c)			
<b>2007</b>							
Net financing revenue (loss)	\$ 3,421	\$ 902	\$ —	\$ 900	\$ (1,502)	\$ 3,721	
Other revenue (loss)	1,531	424	3,164	1,060	(10)	6,169	
Total net revenue (loss)	4,952	1,326	3,164	1,960	(1,512)	9,890	
Provision for loan losses	390	113	—	2,526	10	3,039	
Impairment of goodwill and other intangible assets	—	—	—	385	—	385	
Other noninterest expense	1,539	755	2,618	2,725	194	7,831	
Income (loss) from continuing operations before income tax expense (benefit)	3,023	458	546	(3,676)	(1,716)	(1,365)	
Income tax expense (benefit) from continuing operations	490	105	170	120	(371)	514	
Net income (loss) from continuing operations	2,533	353	376	(3,796)	(1,345)	(1,879)	
Income (loss) from discontinued operations, net of tax	—	27	83	(583)	20	(453)	
Net income (loss)	\$ 2,533	\$ 380	\$ 459	\$ (4,379)	\$ (1,325)	\$ (2,332)	
Total assets	\$ 85,191	\$ 36,066	\$ 13,770	\$ 81,307	\$ 32,605	\$ 248,939	

- (a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.
- (b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.
- (c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
- (d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, net impact from ALM activities, and reclassifications and eliminations between the reportable operating segments. At December 31, 2009, total assets were \$3.3 billion for the Commercial Finance Group.
- (e) Net financing revenue after the provision for loan losses totaled \$(3,491) million, \$(2,147) million, and \$682 million in 2009, 2008, and 2007, respectively.

# Notes to Consolidated Financial Statements

Information concerning principal geographic areas was as follows:

Year ended December 31, (\$ in millions)	Revenue (a)	Long-lived assets (b)
<b>2009</b>		
Canada	\$ 654	\$ 3,985
Europe	921	906
Latin America	761	33
Asia-Pacific	(55)	8
Total foreign	2,281	4,932
Total domestic	4,266	11,399
Total	\$ 6,547	\$ 16,331
<b>2008</b>		
Canada	\$ (116)	\$ 6,211
Europe	1,236	2,349
Latin America	1,026	167
Asia-Pacific	(6)	179
Total foreign	2,140	8,906
Total domestic	14,103	17,915
Total	\$ 16,243	\$ 26,821
<b>2007</b>		
Canada	\$ 434	\$ 9,861
Europe	931	2,725
Latin America	1,006	186
Asia-Pacific	25	238
Total foreign	2,396	13,010
Total domestic	7,494	19,897
Total	\$ 9,890	\$ 32,907

(a) Revenue consists of net financing revenue (loss) and total other revenue as presented in our Consolidated Statement of Income.

(b) Consists of investment in operating leases, net, and net property and equipment.

## 30. Guarantees, Commitments, Contingencies, and Other Risks

### Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. The following summarizes our outstanding guarantees made to third parties on our Consolidated Balance Sheet, for the periods shown.

December 31, (\$ in millions)	2009		2008	
	Maximum liability	Carrying value of liability	Maximum liability	Carrying value of liability
Letters of credit	\$ 395	\$ 21	\$ 467	\$ 10
Agency loan	1,208	56	4,369	—
Guarantees for repayment of third-party debt	782	—	717	3
Credit enhancement guarantees	192	4	111	1
Default repurchases	699	81	674	7
Capmark guarantees	177	47	195	—
Trust preferred securities	2,670	—	—	—
Other guarantees	40	25	40	13

# Notes to Consolidated Financial Statements

## Letters of Credit

Our Commercial Finance Group issues both trade and standby letters of credit to clients that represent irrevocable guarantees of payment of specified financial obligations. Trade letters of credit issued to our clients are primarily used as payment methods to support their buying and selling of merchandise with third-party beneficiaries. These are utilized primarily for the importation and exportation of goods. Standby letters of credit represent our various contingent liabilities in the event our client defaults on an obligation with the third-party beneficiaries. Standby letters of credit are primarily utilized by third-party beneficiaries as insurance in the event of nonperformance by our client. Letters of credit are generally collateralized by assets of the client (i.e., trade receivables, inventory, and cash deposits). Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit.

If nonperformance by a client occurs for letters of credit, we can be liable for payment of the letter of credit to the beneficiary with our likely recourse being a charge back to the client. The majority of clients with whom we have letter of credit exposure fall into the “acceptable” risk-rating category of our Commercial Finance Group’s internal risk-rating system. This category is essentially at the midpoint of our risk rating classifications. While the overall credit of a borrower in this category is considered “acceptable,” a higher degree of risk may be evident. The borrower assessment factors may have elements that reflect marginally acceptable conditions warranting a more careful review, analysis, and monitoring. Additionally, tighter terms, covenants, or greater collateral protection may be necessary to help mitigate the risks associated with the financial condition of a borrower in this category.

In addition, our Mortgage operations issue financial standby letters of credit as part of its warehouse and construction-lending activities. Expiration dates on the letter of credit range from 2010 to ongoing commitments and are generally collateralized by borrower assets.

## Agency Loan Program

Our Mortgage operations deliver loans to certain agencies that allow streamlined loan processing and limited documentation requirements. The majority of these loans are originated under an employee benefit plan available to GM and GMAC employees. In the event any loans delivered under these programs reach a specified delinquency status, we may be required to provide certain documentation or, in some cases, repurchase the loan or indemnify the investors for any losses sustained. Each program includes termination features whereby once the loan has performed satisfactorily for a specified time we are no longer obligated under the program. The maximum liability represents the principal balance for loans sold under these programs.

## Guarantees for Repayment of Third-party Debt

Under certain arrangements, our International Automotive Finance operations guarantee the repayment of third-party debt obligations in the case of default. These guarantees are collateralized by retail loans or finance leases.

Our Commercial Finance Group provides credit protection to customers that guarantee payments of specified financial obligations of third-party beneficiaries without purchasing the obligations. These obligations primarily represent customer receivables due to certain of our factoring clients. While most of the specific receivables for which we provide guarantees are collected within 60 days, these arrangements are typically ongoing in nature. In the event a customer fails to perform on an obligation, we can be liable for payment of the obligation to the client. The majority of customers that we guarantee fall into the “acceptable” risk-rating category or higher on our Commercial Finance Group’s internal risk-rating system. The acceptable rating category is described further in the Letters of credit section above.

## Credit Enhancement Guarantees

Our Mortgage operations have sold certain mortgage loans to investors that contain a guarantee for the payment of third-party debt in the event of default or loss.

## Default Repurchases

Our International Automotive Finance operations provide certain investors in our on- and off-balance sheet arrangements (securitizations) and whole-loan transactions with repurchase commitments for loans that become contractually delinquent

# Notes to Consolidated Financial Statements

within a specified period of time from their date of origination or purchase. The maximum obligation represents the principal balance for loans sold that are covered by these stipulations. Refer to Note 10 and Note 28 for further information regarding our securitization trusts.

## Capmark Guarantees

Capmark Financial Group Inc. (Capmark) is a commercial real estate finance company formed in 2006 as a result of the sale of our former commercial mortgage operations. In connection with this sale, we retained certain guarantees related to Low Income Housing Tax Credit (LIHTC) investment funds that Capmark sponsored that provided certain minimum yield guarantees to investors in the LIHTC funds. Under the terms of the guarantee arrangements, we are indemnified by Capmark for payments made or liabilities incurred by us in connection with these guarantees. On October 25, 2009, Capmark announced that it and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. As a result of the Capmark bankruptcy filing during the fourth quarter of 2009, we recorded a liability for the guarantee arrangement of \$47 million as of December 31, 2009.

## Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with the Treasury and GMAC Capital Trust I, a Delaware statutory trust (the Trust) established by GMAC. As part of the agreement, the Trust sold to the Treasury 2,540,000 trust preferred securities issued by the Trust with an aggregate liquidation preference of \$2.5 billion. Additionally, we issued and sold to the Treasury a ten-year warrant to purchase up to 127,000 additional trust preferred securities with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security, which the Treasury immediately exercised in full. We fully and unconditionally guarantee, on a subordinated basis, for the benefit of the holders of the trust preferred securities, the payment of certain amounts due on the trust preferred securities to the extent not paid by or on behalf of the Trust. Our maximum exposure is the equivalent of the unpaid amount of our 8.00% junior subordinated unsecured debentures (the Debentures) that the Trust purchased from us with the proceeds from the sale of the trust preferred securities. The trust preferred securities have no stated maturity date but must be redeemed upon the redemption or maturity (February 15, 2040) of the Debentures.

## Other Guarantees

We have other standard indemnification clauses in certain of our funding arrangements that would require us to pay lenders for increased costs resulting from certain changes in laws or regulations. Since any changes would be dictated by legislative and regulatory actions, which are inherently unpredictable, we are not able to estimate a maximum exposure under these arrangements. To date, we have not made any payments under these indemnification clauses.

Our Mortgage operations have guaranteed certain amounts related to servicing advances.

In connection with the fourth quarter 2008 private debt exchange, we transferred GMAC Preferred Membership Interests to Preferred Blocker Inc. (Blocker), a newly formed taxable C-corporation. Blocker was established for the sole purpose of investing in a series of GMAC Preferred Membership Interests and financing it through the issuance of Blocker Preferred Stock to third-party investors in connection with the private debt exchange. We were bound by a Keep-Well Agreement with Blocker in which we were required to make payment to Blocker in the event that Blocker's expenses, primarily its income tax expense, were greater than the dividend spread between the GMAC Preferred Membership Interests (11.86% dividend rate per annum) and the Blocker Preferred Stock (7% dividend rate per annum). In connection with GMAC's June 30, 2009, conversion from a limited liability company to a corporation, effective October 15, 2009, Blocker was merged with and into GMAC with GMAC continuing as the surviving entity. No liability was reflected on our Consolidated Balance Sheet as of December 31, 2009, as the Keep-Well Agreement was terminated in accordance with its terms. No liability was reflected on our Consolidated Balance Sheet as of December 31, 2008, because the potential for loss under the Keep-Well Agreement was considered remote. Refer to Note 28 for additional information.

# Notes to Consolidated Financial Statements

## Commitments

### Financing Commitments

The contract amount and gain and loss positions of financial commitments were as follows:

December 31, (\$ in millions)	2009			2008		
	Contract amount	Gain position	Loss position	Contract amount	Gain position	Loss position
<b>Commitments to</b>						
Originate/purchase mortgages or securities (a)	\$ 9,193	\$ 25	\$ (39)	\$ 4,837	\$ 47	\$ (1)
Sell mortgages or securities (a)	10,465	125	(5)	5,032	135	(46)
Sell retail automotive receivables (b)	4,807	—	—	7,933	—	—
Provide capital to investees (c)	145	—	—	223	—	—
Fund construction lending (d)	—	—	—	10	—	—
Unused mortgage-lending commitments (e)	1,291	—	—	1,273	—	—
Home equity lines of credit (f)	2,972	—	—	4,300	—	—
Unused revolving credit line commitments (g)	3,006	—	—	4,093	—	—

- (a) The fair value is estimated using published market information associated with commitments to sell similar instruments. Included as of December 31, 2009 and 2008, are commitments accounted for as derivatives with a contract amount of \$19,600 million and \$9,840 million, a gain position of \$150 million and \$182 million, and a loss position of \$44 million and \$46 million, respectively.
- (b) We have entered into agreements with third-party banks to sell automotive retail receivables in which we transfer all credit risk to the purchaser (whole-loan sales).
- (c) We are committed to lend equity capital to certain private equity funds. The fair value of these commitments is considered in the overall valuation of the underlying assets with which they are associated.
- (d) We are committed to fund the completion of the development of certain lots and model homes up to the amount of the agreed upon amount per project.
- (e) The fair value of these commitments is considered in the overall valuation of the related assets.
- (f) We are committed to fund the remaining unused balances on home equity lines of credit. The unused lines of credit reset at prevailing market rates and, as such, approximate market value. Included in the home equity lines of credit are both lines of credit on our Consolidated Balance Sheet and those within certain off-balance sheet securitizations. As provided by the securitization structure, we become obligated to fund any incremental draws, subject to customary borrower requirements, on home equity lines of credit by borrowers if certain triggers are met. These draws are referred to as excluded amounts and are funded directly to the borrower by us. In return, our lending balances are collected from an allocated portion of the remitted funds of all the borrowers within the trusts. We actively manage the available lines of credit within these trusts to reduce this potential funding risk. At December 31, 2009, the cumulative funds drawn were \$397 million, which we classified as finance receivables and loans, net of unearned income, on the Consolidated Balance Sheet. These receivables are subject to allowance for loan losses. At December 31, 2009, the commitments to fund home equity lines of credit in off-balance sheet securitizations represented \$1.3 billion of the total unfunded commitments of \$3.0 billion.
- (g) The unused portion of revolving lines of credit reset at prevailing market rates and, as such, approximate market value.

The mortgage-lending and revolving credit line commitments contain an element of credit risk. Management reduces its credit risk for unused mortgage-lending and unused revolving credit line commitments by applying the same credit policies in making commitments as it does for extending loans. We typically require collateral as these commitments are drawn.

### Lease Commitments

Future minimum rental payments required under operating leases, primarily for real property, with noncancelable lease terms expiring after December 31, 2009, are as follows:

Year ended December 31, (\$ in millions)	
2010	\$ 117
2011	94
2012	81
2013	66
2014	51
2015 and thereafter	118
<b>Total minimum payment required</b>	<b>\$527</b>



# Notes to Consolidated Financial Statements

Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$104 million, \$189 million, and \$227 million in 2009, 2008, and 2007.

## Contractual Commitments

We have entered into multiple agreements for information technology, marketing and advertising, and voice and communication technology and maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions. Future payment obligations under these agreements totaled \$787 million and are due as follows: \$322 million in 2010, \$293 million in 2011 and 2012, \$164 million in 2013 and 2014, and \$8 million in 2015 and thereafter.

## Automotive Service and Maintenance Contract Commitments

Automotive service contract programs provide consumers with expansions and extensions of vehicle warranty coverage for specified periods of time and mileages. The coverage generally provides for the repair or replacement of components in the event of failure. The terms of these contracts, which are sold through automobile dealerships and direct mail, range from 3 to 120 months.

The following table presents an analysis of activity in unearned service contract revenue.

Year ended December 31, (\$ in millions)	2009	2008
Balance at beginning of year	\$ 2,609	\$ 2,947
Written service contract revenue	685	964
Earned service contract revenue	(1,138)	(1,295)
Revenue reclassified to discontinued operations	(2)	(1)
Foreign currency translation effect	3	(6)
Liability reclassified to held-for-sale	(6)	—
Balance at end of year	\$ 2,151	\$ 2,609

## Legal Contingencies

We are subject to potential liability under laws and government regulations and various claims and legal actions that are pending or may be asserted against us.

We are named as defendants in a number of legal actions and are, from time to time, involved in governmental proceedings arising in connection with our various businesses. Some of the pending actions purport to be class actions. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims. Based on information currently available, advice of counsel, available insurance coverage, and established reserves, it is the opinion of management that the eventual outcome of the actions against us will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

## Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the item becomes probable and the costs can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

# Notes to Consolidated Financial Statements

## Other Risks

### Concentration Risk

#### Consumer

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans are in California and Texas, which represent an aggregate of 15% of our total outstanding consumer loans.

Concentrations in our mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Arizona receive particular attention as their real estate value depreciation has been the most severe. The asset reclassifications to held-for-sale significantly reduced our concentrations in those real estate markets.

Our foreign automotive finance receivables and loans outstanding are heavily concentrated in Canada and Germany, representing 20% and 13%, respectively, of total consumer automotive loans outstanding.

The following table shows held-for-investment consumer finance receivables and loans reported at gross carrying value by state and foreign concentration.

December 31,	2009		2008	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
California	2.7%	23.3%	2.8%	19.8%
Texas	7.5	2.9	8.3	1.9
Florida	2.1	4.4	2.0	5.3
Illinois	1.9	4.4	2.0	3.4
New York	2.4	2.9	3.3	3.1
Michigan	1.4	5.4	0.9	4.4
Pennsylvania	2.4	1.8	2.5	1.7
Virginia	0.8	5.5	0.8	4.3
Arizona	0.8	4.0	0.9	3.6
Maryland	0.7	4.4	0.7	3.5
Other United States	18.7	37.4	18.6	29.5
Canada	20.1	3.6	16.7	0.8
Germany	13.3	—	12.5	6.9
Brazil	6.8	—	4.3	—
Other foreign	18.4	—	23.7	11.8
<b>Total consumer loans</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The following table includes our five largest state and foreign concentrations based on our higher risk held-for-investment loans reported at gross carrying value as of December 31, 2009.

December 31, 2009 (\$ in millions)	High original loan-to-value (greater than 100%) mortgage loans	Payment-option adjustable-rate mortgage loans	Interest-only mortgage loans	Below market rate (teaser) mortgages	All higher risk loans
	California	\$ 1	\$ 2	\$ 1,128	\$ 102
Virginia	—	—	397	13	410
Maryland	—	—	309	8	317
Michigan	—	—	259	11	270
Illinois	—	—	230	9	239
All other domestic and foreign	6	5	2,023	188	2,222
<b>Total</b>	<b>\$ 7</b>	<b>\$ 7</b>	<b>\$ 4,346</b>	<b>\$ 331</b>	<b>\$ 4,691</b>

# Notes to Consolidated Financial Statements

## Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to developers, homebuilders and commercial real estate firms. The following table shows held-for-investment commercial real estate loans reported at gross carrying value by geographic region and property type.

December 31,	2009	2008
<b>Geographic region</b>		
Florida	11.8%	11.6%
Texas	11.2	13.8
California	9.8	16.2
Michigan	8.5	5.4
Virginia	3.9	3.7
New York	3.7	3.7
Pennsylvania	3.4	2.1
Oregon	2.1	0.8
Alabama	2.1	1.2
Georgia	2.1	2.5
Other United States	26.2	28.5
United Kingdom	7.3	4.5
Canada	4.3	4.1
Germany	0.6	—
Other foreign	3.0	1.9
<b>Total outstanding commercial real estate loans</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Property type</b>		
Automobile dealers	84.3%	51.9%
Land and land development	5.7	42.4
Apartments	2.9	2.8
Residential	2.7	2.9
Other	4.4	—
<b>Total outstanding commercial real estate loans</b>	<b>100.0%</b>	<b>100.0%</b>

## Commercial Criticized Exposure

Exposures deemed criticized represent loans that are classified by regulatory authorities as special mention, substandard, or doubtful. The following table shows industry concentrations for held-for-investment commercial criticized loans reported at gross carrying value.

December 31,	2009	2008
<b>Industry</b>		
Automotive	50.1%	60.5%
Resort finance	17.1	—
Health/medical	7.9	4.4
Real estate	6.1	25.5
Manufacturing	3.2	0.6
Retail	2.7	1.7
Services	2.2	0.4
Banks and finance companies	2.0	3.1
All other	8.7	3.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

# Notes to Consolidated Financial Statements

## Loan Repurchases and Obligations Related to Loan Servicing

When our Mortgage operations sell loans through whole-loan, agency sales or securitizations, we are required to provide representations and warranties about the loans to the purchaser or securitization trust. Upon discovery of a breach of a representation, we will either correct the loans in a manner conforming to the provisions of the sale agreement, replace the loans with similar loans that conform to the provisions, or purchase the loans at a price determined by the related transaction documents, consistent with industry practice. We purchased \$857 million in mortgage loans under these provisions during 2009 and \$988 million in 2008. In addition, we have a reserve for expected future losses in connection with these activities totaling \$1.2 billion and \$225 million at December 31, 2009 and 2008 respectively. Refer to Note 10 and Note 28 for further information regarding our securitization trusts. In addition, we are subject to various contractual obligations as a servicer of loans, and a breach of such obligations could result in potential liability.

## 31. Quarterly Financial Statements (unaudited)

<i>2009 (\$ in millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter
Net financing revenue	\$ 474	\$ 393	\$ 575	\$ 678
Total other revenue	1,250	867	1,411	899
Total net revenue	1,724	1,260	1,986	1,577
Provision for loan losses	746	1,117	680	3,068
Other noninterest expense	1,655	1,726	2,166	2,318
Loss from continuing operations before income tax (benefit) expense	(677)	(1,583)	(860)	(3,809)
Income tax (benefit) expense from continuing operations	(124)	1,096	(291)	(604)
<b>Net loss from continuing operations</b>	<b>(553)</b>	<b>(2,679)</b>	<b>(569)</b>	<b>(3,205)</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(122)</b>	<b>(1,224)</b>	<b>(198)</b>	<b>(1,748)</b>
<b>Net loss</b>	<b>\$ (675)</b>	<b>\$ (3,903)</b>	<b>\$ (767)</b>	<b>\$ (4,953)</b>
<b>2008</b>				
Net financing revenue (loss)	\$ 715	\$ 222	\$ 475	\$ (457)
Total other revenue	1,865	1,276	782	11,365
Total net revenue	2,580	1,498	1,257	10,908
Provision for loan losses	432	641	838	1,191
Impairment of goodwill	—	—	16	—
Other noninterest expense	1,846	2,136	2,455	1,917
Income (loss) from continuing operations before income tax expense (benefit)	302	(1,279)	(2,052)	7,800
Income tax expense (benefit) from continuing operations	76	5	(114)	(98)
<b>Net income (loss) from continuing operations</b>	<b>226</b>	<b>(1,284)</b>	<b>(1,938)</b>	<b>7,898</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(815)</b>	<b>(1,198)</b>	<b>(585)</b>	<b>(436)</b>
<b>Net (loss) income</b>	<b>\$ (589)</b>	<b>\$ (2,482)</b>	<b>\$ (2,523)</b>	<b>\$ 7,462</b>

## 32. Subsequent Events

### Declaration of Quarterly Dividend Payments

On January 8, 2010, the GMAC Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$0.56 per share, or a total of \$129 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 and a cash dividend of \$17.31 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G. The dividends were paid on February 15, 2010.

# Notes to Consolidated Financial Statements

## February 2010 Notes Offering

On February 12, 2010, we completed a private securities offering of \$2 billion in aggregate principal amount of GMAC senior guaranteed notes due 2015. The notes bear interest at a rate of 8.3% per annum and are unconditionally guaranteed by certain GMAC subsidiaries.

## Discontinued Operations

During the three months ended June 30, 2010, we classified the operations of our International Automotive Finance operations in Australia and Russia and our U.K. mortgage operations as discontinued. Refer to Note 2 for additional information.

The previously issued Consolidated Financial Statements, for all periods presented, have been recast, such that all the operating results for these operations were removed from continuing operations and are presented separately as discontinued, net of tax. The Notes to the Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted.

## 33. Supplemental Financial Information

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Ally Financial Inc., are Ally US LLC, IB Finance Holding Company, LLC, GMAC Latin America Holdings LLC, GMAC International Holdings B.V., and GMAC Continental LLC. The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company only basis), (ii) the combined Guarantors, (iii) the combined nonguarantor subsidiaries (all other subsidiaries), (iv) an elimination column for adjustments to arrive at the information for the parent company, Guarantors, and nonguarantors on a consolidated basis, and (v) the parent company and our subsidiaries on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

# Notes to Consolidated Financial Statements

## Condensed Consolidating Statement of Income

Year ended December 31, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 478	\$ 20	\$ 4,068	\$ —	\$ 4,566
Commercial	298	15	1,388	—	1,701
Notes receivable from General Motors	115	1	96	—	212
Intercompany	837	5	7	(849)	—
Total finance receivables and loans	1,728	41	5,559	(849)	6,479
Loans held-for-sale	238	—	209	—	447
Interest on trading securities	—	—	132	—	132
Interest and dividends on available-for-sale investment securities	—	—	234	—	234
Interest and dividends on available-for-sale investment securities — intercompany	280	—	3	(283)	—
Interest bearing cash	26	—	73	—	99
Other interest income, net	—	—	86	—	86
Operating leases	466	—	5,249	—	5,715
Total financing revenue and other interest income	2,738	41	11,545	(1,132)	13,192
<b>Interest expense</b>					
Interest on deposits	27	—	676	—	703
Interest on short-term borrowings	30	2	552	—	584
Interest on long-term debt	3,819	22	2,427	(231)	6,037
Interest on intercompany debt	(46)	10	693	(657)	—
Total interest expense	3,830	34	4,348	(888)	7,324
Depreciation expense on operating lease assets	169	—	3,579	—	3,748
Net financing (loss) revenue	(1,261)	7	3,618	(244)	2,120
Dividends from subsidiaries					
Nonbank subsidiaries	550	—	—	(550)	—
<b>Other revenue</b>					
Servicing fees	690	—	859	—	1,549
Servicing asset valuation and hedge activities, net	—	—	(1,104)	—	(1,104)
Total servicing income, net	690	—	(245)	—	445
Insurance premiums and service revenue earned	—	—	1,977	—	1,977
Gain on mortgage and automotive loans, net	10	—	801	—	811
Gain on extinguishment of debt	623	—	1,751	(1,709)	665
Other gain on investments, net	566	—	310	(545)	331
Other income, net of losses	(249)	2	1,043	(598)	198
Total other revenue	1,640	2	5,637	(2,852)	4,427
<b>Total net revenue</b>	929	9	9,255	(3,646)	6,547
<b>Provision for loan losses</b>	(148)	—	5,759	—	5,611
<b>Noninterest expense</b>					
Compensation and benefits expense	590	6	985	—	1,581
Insurance losses and loss adjustment expenses	—	—	1,042	—	1,042
Other operating expenses	714	12	5,119	(603)	5,242
Total noninterest expense	1,304	18	7,146	(603)	7,865
<b>Loss from continuing operations before income tax (benefit) expense and undistributed (loss) income of subsidiaries</b>	(227)	(9)	(3,650)	(3,043)	(6,929)
Income tax (benefit) expense from continuing operations	(24)	—	101	—	77
<b>Net loss from continuing operations</b>	(203)	(9)	(3,751)	(3,043)	(7,006)
Loss from discontinued operations, net of tax					
Undistributed (loss) income of subsidiaries	(287)	—	(3,005)	—	(3,292)
Bank subsidiary					
Nonbank subsidiaries	(1,953)	(1,953)	—	3,906	—
	(7,855)	44	—	7,811	—
<b>Net loss</b>	\$ (10,298)	\$ (1,918)	\$ (6,756)	\$ 8,674	\$ (10,298)

# Notes to Consolidated Financial Statements

Year ended December 31, 2008

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 770	\$ 20	\$ 5,378	\$ —	\$ 6,168
Commercial	173	20	2,013	—	2,206
Notes receivable from General Motors	86	1	138	—	225
Intercompany	1,079	31	200	(1,310)	—
Total finance receivables and loans	2,108	72	7,729	(1,310)	8,599
Loans held-for-sale	473	—	364	—	837
Interest on trading securities	—	—	130	(3)	127
Interest and dividends on available-for-sale investment securities	99	—	271	14	384
Interest and dividends on available-for-sale investment securities — intercompany	6	—	8	(14)	—
Interest bearing cash	136	—	240	—	376
Other interest income, net	(40)	—	362	(2)	320
Operating leases	4,238	—	3,350	(6)	7,582
Total financing revenue and other interest income	7,020	72	12,454	(1,321)	18,225
<b>Interest expense</b>					
Interest on deposits	87	—	624	—	711
Interest on short-term borrowings	270	10	1,254	3	1,537
Interest on long-term debt	3,420	16	5,378	(488)	8,326
Interest in intercompany debt	(83)	38	875	(830)	—
Total interest expense	3,694	64	8,131	(1,315)	10,574
Depreciation expense on operating lease assets	2,731	(2)	2,749	—	5,478
Impairment of investment in operating leases	915	—	303	—	1,218
Net financing (loss) revenue	(320)	10	1,271	(6)	955
Dividends from subsidiaries					
Nonbank subsidiaries	568	—	—	(568)	—
<b>Other revenue</b>					
Servicing fees	918	—	829	—	1,747
Servicing asset valuation and hedge activities, net	—	—	(263)	—	(263)
Total servicing income, net	918	—	566	—	1,484
Insurance premiums and service revenue earned	—	—	2,710	—	2,710
Gain on mortgage and automotive loans, net	(165)	—	324	—	159
Gain on extinguishment of debt	8,131	—	1,916	2,581	12,628
Other loss on investments, net	(64)	—	(1,011)	—	(1,075)
Other income, net of losses	(914)	2	1,083	(789)	(618)
Total other revenue	7,906	2	5,588	1,792	15,288
<b>Total net revenue</b>	<b>8,154</b>	<b>12</b>	<b>6,859</b>	<b>1,218</b>	<b>16,243</b>
<b>Provision for loan losses</b>					
	696	2	2,404	—	3,102
<b>Noninterest expense</b>					
Compensation and benefits expense	444	10	1,465	—	1,919
Insurance losses and loss adjustment expenses	—	—	1,402	—	1,402
Other operating expenses	1,231	3	4,701	(902)	5,033
Impairment of goodwill	—	—	16	—	16
Total noninterest expense	1,675	13	7,584	(902)	8,370
<b>Income (loss) from continuing operations before income tax expense (benefit) and undistributed loss of subsidiaries</b>					
	5,783	(3)	(3,129)	2,120	4,771
Income tax expense (benefit) from continuing operations	8	(1)	(138)	—	(131)
<b>Net income (loss) from continuing operations</b>	<b>5,775</b>	<b>(2)</b>	<b>(2,991)</b>	<b>2,120</b>	<b>4,902</b>
Income (loss) from discontinued operations, net of tax	10	—	(3,044)	—	(3,034)
Undistributed loss of subsidiaries					
Bank subsidiary	(116)	(116)	—	232	—
Nonbank subsidiaries	(3,801)	(381)	—	4,182	—
<b>Net income (loss)</b>	<b>\$ 1,868</b>	<b>\$ (499)</b>	<b>\$ (6,035)</b>	<b>\$ 6,534</b>	<b>\$ 1,868</b>

# Notes to Consolidated Financial Statements

Year ended December 31, 2007

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 2,072	\$ 17	\$ 6,948	\$ —	\$ 9,037
Commercial	657	14	2,139	—	2,810
Notes receivable from General Motors	177	—	127	—	304
Intercompany	542	25	145	(712)	—
Total finance receivables and loans	3,448	56	9,359	(712)	12,151
Loans held-for-sale	143	—	923	—	1,066
Interest on trading securities	—	—	293	—	293
Interest and dividends on available-for-sale investment securities	355	—	301	19	675
Interest and dividends on available-for-sale investment securities — intercompany	19	—	—	(19)	—
Interest bearing cash	313	—	295	—	608
Interest bearing cash — intercompany	3	—	—	(3)	—
Other interest income, net	(421)	—	915	(6)	488
Operating leases	3,248	—	3,394	(25)	6,617
Total financing revenue and other interest income	7,108	56	15,480	(746)	21,898
<b>Interest expense</b>					
Interest on deposits	172	—	472	—	644
Interest on short-term borrowings	404	13	1,821	1	2,239
Interest on long-term debt	4,151	6	6,805	(219)	10,743
Interest in intercompany debt	(19)	28	499	(508)	—
Total interest expense	4,708	47	9,597	(726)	13,626
Depreciation expense on operating lease assets	1,967	—	2,584	—	4,551
Net financing revenue	433	9	3,299	(20)	3,721
Dividends from subsidiaries					
Nonbank subsidiaries	1,189	—	—	(1,189)	—
<b>Other revenue</b>					
Servicing fees	828	—	1,309	—	2,137
Servicing asset valuation and hedge activities, net	—	—	(542)	—	(542)
Total servicing income, net	828	—	767	—	1,595
Insurance premiums and service revenue earned	—	—	2,806	—	2,806
Gain on mortgage and automotive loans, net	794	—	51	—	845
Gain on extinguishment of debt	—	—	521	42	563
Other gain (loss) on investments, net	5	—	(601)	—	(596)
Other income, net of losses	(1,437)	2	3,291	(900)	956
Total other revenue	190	2	6,835	(858)	6,169
<b>Total net revenue</b>	<b>1,812</b>	<b>11</b>	<b>10,134</b>	<b>(2,067)</b>	<b>9,890</b>
<b>Provision for loan losses</b>	<b>58</b>	<b>1</b>	<b>2,980</b>	<b>—</b>	<b>3,039</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	354	8	1,770	(2)	2,130
Insurance losses and loss adjustment expenses	—	—	1,376	—	1,376
Other operating expenses	1,091	—	4,152	(918)	4,325
Impairment of goodwill	—	—	385	—	385
Total noninterest expense	1,445	8	7,683	(920)	8,216
<b>Income (loss) from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries</b>	<b>309</b>	<b>2</b>	<b>(529)</b>	<b>(1,147)</b>	<b>(1,365)</b>
Income tax (benefit) expense from continuing operations	(18)	—	531	1	514
<b>Net income (loss) from continuing operations</b>	<b>327</b>	<b>2</b>	<b>(1,060)</b>	<b>(1,148)</b>	<b>(1,879)</b>
Income (loss) from discontinued operations, net of tax	4	—	(457)	—	(453)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	291	291	—	(582)	—
Nonbank subsidiaries	(2,954)	(3)	—	2,957	—
<b>Net (loss) income</b>	<b>\$ (2,332)</b>	<b>\$ 290</b>	<b>\$ (1,517)</b>	<b>\$ 1,227</b>	<b>\$ (2,332)</b>



# Notes to Consolidated Financial Statements

## Condensed Consolidating Balance Sheet

December 31, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 418	\$ —	\$ 1,422	\$ —	\$ 1,840
Interest bearing	339	5	12,604	—	12,948
Total cash and cash equivalents	757	5	14,026	—	14,788
Trading securities	—	—	739	—	739
Investment securities					
Available-for-sale	—	—	12,155	—	12,155
Held-to-maturity	—	—	3	—	3
Intercompany	380	—	261	(641)	—
Total investment securities	380	—	12,419	(641)	12,158
Loans held-for-sale	1,758	—	18,867	—	20,625
Finance receivables and loans, net of unearned income					
Consumer	2,804	251	39,794	—	42,849
Commercial	2,193	273	31,475	—	33,941
Notes receivable from General Motors	—	—	911	—	911
Intercompany loans to					
Bank subsidiary	5,139	—	—	(5,139)	—
Nonbank subsidiaries	16,073	83	161	(16,317)	—
Allowance for loan losses	(383)	(3)	(2,059)	—	(2,445)
Total finance receivables and loans, net	25,826	604	70,282	(21,456)	75,256
Investment in operating leases, net	1,479	—	14,516	—	15,995
Intercompany receivables from					
Bank subsidiary	1,001	—	—	(1,001)	—
Nonbank subsidiaries	178	—	198	(376)	—
Investment in subsidiaries					
Bank subsidiary	7,903	7,903	—	(15,806)	—
Nonbank subsidiaries	26,186	3,059	—	(29,245)	—
Mortgage servicing rights	—	—	3,554	—	3,554
Premiums receivable and other insurance assets	—	—	2,728	(8)	2,720
Other assets	4,443	4	16,795	(1,355)	19,887
Assets of operations held-for-sale	(324)	—	6,908	—	6,584
<b>Total assets</b>	<b>\$ 69,587</b>	<b>\$ 11,575</b>	<b>\$ 161,032</b>	<b>\$ (69,888)</b>	<b>\$ 172,306</b>
<b>Liabilities</b>					
Deposit liabilities					
Noninterest bearing	\$ —	\$ —	\$ 1,755	\$ —	\$ 1,755
Interest bearing	1,041	—	28,960	—	30,001
Total deposit liabilities	1,041	—	30,715	—	31,756
Debt					
Short-term borrowings	1,795	39	8,458	—	10,292
Long-term debt	40,888	406	46,732	(5)	88,021
Intercompany debt to					
Nonbank subsidiaries	260	163	21,702	(22,125)	—
Total debt	42,943	608	76,892	(22,130)	98,313
Intercompany payables to					
Nonbank subsidiaries	1,385	1	—	(1,386)	—
Interest payable	1,082	12	553	(10)	1,637
Unearned insurance premiums and service revenue	—	—	3,192	—	3,192
Reserves for insurance losses and loss adjustment expenses	—	—	1,215	—	1,215
Accrued expenses and other liabilities	2,297	(7)	9,452	(1,286)	10,456
Liabilities of operations held-for-sale	—	—	4,898	—	4,898
<b>Total liabilities</b>	<b>48,748</b>	<b>614</b>	<b>126,917</b>	<b>(24,812)</b>	<b>151,467</b>
<b>Total equity</b>	<b>20,839</b>	<b>10,961</b>	<b>34,115</b>	<b>(45,076)</b>	<b>20,839</b>
<b>Total liabilities and equity</b>	<b>\$ 69,587</b>	<b>\$ 11,575</b>	<b>\$ 161,032</b>	<b>\$ (69,888)</b>	<b>\$ 172,306</b>

# Notes to Consolidated Financial Statements

(\$ in millions)	December 31, 2008				
	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 898	\$ —	\$ 606	\$ —	\$ 1,504
Interest bearing	4,745	12	8,890	—	13,647
Interest bearing — intercompany	—	—	17	(17)	—
Total cash and cash equivalents	5,643	12	9,513	(17)	15,151
Trading securities					
	—	—	1,207	—	1,207
Investment securities					
Available-for-sale	1	—	6,233	—	6,234
Held-to-maturity	—	—	3	—	3
Intercompany	1,040	—	158	(1,198)	—
Total investment securities	1,041	—	6,394	(1,198)	6,237
Loans held-for-sale					
	691	—	7,228	—	7,919
Finance receivables and loans, net of unearned income					
Consumer	1,794	330	61,839	—	63,963
Commercial	3,183	313	32,614	—	36,110
Notes receivable from General Motors	—	—	1,655	—	1,655
Intercompany loans to					
Nonbank subsidiaries	18,661	246	706	(19,613)	—
Allowance for loan losses	(826)	(3)	(2,604)	—	(3,433)
Total finance receivables and loans, net	22,812	886	94,210	(19,613)	98,295
Investment in operating leases, net					
	97	—	26,293	—	26,390
Intercompany receivables from					
Nonbank subsidiaries	323	20	72	(415)	—
Investment in subsidiaries					
Bank subsidiary	3,730	3,730	—	(7,460)	—
Nonbank subsidiaries	28,131	2,546	—	(30,677)	—
Mortgage servicing rights					
	—	—	2,848	—	2,848
Premiums receivable and other insurance assets					
	—	—	4,528	(21)	4,507
Other assets					
	5,104	10	21,743	65	26,922
<b>Total assets</b>	<b>\$67,572</b>	<b>\$ 7,204</b>	<b>\$ 174,036</b>	<b>\$ (59,336)</b>	<b>\$ 189,476</b>
<b>Liabilities</b>					
Deposit liabilities					
Noninterest bearing	\$ —	\$ —	\$ 1,496	\$ —	\$ 1,496
Interest bearing	342	—	17,969	—	18,311
Total deposit liabilities	342	—	19,465	—	19,807
Debt					
Short-term borrowings	1,790	118	8,478	—	10,386
Long-term debt	39,286	385	76,264	—	115,935
Intercompany debt to					
Nonbank subsidiaries	268	418	22,545	(23,231)	—
Total debt	41,344	921	107,287	(23,231)	126,321
Intercompany payables to					
Bank subsidiary	12	—	—	(12)	—
Nonbank subsidiaries	—	2	433	(435)	—
Interest payable	906	12	605	(6)	1,517
Unearned insurance premiums and service revenue					
	—	—	4,356	—	4,356
Reserves for insurance losses and loss adjustment expenses					
	—	—	2,895	—	2,895
Accrued expenses and other liabilities					
	3,114	4	9,634	(26)	12,726
<b>Total liabilities</b>	<b>45,718</b>	<b>939</b>	<b>144,675</b>	<b>(23,710)</b>	<b>167,622</b>
<b>Total equity</b>	<b>21,854</b>	<b>6,265</b>	<b>29,361</b>	<b>(35,626)</b>	<b>21,854</b>
<b>Total liabilities and equity</b>	<b>\$67,572</b>	<b>\$ 7,204</b>	<b>\$ 174,036</b>	<b>\$ (59,336)</b>	<b>\$ 189,476</b>

# Notes to Consolidated Financial Statements

## Condensed Consolidating Statement of Cash Flows

(\$ in millions)	Year ended December 31, 2009				
	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash (used in) provided by operating activities	\$ (3,308)	\$ 25	\$ (1,299)	\$ (550)	\$ (5,132)
<b>Investing activities</b>					
Purchases of available-for-sale securities	(145)	—	(21,148)	145	(21,148)
Proceeds from sales of available-for-sale securities	89	—	10,153	(89)	10,153
Proceeds from maturities of available-for-sale securities	—	—	4,527	—	4,527
Net decrease (increase) in investment securities — intercompany	2	—	(103)	101	—
Net (increase) decrease in finance receivables and loans	(363)	118	14,504	—	14,259
Proceeds from sales of finance receivables and loans	446	—	(186)	—	260
Change in notes receivable from GM	—	—	803	—	803
Net (increase) decrease in loans — intercompany	(2,551)	163	(261)	2,649	—
Net (increase) decrease in operating lease assets	(1,519)	—	7,399	—	5,880
Capital contributions to subsidiaries	(8,092)	(6,052)	—	14,144	—
Returns of contributed capital	706	—	—	(706)	—
Sale of business unit, net	—	—	296	—	296
Other, net	(64)	(1)	2,163	—	2,098
Net cash (used in) provided by investing activities	(11,491)	(5,772)	18,147	16,244	17,128
<b>Financing activities</b>					
Net change in short-term debt — third party	6	(78)	(266)	—	(338)
Net increase in bank deposits	—	—	10,703	—	10,703
Proceeds from issuance of long-term debt — third party	9,641	128	20,821	89	30,679
Repayments of long-term debt — third party	(8,831)	(107)	(52,410)	(145)	(61,493)
Net change in debt — intercompany	(7)	(255)	2,995	(2,733)	—
Proceeds from issuance of common members' interests	1,247	—	—	—	1,247
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	8,750	—	—	—	8,750
Dividends paid — third party	(1,592)	—	—	—	(1,592)
Dividends paid and returns of contributed capital — intercompany	—	—	(1,256)	1,256	—
Capital contributions from parent	—	6,052	8,092	(14,144)	—
Other, net	699	—	365	—	1,064
Net cash provided by (used in) financing activities	9,913	5,740	(10,956)	(15,677)	(10,980)
Effect of exchange-rate changes on cash and cash equivalents	—	—	(602)	—	(602)
Net (decrease) increase in cash and cash equivalents	(4,886)	(7)	5,290	17	414
Cash and cash equivalents reclassified to assets held-for-sale	—	—	(777)	—	(777)
Cash and cash equivalents at beginning of year	5,643	12	9,513	(17)	15,151
Cash and cash equivalents at end of year	\$ 757	\$ 5	\$ 14,026	\$ —	\$ 14,788

# Notes to Consolidated Financial Statements

Year ended December 31, 2008

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash provided by (used in) operating activities	\$ 2,049	\$ (19)	\$ 12,633	\$ (568)	\$ 14,095
<b>Investing activities</b>					
Purchases of available-for-sale securities	(6,783)	—	(11,317)	1,898	(16,202)
Proceeds from sales of available-for-sale securities	8,903	—	5,165	—	14,068
Proceeds from maturities of available-for-sale securities	898	—	6,604	—	7,502
Net (increase) decrease in investment securities — intercompany	—	—	(158)	158	—
Net decrease (increase) in finance receivables and loans	6,504	(32)	(902)	—	5,570
Proceeds from sales of finance receivables and loans	1,347	—	19	—	1,366
Change in notes receivable from GM	—	—	(62)	—	(62)
Net (increase) decrease in loans — intercompany	(7,559)	149	2,418	4,992	—
Net decrease (increase) in operating lease assets	2,925	2	(5,838)	—	(2,911)
Sales of mortgage servicing rights, net	—	—	797	—	797
Capital contributions to subsidiaries	(1,402)	(24)	—	1,426	—
Returns of contributed capital	274	—	—	(274)	—
Sale of business unit, net	—	—	319	—	319
Other, net	(515)	(1)	987	—	471
Net cash provided by (used in) investing activities	4,592	94	(1,968)	8,200	10,918
<b>Financing activities</b>					
Net change in short-term debt — third party	(5,393)	118	(17,540)	—	(22,815)
Net increase in bank deposits	—	—	6,447	—	6,447
Proceeds from issuance of long-term debt — third party	—	245	44,479	—	44,724
Repayments of long-term debt	(10,001)	(263)	(47,465)	(1,898)	(59,627)
Net change in debt — intercompany	268	(181)	5,080	(5,167)	—
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	5,000	—	—	—	5,000
Dividends paid — third party	(113)	—	—	—	(113)
Dividends paid and returns of contributed capital — intercompany	—	(16)	(826)	842	—
Capital contributions from parent	—	24	1,402	(1,426)	—
Other, net	(1,761)	—	(23)	—	(1,784)
Net cash used in financing activities	(12,000)	(73)	(8,446)	(7,649)	(28,168)
Effect of exchange-rate changes on cash and cash equivalents	—	—	629	—	629
Net (decrease) increase in cash and cash equivalents	(5,359)	2	2,848	(17)	(2,526)
Cash and cash equivalents at beginning of year	11,002	10	6,665	—	17,677
Cash and cash equivalents at end of year	\$ 5,643	\$ 12	\$ 9,513	\$ (17)	\$ 15,151

# Notes to Consolidated Financial Statements

Year ended December 31, 2007

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash (used in) provided by operating activities	\$ (10,617)	\$ (31)	\$ 13,297	\$ (1,189)	\$ 1,460
<b>Investing activities</b>					
Purchases of available-for-sale securities	(6,562)	—	(11,015)	895	(16,682)
Proceeds from sales of available-for-sale securities	1,024	—	7,025	—	8,049
Proceeds from maturities of available-for-sale securities	3,476	—	4,604	—	8,080
Net decrease (increase) in finance receivables and loans	25,917	(181)	(67,708)	—	(41,972)
Proceeds from sales of finance receivables and loans	1,679	—	69,224	—	70,903
Change in notes receivable from GM	—	—	138	—	138
Net (increase) decrease in loans — intercompany	(3,366)	(19)	(5,746)	9,131	—
Net decrease (increase) in operating lease assets	1,780	—	(13,576)	—	(11,796)
Sales of mortgage servicing rights, net	—	—	561	—	561
Acquisitions of subsidiaries, net of cash acquired	—	—	(209)	—	(209)
Capital contributions to subsidiaries	(2,295)	(256)	—	2,551	—
Sale of business unit, net	—	—	15	—	15
Other, net	(413)	—	1,570	—	1,157
Net cash provided by (used in) investing activities	21,240	(456)	(15,117)	12,577	18,244
<b>Financing activities</b>					
Net change in short-term debt — third party	175	(10)	(9,413)	—	(9,248)
Net increase in bank deposits	—	—	3,078	—	3,078
Proceeds from issuance of long-term debt — third party	2,770	150	67,310	—	70,230
Repayments of long-term debt	(14,365)	(41)	(66,833)	(895)	(82,134)
Net change in debt — intercompany	—	129	9,002	(9,131)	—
Proceeds from issuance of common members' interests	—	1	(1)	—	—
Dividends paid — third party	(179)	—	—	—	(179)
Dividends paid and returns of contributed capital — intercompany	—	—	(1,189)	1,189	—
Capital contributions from parent	—	256	2,295	(2,551)	—
Other, net	1,038	—	(363)	—	675
Net cash (used in) provided by financing activities	(10,561)	485	3,886	(11,388)	(17,578)
Effect of exchange-rate changes on cash and cash equivalents	—	—	92	—	92
Net increase (decrease) in cash and cash equivalents	62	(2)	2,158	—	2,218
Cash and cash equivalents at beginning of year	10,940	12	4,507	—	15,459
Cash and cash equivalents at end of year	\$ 11,002	\$ 10	\$ 6,665	\$ —	\$ 17,677

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## ALLY FINANCIAL INC.

## CONSOLIDATED STATEMENT OF INCOME (unaudited)

(\$ in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<b>Financing revenue and other interest income</b>				
Finance receivables and loans				
Consumer	\$ 1,128	\$ 1,175	\$ 2,258	\$ 2,408
Commercial	456	434	891	852
Notes receivable from General Motors	40	47	95	89
Total finance receivables and loans	1,624	1,656	3,244	3,349
Loans held-for-sale	156	84	371	168
Interest on trading securities	6	34	7	57
Interest and dividends on available-for-sale investment securities	91	55	191	113
Interest bearing cash	18	27	32	69
Other interest income, net	(4)	30	—	55
Operating leases	1,011	1,503	2,174	3,105
Total financing revenue and other interest income	2,902	3,389	6,019	6,916
<b>Interest expense</b>				
Interest on deposits	155	179	313	357
Interest on short-term borrowings	100	182	212	343
Interest on long-term debt	1,409	1,579	2,844	3,236
Total interest expense	1,664	1,940	3,369	3,936
Depreciation expense on operating lease assets	526	1,056	1,182	2,113
Net financing revenue	712	393	1,468	867
<b>Other revenue</b>				
Servicing fees	384	393	769	797
Servicing asset valuation and hedge activities, net	(21)	(225)	(154)	(577)
Total servicing income, net	363	168	615	220
Insurance premiums and service revenue earned	477	496	945	991
Gain on mortgage and automotive loans, net	266	206	537	489
(Loss) gain on extinguishment of debt	(3)	13	(121)	657
Other gain on investments, net	95	97	235	83
Other income, net of losses	190	(113)	275	(323)
Total other revenue	1,388	867	2,486	2,117
<b>Total net revenue</b>	<b>2,100</b>	<b>1,260</b>	<b>3,954</b>	<b>2,984</b>
<b>Provision for loan losses</b>	<b>220</b>	<b>1,117</b>	<b>366</b>	<b>1,863</b>
<b>Noninterest expense</b>				
Compensation and benefits expense	388	389	815	754
Insurance losses and loss adjustment expenses	224	261	435	546
Other operating expenses	822	1,076	1,711	2,081
Total noninterest expense	1,434	1,726	2,961	3,381
<b>Income (loss) from continuing operations before income tax expense</b>	<b>446</b>	<b>(1,583)</b>	<b>627</b>	<b>(2,260)</b>
Income tax expense from continuing operations	33	1,096	69	972
<b>Net income (loss) from continuing operations</b>	<b>413</b>	<b>(2,679)</b>	<b>558</b>	<b>(3,232)</b>
Income (loss) from discontinued operations, net of tax	152	(1,224)	169	(1,346)
<b>Net income (loss)</b>	<b>\$ 565</b>	<b>\$ (3,903)</b>	<b>\$ 727</b>	<b>\$ (4,578)</b>

The Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.

ALLY FINANCIAL INC.

CONSOLIDATED BALANCE SHEET (unaudited)

(\$ in millions)	June 30, 2010	December 31, 2009
<b>Assets</b>		
Cash and cash equivalents		
Noninterest bearing	\$ 820	\$ 1,840
Interest bearing	13,528	12,948
Total cash and cash equivalents	14,348	14,788
Trading securities	209	739
Investment securities		
Available-for-sale	12,710	12,155
Held-to-maturity	—	3
Total investment securities	12,710	12,158
Loans held-for-sale (\$4,167 and \$5,545 fair value elected)	10,382	20,625
Finance receivables and loans, net of unearned income		
Consumer (\$2,345 and \$1,303 fair value elected)	55,346	42,849
Commercial	37,005	33,941
Notes receivable from General Motors	365	911
Allowance for loan losses	(2,377)	(2,445)
Total finance receivables and loans, net	90,339	75,256
Investment in operating leases, net	11,895	15,995
Mortgage servicing rights	2,983	3,554
Premiums receivable and other insurance assets	2,251	2,720
Other assets	19,646	19,887
Assets of operations held-for-sale (\$8,398 fair value elected at June 30, 2010)	12,039	6,584
<b>Total assets</b>	<b>\$ 176,802</b>	<b>\$ 172,306</b>
<b>Liabilities</b>		
Deposit liabilities		
Noninterest bearing	\$ 2,276	\$ 1,755
Interest bearing	32,938	30,001
Total deposit liabilities	35,214	31,756
Debt		
Short-term borrowings	7,054	10,292
Long-term debt (\$2,178 and \$1,293 fair value elected)	85,205	88,021
Total debt	92,259	98,313
Interest payable	1,692	1,637
Unearned insurance premiums and service revenue	2,990	3,192
Reserves for insurance losses and loss adjustment expenses	962	1,215
Accrued expenses and other liabilities	11,575	10,456
Liabilities of operations held-for-sale (\$7,857 fair value elected at June 30, 2010)	11,337	4,898
<b>Total liabilities</b>	<b>156,029</b>	<b>151,467</b>
<b>Equity</b>		
Common stock and paid-in capital	13,829	13,829
Preferred stock held by U.S. Department of Treasury	10,893	10,893
Preferred stock	1,287	1,287
Accumulated deficit	(5,421)	(5,630)
Accumulated other comprehensive income	185	460
<b>Total equity</b>	<b>20,773</b>	<b>20,839</b>
<b>Total liabilities and equity</b>	<b>\$ 176,802</b>	<b>\$ 172,306</b>

ALLY FINANCIAL INC.

CONSOLIDATED BALANCE SHEET (unaudited)

The assets of consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit at June 30, 2010, were as follows.

(\$ in millions)

<b>Assets</b>	
Cash and cash equivalents	
Noninterest bearing	\$ 3
Loans held-for-sale	92
Finance receivables and loans, net of unearned income	
Consumer (\$2,345 fair value elected)	19,910
Commercial	12,418
Allowance for loan losses	(347)
Total finance receivables and loans, net	31,981
Investment in operating leases, net	3,364
Other assets	4,304
Assets of operations held-for-sale	10,481
<b>Total assets</b>	<b>\$50,225</b>
<b>Liabilities</b>	
Debt	
Short-term borrowings	\$ 1,610
Long-term debt (\$2,178 fair value elected)	26,654
Total debt	28,264
Interest payable	28
Accrued expenses and other liabilities	608
Liabilities of operations held-for-sale	10,547
<b>Total liabilities</b>	<b>\$39,447</b>

The Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.



ALLY FINANCIAL INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)  
Six Months Ended June 30, 2010 and 2009

<i>(\$ in millions)</i>	Members' interests	Preferred interests held by U.S. Department of Treasury	Preferred interests	Retained earnings	Accumulated other comprehensive (loss) income	Total equity	Comprehensive (loss) income
<b>Balance at January 1, 2009</b>	\$ 9,670	\$ 5,000	\$ 1,287	\$ 6,286	\$ (389)	\$21,854	
Capital contributions (a)	1,247					1,247	
Net loss				(4,578)		(4,578)	\$ (4,578)
Preferred interests dividends paid to the U.S. Department of Treasury				(160)		(160)	
Preferred interests dividends				(195)		(195)	
Dividends to members (a)				(119)		(119)	
Issuance of preferred interests held by U.S. Department of Treasury		7,500				7,500	
Other comprehensive income					497	497	497
<b>Balance at June 30, 2009, before conversion from limited liability company to a corporation (b)</b>	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$26,046	\$ (4,081)

<i>(\$ in millions)</i>	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Retained earnings	Accumulated other comprehensive income	Total equity	Comprehensive loss
<b>Balance at June 30, 2009, after conversion from limited liability company to a corporation</b>	\$ 10,917	\$ 12,500	\$ 1,287	\$ 1,234	\$ 108	\$26,046	\$ (4,081)

ALLY FINANCIAL INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)  
Six Months Ended June 30, 2010 and 2009

<i>(\$ in millions)</i>	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
<b>Balance at January 1, 2010, before cumulative effect of adjustments</b>	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,630)	\$ 460	\$20,839	
Cumulative effect of a change in accounting principle, net of tax (c)				(57)	4	(53)	
<b>Balance at January 1, 2010, after cumulative effect of adjustments</b>	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,687)	\$ 464	\$20,786	
Net income				727		727	\$ 727
Preferred stock dividends paid to the U.S. Department of Treasury				(386)		(386)	
Preferred stock dividends (a)				(142)		(142)	
Dividends to shareholders (a)				(7)		(7)	
Other comprehensive loss					(279)	(279)	(279)
Other (d)				74		74	
<b>Balance at June 30, 2010</b>	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,421)	\$ 185	\$20,773	\$ 448

- (a) Refer to Note 17 to the Consolidated Financial Statements for further details.
- (b) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of preferred stock with substantially the same rights and preferences as the former preferred membership interests.
- (c) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.
- (d) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

The Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.

ALLY FINANCIAL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Six months ended June 30, (\$ in millions)	2010	2009
<b>Operating activities</b>		
Net income (loss)	\$ 727	\$ (4,578)
Reconciliation of net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,249	3,302
Impairment of goodwill and other intangible assets	—	607
Other impairment	16	—
Amortization and valuation adjustments of mortgage servicing rights	944	(303)
Provision for loan losses	382	2,007
(Gain) loss on sale of loans, net	(559)	154
Net (gain) loss on investment securities	(256)	55
Loss (gain) on extinguishment of debt	116	(657)
Originations and purchases of loans held-for-sale	(27,600)	(44,399)
Proceeds from sales and repayments of loans held-for-sale	35,564	40,248
Net change in:		
Trading securities	(28)	698
Deferred income taxes	(198)	1,115
Interest payable	61	179
Other assets	1,322	1,514
Other liabilities	375	673
Other, net	(1,532)	1,666
Net cash provided by operating activities	11,583	2,281
<b>Investing activities</b>		
Purchases of available-for-sale securities	(11,994)	(8,080)
Proceeds from sales of available-for-sale securities	9,854	2,722
Proceeds from maturities of available-for-sale securities	2,535	2,125
Net (increase) decrease in finance receivables and loans	(8,291)	9,608
Proceeds from sales of finance receivables and loans	2,362	462
Change in notes receivable from GM	116	647
Purchases of operating lease assets	(1,491)	(302)
Disposals of operating lease assets	4,435	3,418
(Purchases) sales of mortgage servicing rights, net	(21)	13
Sale of business unit, net (a)	(12)	82
Other, net	1,699	(484)
Net cash (used in) provided by investing activities	(808)	10,211

ALLY FINANCIAL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Six months ended June 30, (\$ in millions)	2010	2009
<b>Financing activities</b>		
Net change in short-term debt	(3,827)	(1,762)
Net increase in bank deposits	2,720	5,460
Proceeds from issuance of long-term debt	20,996	14,813
Repayments of long-term debt	(32,307)	(36,517)
Proceeds from issuance of preferred interests held by U.S. Department of Treasury	—	7,500
Proceeds from issuance of common members' interests	—	1,247
Dividends paid	(532)	(448)
Other, net	773	851
Net cash used in financing activities	(12,177)	(8,856)
Effect of exchange-rate changes on cash and cash equivalents	619	(132)
Net (decrease) increase in cash and cash equivalents	(783)	3,504
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	343	—
Cash and cash equivalents at beginning of year	14,788	15,151
Cash and cash equivalents at June 30,	\$ 14,348	\$ 18,655
<b>Supplemental disclosures</b>		
Cash paid for:		
Interest	\$ 3,209	\$ 4,057
Income taxes	306	247
Noncash items:		
Increase in finance receivables and loans due to a change in accounting principle (c)	17,990	—
Increase in long-term debt due to a change in accounting principle (c)	17,054	—
Loans held-for-sale transferred to finance receivables and loans	27	771
Finance receivables and loans transferred to loans-held-for sale	40	1,297
Finance receivables and loans transferred to other assets	125	255
Originations of mortgage servicing rights from sold loans	94	189
Other disclosures:		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	249	328
Proceeds from sales of repossessed, foreclosed, and owned real estate	317	590
Consolidation of loans, net	—	1,410
Consolidation of collateralized borrowings	—	1,184

(a) Net of cash and cash equivalents of \$745 million of the business unit at the time of disposition.

(b) Cash flows of operations held-for-sale are reflected within operating, investing, and financing activities in the Consolidated Statement of Cash Flows. The cash balance of these operations are reported as assets of operations held-for-sale on the Consolidated Balance Sheet.

(c) Relates to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

The Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies**

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is one of the world's largest automotive financial services companies. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of Ally Financial Inc.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Consolidated Financial Statements as of June 30, 2010, and for the three months and six months ended June 30, 2010 and 2009, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the U.S. Securities and Exchange Commission.

**Residential Capital, LLC**

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap's consolidated tangible net worth, as defined, was \$793 million as of June 30, 2010, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. There continues to be a risk that ResCap will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital, and/or will be in a negative liquidity position in 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap's initiatives include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; continued reduction of assets and other restructuring activities; focusing production on government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties; and continued exploration of opportunities for funding and capital support from Ally and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap's control resulting in increased uncertainty as to their successful execution.

On December 30, 2009, we announced that as a result of our ongoing strategic review of how to best deploy Ally's current and future capital liquidity, we decided to pursue strategic alternatives with respect to ResCap. These alternatives being considered include one or more sales, spin-offs, or other potential transactions. The timing and form of execution of any such transactions will depend on market conditions.

Coincident with this announcement, ResCap announced in 2009 its decision to commit to a plan to sell its U.K. and continental Europe platforms. On April 12, 2010, we reached agreements to sell our mortgage assets and businesses in the United Kingdom and continental Europe. We classified the U.K. and continental Europe operations as held-for-sale during the three months ended December 31, 2009. Refer to Note 2 for additional information.

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap;

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

refinancing or restructuring some or all of ResCap's existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap's outstanding debt securities, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of Ally and ResCap; ResCap's ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap's debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to Ally and/or ResCap; and any nonpublic information that ResCap may possess or that Ally receives from ResCap.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will be successful in executing one or more sales, spin-offs, or other potential transactions with respect to ResCap.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, there are currently no commitments or assurances for future funding and/or capital support. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. As of June 30, 2010, we had approximately \$2.2 billion in secured financing arrangements with ResCap of which approximately \$1.4 billion in loans was utilized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its financing facilities, including those with us, could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our \$793 million investment related to ResCap's equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on Ally's consolidated financial position over the longer term.

**Corporate Conversion**

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law. In connection with the Conversion, each unit of each class of common and preferred membership interests issued and outstanding immediately prior to the Conversion was converted into shares of capital stock with substantially the same rights and preferences as such membership interests. Refer to Note 16 for additional information regarding the tax impact of the conversion.

**Recently Adopted Accounting Standards*****Accounting for Transfers of Financial Assets (ASU 2009-16)***

As of January 1, 2010, we adopted ASU 2009-16 (formerly SFAS No. 166), which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing*. This standard removed the concept of a qualifying special-purpose entity (QSPE) and created more stringent conditions for reporting a sale when a portion of a financial asset is transferred. To determine if a transfer is to be accounted for as a sale, the transferor must assess whether the transferor and all of the entities included in the transferor's consolidated financial statements surrendered control of the assets. For partial asset transfers, the transferred portion must represent a pro rata component of the entire asset with no form of subordination. This standard is applied prospectively for transfers that occur on or after the effective date; however, the elimination of the QSPE concept required us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

*Consolidation*, and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, was assessed as part of the analysis required by ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to the section below for further information related to ASU 2009-17.

**Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17)**

As of January 1, 2010, we adopted ASU 2009-17 (formerly SFAS No. 167), which amended ASC Topic 810, *Consolidation*. This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment rather than using the quantitative-based model that was required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE's economic performance and the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. As a result of the implementation of ASU 2009-16 and ASU 2009-17, several of our securitization structures previously held off-balance sheet were recognized as consolidated entities resulting in a day-one increase of \$17.6 billion to assets and liabilities on our Consolidated Balance Sheet (\$10.1 billion of the increase related to operations classified as held-for-sale). As part of the day-one entry, there was an immaterial adjustment to our opening equity balance.

**Expanded Disclosures about Fair Value Measurements (ASU 2010-06)**

As of March 31, 2010, we adopted the majority of ASU 2010-06, which amends ASC Topic 820, *Fair Value Measurements*. The ASU requires fair value disclosures for each asset and liability class, disclosures related to inputs and valuation methods for measurements that use Level 2 or Level 3 inputs, disclosures of significant transfers between Levels 1 and 2, and the gross presentation of significant transfers into or out of Level 3 within the Level 3 rollforward. The ASU also requires the gross presentation of purchases, sales, issuances, and settlements within the Level 3 rollforward; however, this specific requirement will be effective for us during the three months ended March 31, 2011. The disclosure requirement by class is a higher level of disaggregation compared to the previous requirement, which was based on the major asset or liability category. While the adoption of ASU 2010-06 expanded our disclosures related to fair value measurements, it did not modify the accounting treatment or measurement of items at fair value and, as such, did not have a material impact on our financial statements.

**Recently Issued Accounting Standards****Revenue Arrangements with Multiple Deliverables (ASU 2009-13)**

In October 2009, the Financial Accounting Standards Board (FASB) issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition*. The guidance significantly changes the accounting for revenue recognition in arrangements with multiple deliverables and eliminates the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. Under the guidance, entities will be required to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable's selling price. ASU 2009-13 is effective for revenue arrangements that we enter into or materially modify on or after January 1, 2011. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operation.

**Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11)**

In March 2010, the FASB issued ASU 2010-11, which clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another financial instrument (such as the subordination of one beneficial interest to another tranche of a securitization) is an embedded derivative feature. The embedded derivative feature should not be subject to potential bifurcation or separate accounting under ASC 815, *Derivatives and Hedging*. In addition, the ASU provides guidance on whether other embedded credit derivatives in financial instruments are subject to bifurcation and separate accounting. ASU 2010-11 will be effective for us on July 1, 2010, and we do not expect the adoption to have a material impact on our consolidated financial condition or results of operation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20)**

In July 2010, the FASB issued ASU 2010-20, which requires expanded disclosures related to the credit quality of finance receivables and loans. This disclosure will be effective for us during the December 31, 2010, reporting period. The ASU also requires a rollforward of the allowance for loan losses for each reporting period, which will be effective for us during the March 31, 2011, reporting period. Since the guidance relates only to disclosures, adoption will not have a material effect on our consolidated financial condition or results of operation.

**2. Discontinued and Held-for-sale Operations****Discontinued Operations**

During 2009, we committed to sell certain operations of ResCap's International Business Group (IBG). These operations include residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe (the Netherlands and Germany). During the three months ended June 30, 2010, we classified the U.K. operations as discontinued. The continental Europe operations met the discontinued operations criteria during the three months ended December 31, 2009. We expect to complete the sale of these operations during 2010.

During 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provided vehicle and home insurance in the United States through a number of distribution channels including independent agents, affinity groups, and the internet. The sale of our U.S. consumer property and casualty insurance business was completed during the first quarter of 2010. Additionally, during 2009, we committed to sell the U.K. consumer property and casualty insurance business. We expect to complete the sale during 2010.

During the three months ended June 30, 2010, we ceased to operate at our International Automotive Finance operations in Australia and Russia and classified them as discontinued.

During 2009, we committed to sell certain operations of our International Automotive Finance operations including our Argentina, Poland, and Ecuador operations and our Masterlease operations in Australia, Belgium, France, Italy, Mexico, the Netherlands, Poland, and the United Kingdom. Our Masterlease operations provide full-service individual leasing and fleet leasing products including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title and licensing services. As of December 31, 2009, the sales of the Masterlease operations in Italy, Mexico, and the Netherlands were completed. During the three months ended June 30, 2010, we completed the sale of our Poland operations and our Masterlease operations in Australia, Poland, Belgium, and France. In July 2010, we completed the sale of our Argentina operations. We expect to complete the sale of our Ecuador operations and Masterlease operations in the United Kingdom during 2010.

During 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. On April 30, 2010, the sale of the North American-based factoring business was completed.

We classified these operations as discontinued operations using generally accepted accounting principles in the United States of America, as the associated operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these operations were removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to the Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted.

The pretax income or loss recognized through June 30, 2010, for the discontinued operations, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Selected financial information of discontinued operations is summarized below.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
<b>Select Mortgage operations</b>				
Total net revenue (loss)	\$ 16	\$ (576)	\$ 44	\$ (586)
Pretax income (loss) including direct costs to transact a sale	89	(638)	102	(770)
Tax (benefit) expense	(9)	1	(8)	—
<b>Select Insurance operations</b>				
Total net revenue	\$ 61	\$ 352	\$ 300	\$ 754
Pretax (loss) including direct costs to transact a sale (a)	(6)	(575)	(6)	(552)
Tax (benefit) expense	(5)	11	(1)	14
<b>Select International operations</b>				
Total net revenue	\$ 36	\$ 87	\$ 73	\$ 162
Pretax income including direct costs to transact a sale (a)	48	7	58	2
Tax (benefit) expense	(6)	4	1	4
<b>Select Commercial Finance operations</b>				
Total net revenue	\$ 3	\$ 8	\$ 11	\$ 15
Pretax (loss) income including direct costs to transact a sale (a)	(3)	(2)	7	(8)
Tax (benefit)	(4)	—	—	—

(a) Includes certain income tax activity recognized by our Corporate and Other operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Held-for-sale Operations**

All of our discontinued operations were classified as held-for-sale except for our International Automotive Finance operations in Australia and Russia. During the three months ended June 30, 2010, we also classified certain international insurance operations that are part of our Insurance operations as held-for-sale. Since these operations did not qualify as discontinued operations, the results are reflected as a component of continuing operations. No impairment was recognized to present these held-for-sale operations at the lower of cost or fair value less costs to sell. We expect to complete the sale of these insurance operations within the next twelve months. The assets and liabilities held-for-sale at June 30, 2010, are summarized below.

(\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Total held-for- sale operations
<b>Assets</b>				
Cash and cash equivalents				
Noninterest bearing	\$ 63	\$ 14	\$ 49	\$ 126
Interest bearing	339	3	5	347
Total cash and cash equivalents	402	17	54	473
Investment securities — available-for-sale	—	466	—	466
Loans held-for-sale	180	—	—	180
Finance receivables and loans, net of unearned income				
Consumer (\$8,398 fair value elected)	10,399	—	303	10,702
Allowance for loan losses	(17)	—	(3)	(20)
Total finance receivables and loans, net	10,382	—	300	10,682
Investment in operating leases, net	—	—	369	369
Premiums receivable and other insurance assets	—	154	—	154
Other assets	512	135	43	690
Impairment on assets of held-for-sale operations	(606)	(210)	(159)	(975)
<b>Total assets</b>	<b>\$ 10,870</b>	<b>\$ 562</b>	<b>\$ 607</b>	<b>\$ 12,039</b>
<b>Liabilities</b>				
Debt				
Short-term borrowings	\$ —	\$ —	\$ 38	\$ 38
Long-term debt (\$7,857 fair value elected)	9,575	—	169	9,744
Total debt	9,575	—	207	9,782
Interest payable	—	—	2	2
Unearned insurance premiums and service revenue	—	140	—	140
Reserves for insurance losses and loss adjustment expenses	—	358	—	358
Accrued expenses and other liabilities	964	31	60	1,055
<b>Total liabilities</b>	<b>\$ 10,539</b>	<b>\$ 529</b>	<b>\$ 269</b>	<b>\$ 11,337</b>

(a) Includes operations of ResCap's International Business Group in continental Europe and in the United Kingdom. Balances include assets and liabilities that were consolidated beginning on January 1, 2010, due to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information.

(b) Includes the U.K. consumer property and casualty insurance business and certain international insurance operations.

(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Masterlease in the United Kingdom.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The assets and liabilities of held-for-sale operations at December 31, 2009, are summarized below.

(\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for- sale operations
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 4	\$ 578	\$ 33	\$ —	\$ 615
Interest bearing	151	—	11	—	162
Total cash and cash equivalents	155	578	44	—	777
Trading securities	36	—	—	—	36
Investment securities — available-for-sale	—	794	—	—	794
Loans held-for-sale	214	—	—	—	214
Finance receivables and loans, net of unearned income					
Consumer	2,650	—	400	—	3,050
Commercial	—	—	246	233	479
Notes receivable from General Motors	—	—	14	—	14
Allowance for loan losses	(89)	—	(11)	—	(100)
Total finance receivables and loans, net	2,561	—	649	233	3,443
Investment in operating leases, net	—	—	885	—	885
Mortgage servicing rights	(26)	—	—	—	(26)
Premiums receivable and other insurance assets					
	—	1,126	—	—	1,126
Other assets	512	176	135	—	823
Impairment on assets of held-for-sale operations					
	(903)	(231)	(324)	(30)	(1,488)
Total assets	\$ 2,549	\$ 2,443	\$ 1,389	\$ 203	\$ 6,584
<b>Liabilities</b>					
Debt					
Short-term borrowings	\$ —	\$ 34	\$ 57	\$ —	\$ 91
Long-term debt	1,749	—	237	—	1,986
Total debt	1,749	34	294	—	2,077
Interest payable	3	—	1	—	4
Unearned insurance premiums and service revenue					
	—	517	—	—	517
Reserves for insurance losses and loss adjustment expenses					
	—	1,471	—	—	1,471
Accrued expenses and other liabilities	430	84	128	187	829
Total liabilities	\$ 2,182	\$ 2,106	\$ 423	\$ 187	\$ 4,898

(a) Includes the operations of ResCap's International Business Group in continental Europe and in the United Kingdom.

(b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.

(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.

(d) Includes the North American-based factoring business of our Commercial Finance Group.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Recurring Fair Value**

The following tables display the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis including financial instruments where we elected the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities. Refer to Note 18 for descriptions of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

June 30, 2010 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 323	\$ —	\$ —	\$ 323
Other	—	143	—	143
Total debt securities	323	143	—	466
Consumer mortgage finance receivables and loans, net of unearned income (a)	—	—	8,398	8,398
Other assets				
Fair value of derivative contracts in receivable position				
Interest rate contracts	—	7	—	7
Foreign currency contracts	—	49	—	49
Total fair value of derivative contracts in receivable position	—	56	—	56
Total assets	\$ 323	\$ 199	\$ 8,398	\$ 8,920
<b>Liabilities</b>				
Secured debt				
On-balance sheet securitization debt (a)	\$ —	\$ —	\$(7,857)	\$(7,857)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	—	(774)	—	(774)
Total liabilities	\$ —	\$ (774)	\$(7,857)	\$(8,631)

(a) Carried at fair value due to fair value option elections.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2009 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading securities				
Mortgage-backed				
Residential	\$ —	\$ —	\$ 36	\$ 36
Total trading securities	—	—	36	36
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	243	2	—	245
States and political subdivisions	—	24	—	24
Foreign government	329	—	—	329
Corporate debt securities	—	7	—	7
Other	—	189	—	189
Total debt securities	572	222	—	794
Mortgage servicing rights	—	—	(26)	(26)
Other assets				
Interests retained in financial asset sales	—	—	153	153
Fair value of derivative contracts in receivable position	—	—	—	—
Interest rate contracts	—	60	—	60
Total assets	\$ 572	\$ 282	\$ 163	\$ 1,017
<b>Liabilities</b>				
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	\$ —	\$ (40)	\$ —	\$ (40)
Total liabilities	\$ —	\$ (40)	\$ —	\$ (40)

The following tables present the reconciliation for all Level 3 assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

Level 3 recurring fair value measurements

(\$ in millions)	Fair value as of April 1, 2010	Net realized/unrealized gains included in earnings (a)	Purchases, issuances, and settlements, net	Fair value as of June 30, 2010	Net unrealized gains included in earnings still held as of June 30, 2010 (a)
<b>Assets</b>					
Consumer mortgage finance receivables and loans, net of unearned income (b)					
	\$ 9,180	\$ 201	\$ (983)	\$ 8,398	\$ 71
Total assets	\$ 9,180	\$ 201	\$ (983)	\$ 8,398	\$ 71
<b>Liabilities</b>					
Secured debt					
On-balance sheet securitization debt (b)	\$ (8,822)	\$ 59	\$ 906	\$ (7,857)	\$ 85
Total liabilities	\$ (8,822)	\$ 59	\$ 906	\$ (7,857)	\$ 85

(a) Reported as income (loss) from discontinued operations, net of tax, in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Level 3 recurring fair value measurements

(\$ in millions)	Fair value as of January 1, 2010	Net realized/unrealized gains included in earnings (a)	Purchases, issuances, and settlements, net	Fair value as of June 30, 2010	Net unrealized gains included in earnings still held as of June 30, 2010 (a)
<b>Assets</b>					
Trading securities					
Mortgage-backed					
Residential	\$ 36	\$ —	\$ (36)	\$ —	\$ —
Total trading securities	36	—	(36)	—	—
Consumer mortgage finance receivables and loans, net of unearned income (b)	—	415	7,983	8,398	149
Mortgage servicing rights	(26)	—	26	—	—
Other assets					
Interests retained in financial asset sales	153	—	(153)	—	—
Total assets	\$ 163	\$ 415	\$ 7,820	\$ 8,398	\$ 149
<b>Liabilities</b>					
Secured debt					
On-balance sheet securitization debt (b)	\$ —	\$ 197	\$ (8,054)	\$ (7,857)	\$ 255
Total liabilities	\$ —	\$ 197	\$ (8,054)	\$ (7,857)	\$ 255

(a) Reported as income (loss) from discontinued operations, net of tax, in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

3. Other Income, Net of Losses

Details of other income, net of losses, were as follows.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Mortgage processing fees and other mortgage income	\$ 41	\$ 9	\$ 94	\$ 15
Remarketing fees	36	38	67	71
Late charges and other administrative fees (a)	35	33	72	72
Full-service leasing fees	13	33	41	64
Other equity method investments	13	4	25	8
Real estate services, net	2	(224)	9	(258)
Fair value adjustment on certain derivatives (b)	(2)	96	(58)	(61)
Change due to fair value option elections, net (c)	(56)	(63)	(129)	(93)
Other, net	108	(39)	154	(141)
Total other income, net of losses	\$ 190	\$ (113)	\$ 275	\$ (323)

(a) Includes nonmortgage securitization fees.

(b) Refer to Note 15 for a description of derivative instruments and hedging activities.

(c) Refer to Note 18 for a description of fair value option elections.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## 4. Other Operating Expenses

Details of other operating expenses were as follows.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Insurance commissions	\$ 150	\$ 155	\$ 296	\$ 314
Technology and communications expense	134	152	273	301
Mortgage representation and warranty expense, net	97	237	146	410
Professional services	63	119	120	205
Advertising and marketing	50	36	74	74
Vehicle remarketing and repossession	48	57	102	105
State and local non-income taxes	36	36	61	55
Lease and loan administration	35	43	66	81
Rent and storage	26	23	51	51
Regulatory and licensing fees	25	29	55	49
Premises and equipment depreciation	20	20	38	44
Restructuring expenses	14	—	56	—
Full-service leasing vehicle maintenance costs	6	32	36	65
Other	118	137	337	327
<b>Total other operating expenses</b>	<b>\$ 822</b>	<b>\$ 1,076</b>	<b>\$ 1,711</b>	<b>\$ 2,081</b>

## 5. Trading Securities

The fair value for our portfolio of trading securities by type was as follows.

(\$ in millions)	June 30, 2010	December 31, 2009
Trading securities		
U.S. Treasury	\$ 75	\$ —
Mortgage-backed		
Residential	47	143
Asset-backed	87	596
<b>Total trading securities</b>	<b>\$ 209</b>	<b>\$ 739</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale and held-to-maturity securities were as follows.

(\$ in millions)	June 30, 2010				December 31, 2009			
	Cost	Gross unrealized gains	losses	Fair value	Cost	Gross unrealized gains	losses	Fair value
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$ 3,982	\$ 51	\$ —	\$ 4,033	\$ 3,501	\$ 15	\$ (6)	\$ 3,510
States and political subdivisions	7	—	—	7	779	36	(4)	811
Foreign government	1,195	32	(2)	1,225	1,161	20	(8)	1,173
Mortgage-backed								
Residential (a)	3,451	69	(22)	3,498	3,404	76	(19)	3,461
Asset-backed	1,686	15	(1)	1,700	1,000	7	(2)	1,005
Corporate debt	1,252	52	(2)	1,302	1,408	74	(9)	1,473
Other	1	—	—	1	47	—	—	47
Total debt securities (b)	11,574	219	(27)	11,766	11,300	228	(48)	11,480
Equity securities	1,066	1	(123)	944	631	52	(8)	675
Total available-for-sale securities (c)	\$12,640	\$ 220	\$ (150)	\$12,710	\$11,931	\$ 280	\$ (56)	\$12,155

**Held-to-maturity securities**

Total held-to-maturity securities	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 3
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- (a) Residential mortgage-backed securities include agency-backed bonds totaling \$2,271 million and \$2,248 million at June 30, 2010, and December 31, 2009, respectively.
- (b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$153 million and \$164 million of primarily U.K. Treasury securities were pledged as collateral as of June 30, 2010, and December 31, 2009, respectively.
- (c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$16 million and \$15 million at June 30, 2010, and December 31, 2009, respectively.

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

June 30, 2010 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<b>Fair value of available-for-sale debt securities (b)</b>										
U.S. Treasury and federal agencies	\$ 4,033	1.5%	\$ 172	0.8%	\$ 3,800	1.5%	\$ 61	3.3%	\$ —	—%
States and political subdivisions	7	5.9	—	—	3	6.2	—	—	4	5.7
Foreign government	1,225	3.9	87	0.5	925	4.2	213	4.4	—	—
Mortgage-backed										
Residential	3,498	4.3	—	—	8	5.3	64	4.5	3,426	4.3
Asset-backed	1,700	2.5	21	4.7	1,197	2.4	360	2.7	122	3.4
Corporate debt	1,302	5.3	91	5.9	622	5.0	542	5.5	47	5.8
Other	1	—	—	—	—	—	—	—	1	—
Total available-for-sale debt securities	\$ 11,766	3.2%	\$ 371	2.2%	\$ 6,555	2.4%	\$ 1,240	4.3%	\$ 3,600	4.2%
Amortized cost of available-for-sale debt securities	\$ 11,574		\$ 370		\$ 6,455		\$ 1,199		\$ 3,550	

- (a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.
- (b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2009 (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<b>Fair value of available-for-sale debt securities (b)</b>										
U.S. Treasury and federal agencies	\$ 3,510	1.9%	\$ 103	1.1%	\$ 3,390	1.9%	\$ 17	4.1%	\$ —	—%
States and political subdivisions	811	7.0	9	7.0	175	7.2	147	7.0	480	6.9
Foreign government	1,173	3.8	66	1.7	872	3.8	229	4.5	6	5.3
<b>Mortgage-backed</b>										
Residential	3,461	6.5	—	—	2	6.5	36	13.0	3,423	6.4
Asset-backed	1,005	2.5	34	5.2	735	2.3	186	2.6	50	3.9
Corporate debt	1,473	5.2	283	3.4	575	5.8	570	5.4	45	6.9
Other	47	3.6	—	—	32	3.4	15	4.0	—	—
<b>Total available-for-sale debt securities</b>	<b>\$11,480</b>	<b>4.3%</b>	<b>\$ 495</b>	<b>2.8%</b>	<b>\$ 5,781</b>	<b>2.8%</b>	<b>\$ 1,200</b>	<b>5.2%</b>	<b>\$ 4,004</b>	<b>6.5%</b>
<b>Amortized cost of available-for-sale debt securities</b>	<b>\$11,300</b>		<b>\$ 473</b>		<b>\$ 5,728</b>		<b>\$ 1,169</b>		<b>\$ 3,930</b>	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

Certain investment securities with an original maturity of 90 days or less are classified as cash equivalents and are composed primarily of money market accounts and short-term securities. The carrying value of cash equivalents approximates fair value. The balance of cash equivalents was \$934 million and \$1.8 billion at June 30, 2010, and December 31, 2009, respectively.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Gross realized gains	\$ 125	\$ 91	\$ 277	\$ 140
Gross realized losses	(13)	(34)	(21)	(63)
Other-than-temporary impairment	(1)	(1)	(1)	(47)
<b>Net realized gains</b>	<b>\$ 111</b>	<b>\$ 56</b>	<b>\$ 255</b>	<b>\$ 30</b>

The following table presents interest and dividends on available-for-sale securities.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Taxable interest	\$ 84	\$ 45	\$ 173	\$ 93
Taxable dividends	4	3	8	3
Interest and dividends exempt from U.S. federal income tax	3	7	10	17
<b>Total interest and dividends</b>	<b>\$ 91</b>	<b>\$ 55</b>	<b>\$ 191</b>	<b>\$ 113</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of June 30, 2010, we do not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of June 30, 2010, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired as of June 30, 2010.

(\$ in millions)	June 30, 2010				December 31, 2009			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$ 3	\$ —	\$ —	\$ —	\$ 1,430	\$ (6)	\$ —	\$ —
States and political subdivisions	—	—	—	—	82	(2)	8	(2)
Foreign government securities	96	(2)	—	—	536	(8)	—	—
Mortgage-backed securities	637	(20)	10	(2)	811	(14)	6	(5)
Asset-backed securities	77	(1)	8	—	202	(1)	22	(1)
Corporate debt securities	64	(1)	20	(1)	47	(1)	120	(8)
Other	—	—	—	—	7	—	—	—
Total temporarily impaired debt securities	877	(24)	38	(3)	3,115	(32)	156	(16)
Temporarily impaired equity securities	882	(123)	—	—	115	(5)	52	(3)
Total temporarily impaired available-for-sale securities	\$ 1,759	\$ (147)	\$ 38	\$ (3)	\$ 3,230	\$ (37)	\$ 208	\$ (19)

We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. We had other-than-temporary impairment write-downs of \$1 million for both the three months and six months ended June 30, 2010, compared to \$1 million and \$47 million for the three months and six months ended June 30, 2009, respectively. The \$1 million impairment for the three months ended June 30, 2010, related to corporate debt securities that we have the intent to sell and was accordingly recognized in earnings.

7. Loans Held-for-sale

The composition of loans held-for-sale was as follows.

(\$ in millions)	June 30, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer						
Automobile	\$ 1,298	\$ 167	\$ 1,465	\$ 9,417	\$ 184	\$ 9,601
1st Mortgage	7,771	152	7,923	9,269	530	9,799
Home equity	989	—	989	1,068	—	1,068
Total consumer (a)	10,058	319	10,377	19,754	714	20,468
Commercial						
Commercial and industrial	—	5	5	—	157	157
Other	—	5	5	—	157	157
Total loans held-for-sale	\$ 10,058	\$ 324	\$ 10,382	\$ 19,754	\$ 871	\$ 20,625

(a) Domestic residential mortgages include \$4.2 billion and \$5.5 billion at fair value as a result of fair value option elections as of June 30, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

8. Finance Receivables and Loans, Net of Unearned Income

The composition of finance receivables and loans, net of unearned income outstanding, before allowance for loan losses, was as follows.

(\$ in millions)	June 30, 2010			December 31, 2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Consumer</b>						
Automobile	\$ 26,450	\$ 15,265	\$ 41,715	\$ 12,514	\$ 17,731	\$ 30,245
1st Mortgage	8,435	939	9,374	7,960	405	8,365
Home equity	4,257	—	4,257	4,238	1	4,239
<b>Total consumer (a)</b>	<b>39,142</b>	<b>16,204</b>	<b>55,346</b>	<b>24,712</b>	<b>18,137</b>	<b>42,849</b>
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automobile	21,776	8,107	29,883	19,601	7,035	26,636
Mortgage	1,803	75	1,878	1,572	96	1,668
Resort finance	644	—	644	843	—	843
Other	1,778	401	2,179	1,845	437	2,282
<b>Commercial real estate</b>						
Automobile	2,090	208	2,298	2,008	221	2,229
Mortgage	5	118	123	121	162	283
<b>Total commercial</b>	<b>28,096</b>	<b>8,909</b>	<b>37,005</b>	<b>25,990</b>	<b>7,951</b>	<b>33,941</b>
Notes receivable from General Motors	—	365	365	3	908	911
<b>Total finance receivables and loans (b)</b>	<b>\$ 67,238</b>	<b>\$ 25,478</b>	<b>\$ 92,716</b>	<b>\$ 50,705</b>	<b>\$ 26,996</b>	<b>\$ 77,701</b>

(a) Residential mortgages include \$2.3 billion and \$1.3 billion at fair value as a result of fair value option elections as of June 30, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

(b) Totals are net of unearned income of \$2.6 billion and \$2.5 billion at June 30, 2010, and December 31, 2009, respectively.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans, net of unearned income.

(\$ in millions)	Three months ended June 30,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at April 1,	\$ 1,754	\$ 726	\$ 2,480	\$ 2,758	\$ 887	\$ 3,645
Provision for loan losses	216	4	220	729	388	1,117
<b>Charge-offs</b>						
Domestic	(228)	(91)	(319)	(835)	(305)	(1,140)
Foreign	(50)	(49)	(99)	(549)	(9)	(558)
<b>Total charge-offs</b>	<b>(278)</b>	<b>(140)</b>	<b>(418)</b>	<b>(1,384)</b>	<b>(314)</b>	<b>(1,698)</b>
<b>Recoveries</b>						
Domestic	78	5	83	59	4	63
Foreign	19	9	28	15	—	15
<b>Total recoveries</b>	<b>97</b>	<b>14</b>	<b>111</b>	<b>74</b>	<b>4</b>	<b>78</b>
<b>Net charge-offs</b>	<b>(181)</b>	<b>(126)</b>	<b>(307)</b>	<b>(1,310)</b>	<b>(310)</b>	<b>(1,620)</b>
Other	(10)	(6)	(16)	130	29	159
<b>Allowance at June 30,</b>	<b>\$ 1,779</b>	<b>\$ 598</b>	<b>\$ 2,377</b>	<b>\$ 2,307</b>	<b>\$ 994</b>	<b>\$ 3,301</b>

**ALLY FINANCIAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

(\$ in millions)	Six months ended June 30,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Allowance at January 1,	\$ 1,664	\$ 781	\$ 2,445	\$ 2,536	\$ 897	\$ 3,433
Provision for loan losses	344	22	366	1,294	569	1,863
Charge-offs						
Domestic	(546)	(152)	(698)	(1,240)	(473)	(1,713)
Foreign	(111)	(53)	(164)	(615)	(18)	(633)
Total charge-offs	(657)	(205)	(862)	(1,855)	(491)	(2,346)
Recoveries						
Domestic	185	9	194	110	7	117
Foreign	36	9	45	29	1	30
Total recoveries	221	18	239	139	8	147
Net charge-offs	(436)	(187)	(623)	(1,716)	(483)	(2,199)
Addition of allowance due to change in accounting principle (a)	222	—	222	—	—	—
Other	(15)	(18)	(33)	193	11	204
Allowance at June 30,	\$ 1,779	\$ 598	\$ 2,377	\$ 2,307	\$ 994	\$ 3,301

(a) Effect of change in accounting principle due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

The following tables present information about our impaired finance receivables and loans.

(\$ in millions)	June 30, 2010			December 31, 2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Impaired finance receivables and loans						
With an allowance	\$ 365	\$ 1,194	\$ 1,559	\$ 252	\$ 1,760	\$ 2,012
Without an allowance	33	342	375	16	296	312
Total impaired loans	\$ 398	\$ 1,536	\$ 1,934	\$ 268	\$ 2,056	\$ 2,324
Allowance for impaired loans	\$ 102	\$ 488	\$ 590	\$ 80	\$ 488	\$ 568

(\$ in millions)	Three months ended June 30,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Average balance of impaired loans	\$ 367	\$ 1,694	\$ 2,061	\$ 636	\$ 2,726	\$ 3,362
Interest income recognized on impaired loans	\$ 4	\$ 2	\$ 6	\$ 8	\$ 6	\$ 14

(\$ in millions)	Six months ended June 30,					
	2010			2009		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Average balance of impaired loans	\$ 327	\$ 1,817	\$ 2,144	\$ 511	\$ 2,721	\$ 3,232
Interest income recognized on impaired loans	\$ 7	\$ 4	\$ 11	\$ 16	\$ 20	\$ 36

At June 30, 2010, and December 31, 2009, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in troubled debt restructuring were \$15 million and \$12 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**9. Off-balance Sheet Securitizations**

We sell pools of automotive and residential mortgage loans via securitization transactions, which provide permanent funding and facilitates asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned special-purpose entities (SPEs), which then sell the loans to a separate, transaction-specific, bankruptcy-remote SPE (a securitization trust) for cash, servicing rights, and in some transactions, retained interests. The securitization trust issues and sells interests to investors that are collateralized by the secured loans and entitle the investors to specified cash flows generated from the securitized loans.

Our securitization transactions are accounted for under the requirements of ASC 810, *Consolidation*, and ASC 860, *Transfers and Servicing*. ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended ASC 810 and ASC 860, became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. We reflected our economic interest in these newly consolidated structures primarily through loans and secured debt rather than as interests held in off-balance sheet securitization trusts. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 19 for additional information related to the consolidation of certain securitization trusts due to the adoption of the new standards.

The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify for off-balance sheet treatment.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans being sold to it, to issue interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it issues. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors.

As part of our off-balance sheet securitizations, we typically retain servicing responsibilities and, in some cases, other insignificant retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. Certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. Typically, we conclude that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K regarding the valuation of servicing rights.

Subsequent to the adoption of ASU 2009-16 and ASU 2009-17 as of January 1, 2010, we generally do not hold significant or potentially significant retained interests in our securitization trusts that qualify for off-balance sheet treatment under ASU 2009-17.

Generally, the assets initially transferred into the securitization vehicle are the sole funding source to the investors in the securitization trust and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. As noted above, in certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they were received from the borrowers. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain securitization transactions may allow for the acquisition of additional loans subsequent to the initial loan. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Lastly, we provide certain guarantees as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The investors and/or securitization trusts have no recourse to us with the exception of market customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans to the extent it is subsequently determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions are included in certain securitization transactions that require us to repurchase loans if the borrower is delinquent in making certain specific payments subsequent to the sale.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the asset if certain events, outside our control, are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally, we would do so when it is in our best interest.

The loans sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are primarily reported as cash, servicing rights, or (if retained) retained interests. We elected fair value treatment for our existing mortgage servicing rights portfolio. Liabilities incurred as part of the transaction, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes the pretax gains and losses recognized on the types of loans sold into off-balance sheet securitization transactions.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Retail finance receivables	\$ —	\$ —	\$ —	\$ —
Automotive wholesale loans	—	38	—	102
Mortgage loans	1	—	4	(4)
Total pretax gain on off-balance sheet activities	\$ 1	\$ 38	\$ 4	\$ 98

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment.

(\$ in billions)	June 30, 2010	December 31, 2009
Retail finance receivables	\$ —	\$ 7.5
Automotive wholesale loans	—	—
Mortgage loans (a)	80.2	99.6
Total off-balance sheet activities	\$ 80.2	\$ 107.1

(a) Excludes \$168 million and \$237 million of delinquent loans held by securitization trusts as of June 30, 2010, and December 31, 2009, respectively, that we have the option to repurchase as they are included in consumer finance receivables and loans and mortgage loans held-for-sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

10. Mortgage Servicing Rights

The following tables summarize activity related to MSRs carried at fair value. Sufficient market inputs exist to determine the fair value of our recognized servicing assets and servicing liabilities.

(\$ in millions)	Three months ended June 30,	
	2010	2009
Estimated fair value at April 1,	\$ 3,543	\$ 2,587
Additions obtained from sales of financial assets	167	254
Additions from purchases of servicing assets	20	6
Subtractions from sales of servicing assets	—	(19)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(543)	1,035
Other changes in fair value (a)	(206)	(352)
Other changes that affect the balance	2	(2)
Estimated fair value at June 30,	\$ 2,983	\$ 3,509

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

(\$ in millions)	Six months ended June 30,	
	2010	2009
Estimated fair value at January 1,	\$ 3,554	\$ 2,848
Additions obtained from sales of financial assets	369	373
Additions from purchases of servicing assets	21	6
Subtractions from sales of servicing assets	—	(19)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(494)	995
Other changes in fair value (a)	(450)	(692)
Decrease due to change in accounting principle (b)	(19)	—
Other changes that affect the balance	2	(2)
Estimated fair value at June 30,	\$ 2,983	\$ 3,509

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

(b) The effect of change in accounting principle was due to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

We pledged MSRs of \$1.5 billion as collateral for borrowings at both June 30, 2010, and December 31, 2009.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models include all changes due to revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio, foreign currency translation adjustments, and the extinguishment of MSRs related to the exercise of clean-up calls of securitization transactions.

Key assumptions we use in valuing our MSRs are as follows.

	June 30,	
	2010	2009
Range of prepayment speeds	9.2–42.0%	0.7–49.0%
Range of discount rates	2.9–24.8%	3.3–130.3%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. We have economically hedged the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts and/or purchasing or selling U.S. Treasury and principal-only securities. The net fair value of derivative financial instruments used to mitigate these risks amounted to \$855 million and \$443 million at June 30, 2010 and 2009, respectively. The changes in fair value of the derivative financial instruments amounted to a gain of \$790 million and a loss of \$902 million for the six months ended June 30, 2010 and 2009, respectively, and were included in servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

The components of mortgage servicing fees were as follows.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 266	\$ 275	\$ 524	\$ 553
Late fees	19	21	38	45
Ancillary fees	43	38	90	74
Total	\$ 328	\$ 334	\$ 652	\$ 672

Our Mortgage operations that conduct primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with government-sponsored entities. At June 30, 2010, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

11. Other Assets

The components of other assets were as follows.

(\$ in millions)	June 30, 2010	December 31, 2009
Property and equipment at cost	\$ 1,282	\$ 1,416
Accumulated depreciation	(922)	(1,080)
Net property and equipment	360	336
Fair value of derivative contracts in receivable position	4,848	2,654
Restricted cash collections for securitization trusts (a)	2,346	3,654
Servicer advances	2,007	2,180
Restricted cash and cash equivalents	1,966	1,590
Cash reserve deposits held-for-securitization trusts (b)	1,303	1,594
Collateral placed with counterparties	844	1,760
Other accounts receivable	844	573
Debt issuance costs	810	829
Prepaid expenses and deposits	662	749
Goodwill	524	526
Interests retained in financial asset sales	465	471
Investment in used vehicles held-for-sale	450	522
Accrued interest and rent receivable	307	326
Real estate and other investments	270	340
Reposessed and foreclosed assets, net, at lower of cost or fair value	243	336
Other assets	1,397	1,447
Total other assets	\$ 19,646	\$ 19,887

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The changes in the carrying amounts of goodwill for the periods shown were as follows.

<i>(\$ in millions)</i>	<b>International Automotive Finance operations</b>	<b>Insurance operations</b>	<b>Total</b>
Goodwill at December 31, 2009	\$ 469	\$ 57	\$ 526
Transfer to assets of discontinued operations held-for-sale	—	6	6
Foreign currency translation effect	—	(8)	(8)
Goodwill at June 30, 2010	\$ 469	\$ 55	\$ 524

**12. Deposit Liabilities**

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>Domestic deposits</b>		
Noninterest-bearing deposits	\$ 2,262	\$ 1,755
NOW and money market checking accounts	7,948	7,213
Certificates of deposit	20,597	19,861
Dealer deposits	1,257	1,041
<b>Total domestic deposits</b>	<b>32,064</b>	<b>29,870</b>
<b>Foreign deposits</b>		
Noninterest-bearing deposits	14	—
NOW and money market checking accounts	541	165
Certificates of deposit	2,350	1,555
Dealer deposits	245	166
<b>Total foreign deposits</b>	<b>3,150</b>	<b>1,886</b>
<b>Total deposit liabilities</b>	<b>\$ 35,214</b>	<b>\$ 31,756</b>

Noninterest bearing deposits primarily represent third-party escrows associated with our Mortgage operations' loan servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At June 30, 2010, and December 31, 2009, certificates of deposit included \$5.4 billion and \$4.8 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

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13. Debt

The following table presents the composition of our debt portfolio at June 30, 2010, and December 31, 2009.

(\$ in millions)	June 30, 2010			December 31, 2009		
	Unsecured	Secured	Total	Unsecured	Secured	Total
<b>Short-term debt</b>						
Commercial paper	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ 8
Demand notes	1,596	—	1,596	1,311	—	1,311
Bank loans and overdrafts	1,789	—	1,789	1,598	—	1,598
Repurchase agreements and other (a)	345	3,324	3,669	348	7,027	7,375
<b>Total short-term debt</b>	<b>3,730</b>	<b>3,324</b>	<b>7,054</b>	<b>3,265</b>	<b>7,027</b>	<b>10,292</b>
<b>Long-term debt</b>						
Due within one year	6,203	13,734	19,937	7,429	18,898	26,327
Due after one year (b)	39,453	25,020	64,473	38,331	22,834	61,165
<b>Total long-term debt (c)</b>	<b>45,656</b>	<b>38,754</b>	<b>84,410</b>	<b>45,760</b>	<b>41,732</b>	<b>87,492</b>
Fair value adjustment (d)	795	—	795	529	—	529
<b>Total debt</b>	<b>\$ 50,181</b>	<b>\$ 42,078</b>	<b>\$ 92,259</b>	<b>\$ 49,554</b>	<b>\$ 48,759</b>	<b>\$ 98,313</b>

- (a) Repurchase agreements consist of secured financing arrangements with third parties at our Mortgage operations. Other primarily includes nonbank secured borrowings and notes payable to GM. Refer to Note 17 for additional information.
- (b) Includes \$7.4 billion at both June 30, 2010, and December 31, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).
- (c) Secured long-term debt includes \$2.2 billion and \$1.3 billion at fair value as of June 30, 2010, and December 31, 2009, respectively, as a result of fair value option elections. Refer to Note 18 for additional information.
- (d) Amount represents the hedge accounting adjustment on fixed rate debt.

The following table presents the scheduled maturity of long-term debt at June 30, 2010, assuming that no early redemptions occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	Unsecured (a)	Secured (b)	Total
2010	\$ 2,149	\$ 7,466	\$ 9,615
2011	9,393	13,279	22,672
2012	12,610	5,923	18,533
2013	1,889	5,725	7,614
2014	1,967	1,723	3,690
2015 and thereafter	21,405	1,706	23,111
Original issue discount (c)	(3,757)	—	(3,757)
Troubled debt restructuring concession (d)	—	396	396
<b>Long-term debt</b>	<b>45,656</b>	<b>36,218</b>	<b>81,874</b>
Collateralized borrowings in securitization trusts (e)	—	2,536	2,536
<b>Total long-term debt</b>	<b>\$ 45,656</b>	<b>\$ 38,754</b>	<b>\$84,410</b>

- (a) Scheduled maturities of ResCap unsecured long-term debt are as follows: \$419 million in 2010; \$208 million in 2011; \$340 million in 2012; \$529 million in 2013; \$97 million in 2014; and \$112 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally.
- (b) Scheduled maturities of ResCap secured long-term debt are as follows: \$661 million in 2010; \$508 million in 2011; \$0 million in 2012; \$707 million in 2013; \$707 million in 2014; and \$910 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally and collateralized borrowings in securitization trusts.
- (c) Scheduled remaining amortization of original issue discount is as follows: \$640 million in 2010; \$967 million in 2011; \$342 million in 2012; \$255 million in 2013; \$183 million in 2014; and \$1,370 million in 2015 and thereafter.
- (d) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain new secured notes. This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring concession is as follows: \$49 million in 2010; \$101 million in 2011; \$105 million in 2012; \$82 million in 2013; \$46 million in 2014; and \$13 million in 2015 and thereafter.
- (e) Collateralized borrowings in securitization trusts represent mortgage-lending-related debt that is repaid on the principal payments of the underlying assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from secured financing arrangements, securitization transactions accounted for as secured borrowings, and repurchase agreements.

(\$ in millions)	June 30, 2010		December 31, 2009	
	Assets	Related secured debt (a)	Assets	Related secured debt (a)
Loans held-for-sale	\$ 2,646	\$ 749	\$ 1,420	\$ 454
Mortgage assets held-for-investment and lending receivables	2,832	2,509	1,946	1,673
Retail automotive finance receivables (b)	22,436	19,246	19,203	13,597
Wholesale automotive finance receivables	12,095	6,745	16,352	8,565
Investment securities	39	—	63	—
Investment in operating leases, net	5,365	3,711	13,323	9,208
Real estate investments and other assets	3,940	4,141	4,468	5,129
Ally Bank (c)	19,155	4,977	24,276	10,133
<b>Total</b>	<b>\$68,508</b>	<b>\$ 42,078</b>	<b>\$81,051</b>	<b>\$ 48,759</b>

(a) Included as part of secured debt are repurchase agreements of \$979 million and \$26 million at June 30, 2010, and December 31, 2009, respectively. Assets approximating the value of the debt were pledged as collateral for both periods.

(b) Included as part of retail automotive finance receivables are \$13.3 billion of assets and \$8.8 billion of secured debt related to Ally Bank.

(c) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling \$15.2 billion and \$22.4 billion as of June 30, 2010, and December 31, 2009, respectively. Furthermore, under the advance agreement, the FHLB has a blanket lien on certain Ally Bank assets including approximately \$11.6 billion and \$11.5 billion in real estate-related finance receivables and loans and \$3.2 billion and \$2.7 billion in other assets as of June 30, 2010, and December 31, 2009, respectively. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

Funding Facilities

The following table highlights credit capacity under our secured and unsecured funding facilities as of June 30, 2010, and December 31, 2009. We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The amounts in the outstanding column in the table below are generally included on our Consolidated Balance Sheet.

(\$ in billions)	Total capacity		Unused capacity (a)		Outstanding	
	June 30, 2010	Dec 31, 2009	June 30, 2010	Dec 31, 2009	June 30, 2010	Dec 31, 2009
<b>Committed unsecured</b>						
Automotive Finance operations	\$ 0.8	\$ 0.8	\$ 0.1	\$ 0.1	\$ 0.7	\$ 0.7
<b>Committed secured</b>						
Automotive Finance operations and other	29.9	36.0	17.2	12.2	12.7	23.8
Mortgage operations	1.7	2.1	0.3	0.4	1.4	1.7
<b>Total committed facilities</b>	<b>32.4</b>	<b>38.9</b>	<b>17.6</b>	<b>12.7</b>	<b>14.8</b>	<b>26.2</b>
<b>Uncommitted unsecured</b>						
Automotive Finance operations	1.1	0.9	0.2	0.1	0.9	0.8
<b>Uncommitted secured</b>						
Automotive Finance operations (b)	3.4	5.7	3.1	2.0	0.3	3.7
Mortgage operations (c) (d)	7.1	8.6	2.1	1.9	5.0	6.7
<b>Total uncommitted facilities</b>	<b>11.6</b>	<b>15.2</b>	<b>5.4</b>	<b>4.0</b>	<b>6.2</b>	<b>11.2</b>
<b>Total facilities</b>	<b>44.0</b>	<b>54.1</b>	<b>23.0</b>	<b>16.7</b>	<b>21.0</b>	<b>37.4</b>
Whole-loan forward flow agreements (e)	1.5	9.4	1.5	9.4	—	—
<b>Total commitments</b>	<b>\$ 45.5</b>	<b>\$ 63.5</b>	<b>\$ 24.5</b>	<b>\$ 26.1</b>	<b>\$ 21.0</b>	<b>\$ 37.4</b>

(a) Funding for committed secured facilities is generally available on request as excess collateral resides in certain facilities or to the extent incremental collateral is available and contributed to the facilities.

(b) Included \$3.0 billion and \$5.3 billion of capacity from Federal Reserve Bank advances with \$0.0 billion and \$3.4 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(c) Included \$0.8 billion and \$2.5 billion of capacity from Federal Reserve Bank advances with \$0.0 billion and \$1.6 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(d) Included \$5.7 billion and \$5.9 billion of capacity from FHLB advances with \$4.5 billion and \$5.1 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(e) Represents commitments of financial institutions to purchase U.S. automotive retail assets. One of these arrangements expired in June 2010 while the other expires in October 2010.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**14. Regulatory Capital**

As a bank holding company, we and our wholly owned banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines by federal regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including fixed-rate cumulative preferred stock issued and sold to the Treasury) less goodwill and other adjustments. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 capital and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio of 4%.

The federal banking regulators also established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

A banking institution is considered “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6% unless subject to regulatory directive to maintain higher capital levels and for insured depository institutions, a leverage ratio that equals or exceeds 5%.

In conjunction with the conclusion of the Supervising Capital Assessment Program (S-CAP), the banking regulators developed an additional measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries and qualifying trust preferred securities.

On July 21, 2008, Ally, FIM Holdings, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank’s leverage ratio is at least 11% for a three-year period and thereafter, remain “well-capitalized.” For this purpose, the leverage ratio is determined in accordance with the FDIC’s regulations related to capital maintenance.

Additionally, on May 21, 2009, the Federal Reserve Board (FRB) granted Ally Bank an expanded exemption from Section 23A of the Federal Reserve Act. The exemption enables Ally Bank to make certain extensions of credit for the purchase of GM vehicles or vehicles floorplanned by Ally. The exemption requires Ally to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators issued companion rules applicable to certain U.S.-domiciled institutions. Ally qualifies as a “mandatory” bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion guidance. We continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

On January 28, 2010, the federal banking agencies published a final rule amending the risk-based capital guidelines associated with the implementation of ASU 2009-16 and ASU 2009-17. The rule permits banking organizations to phase in the effects of the consolidation on risk-weighted assets and also makes provisions associated with the impact of allowance for loan and lease losses effects on Tier 2 capital during 2010. Ally elected to utilize this optional phase-in approach. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17.

The following table summarizes our capital ratios.

(\$ in millions)	June 30, 2010		December 31, 2009		Required Minimum	Well-Capitalized Minimum
	Amount	Ratio	Amount	Ratio		
<b>Risk-based capital</b>						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 22,389	15.31%	\$ 22,398	14.15%	4.00%	6.00%
Ally Bank	8,172	20.25%	7,768	20.85%	(a)	6.00%
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 24,628	16.84%	\$ 24,623	15.55%	15.00% (b)	10.00%
Ally Bank	8,680	21.51%	8,237	22.10%	(a)	10.00%
Tier 1 leverage (to adjusted average assets) (c)						
Ally Financial Inc.					3.00–4.00%	(d)
Ally Bank	\$ 22,389	12.64%	\$ 22,398	12.70%	15.00% (a)	5.00%
Ally Bank	8,172	15.99%	7,768	15.42%		
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 7,669	5.24%	\$ 7,678	4.85%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

- (a) Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.
- (b) Ally, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.
- (c) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies. We are in the process of modifying information systems to address the daily average requirement.
- (d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

At June 30, 2010, Ally and Ally Bank met all required minimum ratios and exceeded “well-capitalized” requirements under the federal regulatory agencies’ definitions as summarized in the table above.

**15. Derivative Instruments and Hedging Activities**

We enter into interest rate and foreign currency swaps, futures, forwards, options, swaptions, and credit default swaps in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, loans held-for-sale, mortgage servicing rights, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign currency risk associated with foreign-currency-denominated debt and foreign exchange transactions. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign currency risks related to the assets and liabilities of our automotive finance and mortgage operations.

**Interest Rate Risk**

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We apply hedge accounting for certain derivative instruments used to hedge fixed-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We enter into economic hedges to mitigate exposure for the following categories:

- **MSRs and retained interests** — Our MSRs and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivatives that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of mortgage servicing rights due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

We use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we utilized them in the past and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

- **Mortgage loan commitments and mortgage and automotive loans held-for-sale** — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale go up and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage and automotive loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis. We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale.

- **Debt** — As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps were included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender or provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal. Additionally, effective January 1, 2010, the derivatives that were hedging off-balance sheet securitization activities are now hedging these securitizations as on-balance sheet securitization activities. We consolidated the off-balance sheet securitizations on January 1, 2010, due to accounting principle changes associated with ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information related to the recent adoption.

With the exception of a portion of our fixed-rate debt, we do not apply hedge accounting to our derivative portfolio held to economically hedge our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

- **Other** — We enter into futures, options, swaptions, and credit default swaps to economically hedge our net fixed versus variable interest rate exposure.

#### Foreign Currency Risk

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

Similar to our interest rate hedges, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our non-U.S. subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign currency exchange rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). We enter into foreign currency forwards with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. Our net investment hedges are recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that is recorded in current period earnings. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign currency derivatives with external counterparties. Our foreign currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the hedged foreign currency transactions.

With limited exceptions, we elected not to treat any foreign currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign currency swaps are substantially offset by the foreign currency revaluation gains and losses of the underlying assets and liabilities.

**Credit Risk**

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To further mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of their total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

We placed collateral totaling \$844 million and \$1.8 billion at June 30, 2010, and December 31, 2009, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$1.3 billion and \$432 million at June 30, 2010, and December 31, 2009, respectively. The collateral placed and received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our consolidated balance sheet unless certain conditions are met.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## Balance Sheet Presentation

The following tables summarize the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

June 30, 2010 (\$ in millions)	Fair value of derivative contracts in		Notional amount
	receivable position (a)	liability position (b)	
<b>Qualifying accounting hedges</b>			
Interest rate risk			
Fair value accounting hedges	\$ 723	\$ —	\$ 16,991
Foreign exchange risk			
Net investment accounting hedges	86	13	2,966
Cash flow accounting hedges	10	129	433
Total foreign exchange risk	96	142	3,399
Total qualifying accounting hedges	819	142	20,390
<b>Economic hedges</b>			
Interest rate risk			
MSRs and retained interests	3,129	2,274	269,915
Mortgage loan commitments and mortgage and automotive loans held-for-sale	188	225	42,066
Debt	263	251	30,386
Other	74	63	11,885
Total interest rate risk	3,654	2,813	354,252
Foreign exchange risk	375	223	15,669
Total economic hedges	4,029	3,036	369,921
Total derivatives	\$ 4,848	\$ 3,178	\$ 390,311

(a) Reported as other assets on the Consolidated Balance Sheet. Includes accrued interest of \$273 million.

(b) Reported as accrued expenses and other liabilities on the Consolidated Balance Sheet. Includes accrued interest of \$42 million.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2009 (\$ in millions)	Fair value of derivative contracts in		Notional amount
	receivable position (a)	liability position (b)	
<b>Qualifying accounting hedges</b>			
Interest rate risk			
Fair value accounting hedges	\$ 478	\$ 47	\$ 16,938
Foreign exchange risk			
Net investment accounting hedges	10	41	2,414
Cash flow accounting hedges	—	112	334
<b>Total foreign exchange risk</b>	<b>10</b>	<b>153</b>	<b>2,748</b>
<b>Total qualifying accounting hedges</b>	<b>488</b>	<b>200</b>	<b>19,686</b>
<b>Economic hedges</b>			
Interest rate risk			
MSRs and retained interests	805	816	153,818
Mortgage loan commitments and mortgage and automotive loans held-for-sale	225	132	45,470
Off-balance sheet securitization activities	139	—	4,440
Debt	392	548	53,501
Other	50	24	12,629
<b>Total interest rate risk</b>	<b>1,611</b>	<b>1,520</b>	<b>269,858</b>
Foreign exchange risk	555	175	22,927
<b>Total economic hedges</b>	<b>2,166</b>	<b>1,695</b>	<b>292,785</b>
<b>Total derivatives</b>	<b>\$ 2,654</b>	<b>\$ 1,895</b>	<b>\$312,471</b>

(a) Reported as other assets on the Consolidated Balance Sheet. Includes accrued interest of \$314 million.

(b) Reported as accrued expenses and other liabilities on the Consolidated Balance Sheet. Includes accrued interest of \$91 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## Statement of Income Presentation

The following table summarizes the location and amounts of gains and losses reported in our Consolidated Statement of Income on derivative instruments.

(\$ in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<b>Qualifying accounting hedges</b>				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest on long-term debt	\$ 316	\$ (180)	\$ 397	\$ (377)
(Loss) gain recognized in earnings on hedged items				
Interest rate contracts				
Interest on long-term debt	(285)	155	(347)	320
Total qualifying accounting hedges	31	(25)	50	(57)
<b>Economic hedges</b>				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	727	(902)	790	(882)
Loss on mortgage and automotive loans, net	(257)	(40)	(401)	(269)
Other loss on investments, net	—	(7)	—	(8)
Other income, net of losses	3	48	(50)	36
Other operating expenses	(2)	(14)	(6)	(16)
Total interest rate contracts	471	(915)	333	(1,139)
Foreign exchange contracts (a)				
Interest on long-term debt	18	(8)	(14)	(8)
Other income, net of losses	(5)	10	(8)	(211)
Total foreign exchange contracts	13	2	(22)	(219)
Gain (loss) recognized in earnings on derivatives	\$ 515	\$ (938)	\$ 361	\$ (1,415)

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

## 16. Income Taxes

Effective June 30, 2009, we converted (the Conversion) from a limited liability company (LLC) treated as a pass-through entity for U.S. federal income tax purposes to a corporation. As a result of the Conversion, we became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to this change in tax status as of June 30, 2009, an additional net deferred tax liability of \$1.2 billion was established through income tax expense from continuing operations.

Prior to the Conversion, certain U.S. entities were pass-through entities for U.S. federal income tax purposes. U.S. federal, state, and local income taxes were generally not provided for these entities as they were not taxable entities except in a few local jurisdictions that tax LLCs or partnerships. LLC members were required to report their share of our taxable income on their respective income tax returns. In addition, our banking, insurance, and foreign subsidiaries generally were and continue to be corporations that are subject to, and required to provide for U.S. and foreign income taxes. The Conversion did not change the tax status of these subsidiaries.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We recognized total income tax expense from continuing operations of \$33 million and \$69 million during the three months and six months ended June 30, 2010, respectively, and total income tax expense from continuing operations of \$1.1 billion and \$972 million during the three months and six months ended June 30, 2009, respectively. A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations is shown in the following table.

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	(34.5)	(0.9)	(30.7)	(0.5)
Foreign capital loss	12.1	—	8.6	—
Active Finance Exception-expiration	(9.8)	—	0.2	—
Taxes on unremitted earnings of subsidiaries	5.9	—	0.5	—
Foreign income tax rate differential	(2.4)	(0.6)	(1.1)	0.3
State and local income taxes, net of federal income tax benefit	(0.5)	1.2	0.7	0.9
Tax-exempt income	(0.4)	0.1	(0.7)	0.2
Change in tax status	—	(76.7)	—	(53.7)
LLC results not subject to federal or state income taxes	—	(25.9)	—	(24.1)
Other, net	2.0	(1.4)	(1.5)	(1.1)
Effective tax rate	7.4%	(69.2)%	11.0%	(43.0)%

The valuation allowances that were previously established against our domestic net deferred tax assets and certain international net deferred tax assets declined by approximately \$169 million and \$701 million during the three months and six months ended June 30, 2010, respectively, as a result of profitability of our operations in various tax jurisdictions in combination with an election made by the company to treat the U.S. consumer property and casualty insurance business disposition as an asset sale versus a stock sale for U.S. tax purposes. This election resulted in a smaller ordinary loss than the capital loss that was previously recorded.

The amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate is approximately \$144 million as of June 30, 2010, compared to \$157 million at December 31, 2009. We do not expect a significant change in the unrecognized tax benefits within the next 12 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

17. Related Party Transactions

The related party activities represent transactions with GM, FIM Holdings, and affiliated companies. GM and FIM Holdings have both a direct and indirect ownership interest in Ally.

Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows.

(\$ in millions)	June 30, 2010	December 31, 2009
<b>Assets</b>		
Available-for-sale investment in asset-backed security — GM (a)	\$ 8	\$ 20
<b>Secured</b>		
Finance receivables and loans, net of unearned income		
Wholesale automotive financing — GM (b)	291	280
Term loans to dealers — GM (b)	72	71
Lending receivables — affiliates of FIM Holdings	65	54
Investment in operating leases, net — GM (c)	63	69
Notes receivable from GM (d)	354	884
Other assets		
Other — GM	52	102
<b>Total secured</b>	<b>897</b>	<b>1,460</b>
<b>Unsecured</b>		
Notes receivable from GM (d)	11	27
Other assets		
Subvention receivables (rate and residual support) — GM	153	165
Lease pull-ahead receivable — GM	21	21
Other — GM	18	26
<b>Total unsecured</b>	<b>203</b>	<b>239</b>
<b>Liabilities</b>		
<b>Unsecured debt</b>		
Notes payable to GM	\$ 25	\$ 154
<b>Accrued expenses and other liabilities</b>		
Wholesale payable — GM	288	161
Other payables — GM	61	18

- (a) In November 2006, Ally retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, Ally provided a note to a trust, a wholly owned subsidiary of GM. The note was classified in investment securities on the Consolidated Balance Sheet.
- (b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.
- (c) Primarily represents buildings classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.
- (d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers primarily in Italy in 2010 and in the United Kingdom and Italy in 2009. The financing to GM remains outstanding until the title is transferred to Ally or the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets (except loans relating to parts and accessories in Italy).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Statement of Income

A summary of the statement of income effect of transactions with GM, FIM Holdings, and affiliated companies follows.

(\$ in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<b>Net financing revenue</b>				
GM and affiliates lease residual value support — North American operations (a)	\$ (6)	\$ 56	\$ 1	\$ 140
GM and affiliates rate support — North American operations	159	194	325	383
Wholesale subvention and service fees from GM	40	59	86	116
Interest earned on wholesale automotive financing	—	5	2	10
Interest earned on term loans to dealers	—	1	—	1
Interest expense on loans with GM	(1)	(11)	(4)	(21)
Interest on notes receivable from GM and affiliates	(4)	13	5	34
Interest on wholesale settlements (b)	44	34	90	55
Interest income on loans with FIM Holdings affiliates, net	1	1	2	2
Consumer lease payments from GM (c)	3	21	15	60
<b>Other revenue</b>				
Insurance premiums earned from GM	40	43	80	83
Service fees on transactions with GM	2	1	3	4
Revenues from GM-leased properties, net	2	3	4	5
Other (d)	—	(1)	(1)	(5)
<b>Servicing fees</b>				
U.S. automotive operating leases (e)	1	7	2	18
<b>Expense</b>				
Off-lease vehicle selling expense reimbursement (f)	(4)	(7)	(8)	(15)
Payments to GM for services, rent, and marketing expenses (g)	34	33	67	51

(a) Represents total amount of residual support and risk sharing (incurred) earned under the residual support and risk-sharing programs.

(b) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.

(c) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle with the customer's remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.

(d) Includes income or (expense) related to derivative transactions that we enter into with GM as counterparty.

(e) Represents servicing income related to automotive leases distributed as a dividend to GM on November 22, 2006.

(f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.

(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Statement of Changes in Equity

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows.

(\$ in millions)	Six months ended June 30, 2010	Year ended December 31, 2009
<b>Equity</b>		
Capital contributions received (a)	\$ —	\$ 1,280
Dividends to shareholders/members (b)	7	393
Preferred interest dividends — GM	51	128
Other (c)	(74)	—

- (a) On January 16, 2009, we completed a \$1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM.
- (b) Pursuant to an operating agreement, certain of our shareholders were permitted distributions to pay the taxes they incurred from ownership of their Ally interests prior to our conversion from a tax partnership to a corporation. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approval of both our Ally Board of Directors and the Treasury was obtained in advance for the payment of tax distributions to our shareholders. In 2010, the amount distributed to GM was \$7 million. This represented an accrual for GM tax settlements and refunds received related to tax periods prior to the November 30, 2006, sale by GM of a 51% interest in Ally (Sale Transactions). Amounts distributed to GM and FIM Holdings were \$220 million and \$173 million, respectively, for the year ended December 31, 2009. Included in the 2009 amount is \$55 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.
- (c) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Services operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM's business, including significant adverse changes in GM's liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM's relationships with its key suppliers, GM's relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. As a result, GM's level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM's business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

As of June 30, 2010, we had an estimated \$897 million in secured credit exposure, which included primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We further had approximately \$1.1 billion in unsecured credit exposure, which included estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of certain agreements between Ally and GM, Ally has the right to offset certain of its exposures to GM against amounts Ally owes to GM.

Retail and Lease Programs

GM may elect to sponsor incentive programs (on both retail contracts and operating leases) by supporting financing rates below the standard market rates at which we purchase retail contracts and leases. These marketing incentives are also referred to as rate support or subvention. When GM utilizes these marketing incentives, they pay us the present value of the difference between the customer rate and our standard rate at contract inception, which we defer and recognize as a yield adjustment over the life of the contract.

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GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer's contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle's disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For North American lease originations and balloon retail contract originations occurring in the United States after April 30, 2006, and in Canada after November 30, 2006, that remained with us after the consummation of the Sale Transactions, GM agreed to begin payment of the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM ultimately owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the June 30, 2010, outstanding North American operating lease and retail balloon portfolios, the additional maximum contractual amount that could be paid by GM under the residual support programs is approximately \$802 million and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than both the contractual residual value and our standard residual rates.

Based on the June 30, 2010, outstanding North American operating lease portfolio, the maximum contractual amount that could be paid under the risk-sharing arrangements is approximately \$987 million and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new retail and lease contracts acquired, were as follows.

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>GM and affiliates subvented contracts acquired</b>		
North American operations	52%	72%
International operations (a)	37%	64%

(a) Represents subvention for continuing operations only.

**Other**

We entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of June 30, 2010, and December 31, 2009, commercial obligations guaranteed by GM were \$58 million and \$68 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer franchise termination.

**18. Fair Value**

**Fair Value Measurements**

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

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A three-level hierarchy is to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- |         |   |
|---------|---|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.  |
| Level 2 | Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.  |

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized:

- **Trading securities** — Trading securities are recorded at fair value and may be asset- or mortgage-backed securities (including senior and subordinated interests) and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices may not be available for a significant portion of these assets due to current illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 64% and 94% of the trading securities reported at fair value as Level 3 at June 30, 2010, and December 31, 2009, respectively. Trading securities account for 1% and 2% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.
- **Available-for-sale securities** — Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified less than 1% of the available-for-sale securities reported at fair value as Level 3 at both June 30, 2010, and December 31, 2009. Available-for-sale securities account for 42% and 37% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.
- **Loans held-for-sale** — We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government- and agency-eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. The loans not elected under the fair value option are only loans carried at fair value that are accounted for at the lower of cost or fair value. We classified 21% and 49% of the loans held-for-sale reported at fair value as Level 3 at June 30, 2010, and December 31, 2009, respectively. Loans held-for-sale account for 18% and 32% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.



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Approximately 6% and 4% of the total loans held-for-sale carried at fair value are automotive loans at June 30, 2010, and December 31, 2009, respectively. These automotive loans are presented in the nonrecurring fair value measurement table. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models (an income approach) and classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loans may be the whole-loan market, the securitization market, or committed prices contained in forward flow agreements. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan's value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 94% and 96% of the total loans held-for-sale carried at fair value are mortgage loans at June 30, 2010, and December 31, 2009, respectively. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as agency eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of loans held-for-sale. The methodology used depends on the exit market as described below.

*Loans valued using observable market prices for identical or similar assets* — This includes all domestic loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This will also include all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. As of June 30, 2010, and December 31, 2009, 83% and 52%, respectively, of the mortgage loans held-for-sale currently being carried at fair value were classified as Level 2.

*Loans valued using internal models* — To the extent observable market prices are not available, we will determine the fair value of loans held-for-sale using internally developed valuation models. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan's fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. As of June 30, 2010, and December 31, 2009, 17% and 48%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

Due to limited sales activity and periodically unobservable prices in certain markets, certain loans held-for-sale may transfer between Level 2 and Level 3 in future periods.

- **Consumer mortgage finance receivables and loans, net of unearned income** — We elected the fair value option for certain consumer mortgage finance receivables and loans. The elected loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have exceeded or already had exceeded our economic exposure. The elected loans represent a portion of the consumer finance receivable and loans on the Consolidated Balance Sheet. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The mortgage loans that collateralized securitization debt are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. Values of loans held on an in-use basis may differ considerably from loans held-for-sale that can be sold in the whole-loan

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market. This difference arises primarily due to the liquidity of the asset- and mortgage-backed securitization market and is evident in the fact that spreads applied to lower rated asset- and mortgage-backed securities are considerably wider than spreads observed on senior bonds classes and in the whole-loan market. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3, as of June 30, 2010, and December 31, 2009. Consumer finance receivables and loans accounted for 8% and 4% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

- **Commercial finance receivables and loans, net of unearned income** — We evaluate our commercial finance receivables and loans, net of unearned income, for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement. As of June 30, 2010, 5% and 95% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. As of December 31, 2009, 6% and 94% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. Commercial finance receivables and loans accounted for 3% and 4% of all assets reported at fair value at June 30, 2010, and December 31, 2009.
- **Mortgage servicing rights** — We typically retain MSR when we sell assets into the secondary market. MSR currently do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value of MSR. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. All MSR were classified as Level 3 at June 30, 2010, and December 31, 2009. MSR accounted for 10% of all assets reported at fair value at both June 30, 2010, and December 31, 2009.
- **Interests retained in financial asset sales** — Interests retained in financial asset sales are carried at fair value. The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). All interests retained were classified as Level 3 at June 30, 2010, and December 31, 2009. Interests retained in financial assets sales accounted for 2% and less than 1% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.
- **Derivative instruments** — We manage risk through our balance of loan production and servicing businesses while using financial instruments (including derivatives) to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSR, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated entity. Refer to Note 15 for additional information regarding the gains and losses recognized on the fair value of economic hedges within the Consolidated Statement of Income.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price

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or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We classified 4% of the derivative assets and 10% of the derivative liabilities reported at fair value as Level 1 at June 30, 2010. We classified 7% of the derivative assets and 9% of the derivative liabilities reported at fair value as Level 1 at December 31, 2009.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable. We classified 90% of the derivative assets and 85% of the derivative liabilities reported at fair value as Level 2 at June 30, 2010. We classified 77% of the derivative assets and 73% of the derivative liabilities reported at fair value as Level 2 at December 31, 2009.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. We classified 6% of the derivative assets and 5% of the derivative liabilities reported at fair value as Level 3 at June 30, 2010. We classified 16% of the derivative assets and 18% of the derivative liabilities reported at fair value as Level 3 at December 31, 2009.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. The CVA calculates the probable or potential future exposure on the derivative under different interest and currency exchange rate environments using simulation tools. For each simulation, a CVA is calculated using either our credit default spread or the default spread of the counterparty and, in both cases, the potential exposure of the simulation.

Derivative assets accounted for 16% and 8% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively. Derivative liabilities accounted for 59% of all liabilities reported at fair value at both June 30, 2010, and December 31, 2009.

- **Derivative collateral placed with counterparties** — Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets. We classified 100% and 96% of securities posted as collateral as Level 1 at June 30, 2010, and December 31, 2009, respectively. Securities posted as collateral accounted for less than 1% and 2% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.
- **Repossessed and foreclosed assets** — Foreclosed on or repossessed assets resulting from loan defaults are carried at the lower of either cost or fair value less costs to sell and are included in other assets on the Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value less costs to sell.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals less costs to sell as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we

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classified these assets as Level 3 in the fair value disclosures. As of June 30, 2010, we classified 38% and 62% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. As of December 31, 2009, we classified 51% and 49% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. Repossessed and foreclosed assets account for less than 1% of all assets reported at fair value at both June 30, 2010, and December 31, 2009.

- **On-balance sheet securitization debt** — We elected the fair value option for certain mortgage loans held-for-investment and on-balance sheet securitization debt. In particular, we elected the fair value option on securitization debt issued by domestic on-balance sheet securitization vehicles as of January 1, 2008, in which we estimated credit reserves pertaining to securitized assets could have exceeded or already had exceeded our economic exposure. The objective in measuring the loans and related securitization debt at fair value was to approximate our retained economic interest and economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounted for 41% of all liabilities reported at fair value at both June 30, 2010, and December 31, 2009. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for a complete description of these securitizations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Recurring Fair Value**

The following tables display the assets and liabilities measured at fair value on a recurring basis including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

June 30, 2010 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading securities				
U.S. Treasury and federal agencies	\$ 75	\$ —	\$ —	\$ 75
Mortgage-backed				
Residential	—	1	46	47
Asset-backed	—	—	87	87
Total trading securities	75	1	133	209
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	3,452	581	—	4,033
States and political subdivisions	—	7	—	7
Foreign government	952	273	—	1,225
Mortgage-backed				
Residential	—	3,496	2	3,498
Asset-backed	—	1,692	8	1,700
Corporate debt securities	—	1,302	—	1,302
Other	—	1	—	1
Total debt securities	4,404	7,352	10	11,766
Equity securities	944	—	—	944
Total available-for-sale securities	5,348	7,352	10	12,710
Mortgage loans held-for-sale (a)	—	4,167	—	4,167
Consumer mortgage finance receivables and loans, net of unearned income (a)	—	—	2,345	2,345
Mortgage servicing rights	—	—	2,983	2,983
Other assets				
Cash reserve deposits held-for-securitization trusts	—	—	2	2
Interests retained in financial asset sales	—	—	465	465
Fair value of derivative contracts in receivable position				
Interest rate contracts	202	3,908	267	4,377
Foreign currency contracts	—	471	—	471
Total fair value of derivative contracts in receivable position	202	4,379	267	4,848
Derivative collateral placed with counterparties	142	—	—	142
Total assets	\$ 5,767	\$ 15,899	\$ 6,205	\$ 27,871
<b>Liabilities</b>				
Secured debt				
On-balance sheet securitization debt (a)	\$ —	\$ —	\$(2,178)	\$(2,178)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	(319)	(2,332)	(162)	(2,813)
Foreign currency contracts	—	(365)	—	(365)
Total fair value of derivative contracts in liability position	(319)	(2,697)	(162)	(3,178)
Total liabilities	\$ (319)	\$ (2,697)	\$(2,340)	\$(5,356)

(a) Carried at fair value due to fair value option elections.

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2009 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading securities				
Mortgage-backed				
Residential	\$ —	\$ 44	\$ 99	\$ 143
Asset-backed	—	—	596	596
Total trading securities	—	44	695	739
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,989	1,521	—	3,510
States and political subdivisions	—	811	—	811
Foreign government	911	262	—	1,173
Mortgage-backed				
Residential	—	3,455	6	3,461
Asset-backed	—	985	20	1,005
Corporate debt securities	2	1,471	—	1,473
Other	47	—	—	47
Total debt securities	2,949	8,505	26	11,480
Equity securities	671	4	—	675
Total available-for-sale securities	3,620	8,509	26	12,155
Mortgage loans held-for-sale (a)	—	5,545	—	5,545
Consumer mortgage finance receivables and loans, net of unearned income (a)	—	—	1,303	1,303
Mortgage servicing rights	—	—	3,554	3,554
Other assets				
Cash reserve deposits held-for-securitization trusts	—	—	31	31
Interests retained in financial asset sales	—	—	471	471
Fair value of derivative contracts in receivable position	184	2,035	435	2,654
Derivative collateral placed with counterparties	808	37	—	845
<b>Total assets</b>	<b>\$ 4,612</b>	<b>\$ 16,170</b>	<b>\$ 6,515</b>	<b>\$ 27,297</b>
<b>Liabilities</b>				
Secured debt				
On-balance sheet securitization debt (a)	\$ —	\$ —	\$(1,294)	\$(1,294)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position	(172)	(1,391)	(332)	(1,895)
<b>Total liabilities</b>	<b>\$ (172)</b>	<b>\$ (1,391)</b>	<b>\$(1,626)</b>	<b>\$(3,189)</b>

(a) Carried at fair value due to fair value option elections.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers into or out of any hierarchy levels, if any (including any transfers shown in the following tables), are recognized as of the end of the reporting period in which the transfer occurred. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

	Level 3 recurring fair value measurements					
	Fair value as of April 1, 2010	Net realized/unrealized gains (losses)		Purchases, issuances, and settlements, net	Fair value as of June 30, 2010	Net unrealized gains (losses) included in earnings still held as of June 30, 2010
		included in earnings	included in other comprehensive income			
<i>(\$ in millions)</i>						
<b>Assets</b>						
Trading securities						
Mortgage-backed						
Residential	\$ 54	\$ (4)(a)	\$ —	\$ (4)	\$ 46	\$ 2 (a)
Asset-backed	89	—	(2)	—	87	—
Total trading securities	143	(4)	(2)	(4)	133	2
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed						
Residential	3	—	(1)	—	2	—
Asset-backed	13	—	—	(5)	8	—
Total debt securities	16	—	(1)	(5)	10	—
Consumer mortgage finance receivables and loans, net of unearned income (b)	2,572	375 (c)	—	(602)	2,345	166 (c)
Mortgage servicing rights	3,543	(748)(d)	—	188	2,983	(748)(d)
Other assets						
Cash reserve deposits held-for-securitization trusts	2	—	—	—	2	—
Interests retained in financial asset sales	411	30 (e)	—	24	465	4 (e)
Fair value of derivative contracts in receivable (liability) position, net						
Interest rate contracts, net	4	136 (f)	—	(35)	105	196 (f)
Total assets	\$ 6,691	\$ (211)	\$ (3)	\$ (434)	\$ 6,043	\$ (380)
<b>Liabilities</b>						
Secured debt						
On-balance sheet securitization debt (b)						
	\$ (2,384)	\$ (361)(c)	\$ —	\$ 567	\$ (2,178)	\$ (201)(c)
Total liabilities	\$ (2,384)	\$ (361)	\$ —	\$ 567	\$ (2,178)	\$ (201)

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

(c) Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(e) Reported as other income, net of losses, in the Consolidated Statement of Income.

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(\$ in millions)	Level 3 recurring fair value measurements					
	Fair value as of January 1, 2010	Net realized/unrealized gains (losses)		Purchases, issuances, and settlements, net	Fair value as of June 30, 2010	Net unrealized gains (losses) included in earnings still held as of June 30, 2010
		included in earnings	included in other comprehensive income			
<b>Assets</b>						
Trading securities						
Mortgage-backed						
Residential	\$ 99	\$ —	\$ —	\$ (53)	\$ 46	\$ 11 (a)
Asset-backed	596	—	—	(509)	87	—
Total trading securities	695	—	—	(562)	133	11
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed						
Residential	6	—	(1)	(3)	2	—
Asset-backed	20	—	—	(12)	8	—
Total debt securities	26	—	(1)	(15)	10	—
Consumer mortgage finance receivables and loans, net of unearned income (b)						
	1,303	788 (c)	—	254	2,345	368 (c)
Mortgage servicing rights	3,554	(944)(d)	—	373	2,983	(944)(d)
Other assets						
Cash reserve deposits held-for- securitization trusts	31	—	—	(29)	2	—
Interests retained in financial asset sales	471	33 (e)	—	(39)	465	6 (e)
Fair value of derivative contracts in receivable (liability) position, net						
Interest rate contracts, net	103	(9)(f)	—	11	105	139 (f)
Total assets	\$ 6,183	\$ (132)	\$ (1)	\$ (7)	\$ 6,043	\$ (420)
<b>Liabilities</b>						
Secured debt						
On-balance sheet securitization debt (b)						
	\$ (1,294)	\$ (774)(c)	\$ —	\$ (110)	\$ (2,178)	\$ (442)(c)
Total liabilities	\$ (1,294)	\$ (774)	\$ —	\$ (110)	\$ (2,178)	\$ (442)

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

(c) Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(e) Reported as other income, net of losses, in the Consolidated Statement of Income.

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.



ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(\$ in millions)	Level 3 recurring fair value measurements						Fair value as of June 30, 2009	Net unrealized gains (losses) included in earnings still held as of June 30, 2009
	Fair value as of April 1, 2009	Net realized/unrealized gains (losses)		Purchases, issuances, and settlements, net	Net transfers into/ (out of) Level 3	included in other comprehensive income		
		included in earnings						
<b>Assets</b>								
Trading securities								
Mortgage-backed								
Residential	\$ 172	\$ (52)(a)	\$ —	\$ (9)	\$ 19	\$ 130	\$ (36)(a)	
Asset-backed	534	75 (a)	7	(12)	—	604	(205)(a)	
Total trading securities	706	23	7	(21)	19	734	(241)	
Investment securities								
Available-for-sale securities								
Debt securities								
Mortgage-backed								
Residential	2	—	(5)	—	7	4	—	
Asset-backed	409	2 (a)	2	—	—	413	(4)(a)	
Equity securities	22	—	1	—	(23)	—	—	
Total available-for-sale securities	433	2	(2)	—	(16)	417	(4)	
Consumer mortgage finance receivables and loans, net of unearned income (b)								
	1,663	321 (c)	—	(396)	—	1,588	190 (c)	
Mortgage servicing rights	2,587	678 (d)	—	244	—	3,509	683 (d)	
Other assets								
Cash reserve deposits held-for-securitization trusts								
	30	2 (e)	—	1	—	33	(109)(e)	
Interests retained in financial asset sales								
	822	4 (e)	4	(168)	—	662	— (e)	
Fair value of derivative contracts in receivable (liability) position, net								
	319	78 (f)	—	(249)	77	225	288 (f)	
Total assets	\$ 6,560	\$ 1,108	\$ 9	\$ (589)	\$ 80	\$ 7,168	\$ 807	
<b>Liabilities</b>								
Secured debt								
On-balance sheet securitization debt (b)								
	\$ (1,676)	\$ (308)(c)	\$ —	\$ 410	\$ —	\$ (1,574)	\$ (189)(c)	
Total liabilities	\$ (1,676)	\$ (308)	\$ —	\$ 410	\$ —	\$ (1,574)	\$ (189)	

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

(c) Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(e) Reported as other income, net of losses, in the Consolidated Statement of Income.

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(\$ in millions)	Level 3 recurring fair value measurements						Fair value as of June 30, 2009	Net unrealized gains (losses) included in earnings still held as of June 30, 2009
	Fair value as of January 1, 2009	Net realized/unrealized gains (losses)		Purchases, issuances, and settlements, net	Net transfers into/ (out of) Level 3	Fair value as of June 30, 2009		
		included in earnings	included in other comprehensive income					
<b>Assets</b>								
Trading securities								
Mortgage-backed								
Residential	\$ 174	\$ (53)(a)	\$ —	\$ (10)	\$ 19	\$ 130	\$ (41)(a)	
Asset-backed	546	70 (a)	5	(17)	—	604	(482)(a)	
Total trading securities	720	17	5	(27)	19	734	(523)	
Investment securities								
Available-for-sale securities								
Debt securities								
Mortgage-backed								
Residential	2	—	(5)	—	7	4	—	
Asset-backed	607	2 (a)	3	(199)	—	413	(8)(a)	
Equity securities	22	—	1	—	(23)	—	—	
Total available-for-sale securities	631	2	(1)	(199)	(16)	417	(8)	
Consumer mortgage finance receivables and loans, net of unearned income (b)								
	1,861	509 (c)	—	(782)	—	1,588	248 (c)	
Mortgage servicing rights	2,848	322 (d)	—	339	—	3,509	335 (d)	
Other assets								
Cash reserve deposits held-for-securitization trusts	41	(4)(e)	(1)	(3)	—	33	(221)(e)	
Interests retained in financial asset sales	1,001	(65)(e)	4	(278)	—	662	4 (e)	
Fair value of derivative contracts in receivable (liability) position, net	149	402 (f)	(5)	(466)	145	225	876 (f)	
<b>Total assets</b>	<b>\$ 7,251</b>	<b>\$ 1,183</b>	<b>\$ 2</b>	<b>\$ (1,416)</b>	<b>\$ 148</b>	<b>\$ 7,168</b>	<b>\$ 711</b>	
<b>Liabilities</b>								
Secured debt								
On-balance sheet securitization debt (b)								
	\$ (1,899)	\$ (444)(c)	\$ —	\$ 769	\$ —	\$ (1,574)	\$ (224)(c)	
<b>Total liabilities</b>	<b>\$ (1,899)</b>	<b>\$ (444)</b>	<b>\$ —</b>	<b>\$ 769</b>	<b>\$ —</b>	<b>\$ (1,574)</b>	<b>\$ (224)</b>	

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

(c) Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

(e) Reported as other income, net of losses, in the Consolidated Statement of Income.

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Nonrecurring Fair Value**

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower of cost or fair value accounting or certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures.

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis and held at June 30, 2010 and 2009.

June 30, 2010 (\$ in millions)	Nonrecurring fair value measures				Lower of cost or fair value or valuation reserve allowance	Total gains (losses) included in earnings for the three months ended	Total gains (losses) included in earnings for the six months ended
	Level 1	Level 2	Level 3	Total			
<b>Assets</b>							
<b>Loans held-for-sale (a)</b>							
Automotive	\$ —	\$ —	\$ 295	\$ 295	\$ (96)	n/m (b)	n/m (b)
Mortgage	—	—	835	835	(61)	n/m (b)	n/m (b)
<b>Total loans held-for-sale</b>	<b>—</b>	<b>—</b>	<b>1,130</b>	<b>1,130</b>	<b>(157)</b>	<b>n/m (b)</b>	<b>n/m (b)</b>
<b>Commercial finance receivables and loans, net of unearned income (c)</b>							
Automotive	—	—	379	379	(81)	n/m (b)	n/m (b)
Mortgage	—	44	65	109	(59)	n/m (b)	n/m (b)
Other	—	—	486	486	(161)	n/m (b)	n/m (b)
<b>Total commercial finance receivables and loans, net of unearned income</b>	<b>—</b>	<b>44</b>	<b>930</b>	<b>974</b>	<b>(301)</b>		
<b>Other assets</b>							
Real estate and other investments (d)	—	23	—	23	n/m (e)	\$ 1	\$ 2
Repossessed and foreclosed assets, net (f)	—	44	73	117	(29)	n/m (b)	n/m (b)
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 111</b>	<b>\$ 2,133</b>	<b>\$ 2,244</b>	<b>\$ (487)</b>	<b>\$ 1</b>	<b>\$ 2</b>

n/m = not meaningful

- (a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of June 30, 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio impaired as of June 30, 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) Represents assets impaired as of June 30, 2010. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and six months ended June 30, 2010.
- (e) The total loss included in earnings is the most relevant indicator of the impact on earnings.
- (f) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2009 (\$ in millions)	Nonrecurring fair value measures				Lower of cost or fair value or valuation reserve allowance	Total gains (losses) included in earnings for the three months ended	Total gains (losses) included in earnings for the six months ended
	Level 1	Level 2	Level 3	Total			
<b>Assets</b>							
Loans held-for-sale (a)	\$ —	\$ 269	\$ 506	\$ 775	\$ (725)	n/m (b)	n/m (b)
Commercial finance receivables and loans, net of unearned income (c)	—	397	2,587	2,984	(1,199)	\$ — (d)	\$ (87)(d)
<b>Other assets</b>							
Real estate and other investments (e)	—	129	—	129	n/m (f)	5	6
Repossessed and foreclosed assets, net (g)	—	205	123	328	(107)	n/m (b)	n/m (b)
Goodwill (h)	—	—	—	—	n/m (f)	(607)	(607)
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 1,000</b>	<b>\$ 3,216</b>	<b>\$ 4,216</b>	<b>\$ (2,031)</b>	<b>\$ (602)</b>	<b>\$ (688)</b>

n/m = not meaningful

- (a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of June 30, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the commercial portfolio impaired as of June 30, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) Represents losses recognized on the impairment of our resort finance business, which provided debt capital to resort and timeshare developers. Refer to footnote (b) for information related to the other commercial finance receivables and loans, net of unearned income, for which impairment was recognized.
- (e) Represents assets impaired as of June 30, 2009. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and six months ended June 30, 2009.
- (f) The total loss included in earnings is the most relevant indicator of the impact on earnings.
- (g) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
- (h) Represents goodwill impaired as of June 30, 2009. The impairment related to a reporting unit within our Insurance operations.

**Fair Value Option for Financial Assets and Financial Liabilities**

On January 1, 2008, we elected to measure at fair value certain consumer mortgage finance receivables and loans and the related debt held in the financing securitization structures that existed. During the three months ended September 30, 2009, we also elected the fair value option for government- and agency-eligible mortgage loans held-for-sale funded after July 31, 2009. As of January 1, 2010, we elected the fair value option for all mortgage securitization structures that were required to be consolidated due to the adoption of ASU 2009-17. Refer to Note 1 for additional information related to the adoption. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

A description of the financial assets and liabilities elected to be measured at fair value is as follows.

- **On-balance sheet securitizations** — We executed certain domestic securitizations that did not meet certain sale criteria. As part of these domestic on-balance sheet securitizations, we typically retained the economic residual interest in the securitization. The economic residual entitles us to excess cash flows that remain at each distribution date after absorbing any credit losses in the securitization. Because sale treatment was not achieved, the mortgage loan collateral remained on the balance sheet and was classified as consumer finance receivable and loans; the securitization's debt was classified as secured debt; and the economic residuals were not carried on the balance sheet. After execution of the securitizations, we were required under GAAP to continue recording an allowance for loan losses on these held-for-investment loans.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As a result of market conditions and deteriorating credit performance of domestic mortgages, our economic exposure on certain of these domestic on-balance sheet securitizations was reduced to zero or approximating zero, thus indicating we expected minimal to no future cash flows to be received on the economic residual. While we no longer were economically exposed to credit losses in the securitizations, we were required to continue recording additional allowance for loan losses on the securitization collateral as credit performance deteriorated. Further, in accordance with GAAP, we did not record any offsetting reduction in the securitization's debt balances, even though any nonperformance of the assets would ultimately pass through as a reduction of the amount owed to the debt holders once they are contractually extinguished. As a result, we were required to record accounting losses beyond our economic exposure.

To mitigate the divergence between accounting losses and economic exposure, we elected the fair value option for a portion of the domestic on-balance sheet securitizations. In particular, we elected the fair value option for domestic on-balance sheet securitization vehicles in which we estimated that the credit reserves pertaining to securitized assets could have exceeded or already had exceeded our economic exposure. The fair value option election was made at a securitization level; thus the election was made for both the consumer mortgage finance receivables and loans and the related portion of on-balance sheet securitized debt for these particular securitizations.

We carry the fair value-elected loans as consumer finance receivable and loans, net of unearned income, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as secured debt on the Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected securitization debt, which continues to be classified as interest expense in the Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

- **Government- and agency-eligible loans** — During the three months ended September 31, 2009, we elected the fair value option for government and agency eligible mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were government- and agency-eligible loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized government- and agency-eligible loans were not elected because the election will not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected government- and agency-eligible loans as loans held-for-sale on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold under government programs or to the agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

Changes included in the Consolidated Statement of Income  
for the three months ended June 30, 2010

(\$ in millions)	Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>							
Mortgage loans held-for-sale	\$ —	\$ 36	\$ —	\$ 225	\$ —	\$ 261	\$ — (b)
Consumer mortgage finance receivables and loans, net of unearned income	159	—	—	—	215	374	(35)(c)
<b>Liabilities</b>							
Secured debt							
On-balance sheet securitization debt	\$ (18)	\$ —	\$ (71)	\$ —	\$ (271)	\$ (360)	\$ 34 (d)
<b>Total</b>						\$ 275	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
- (c) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Changes included in the Consolidated Statement of Income  
for the six months ended June 30, 2010

(\$ in millions)	Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>							
Mortgage loans held-for-sale	\$ —	\$ 92	\$ —	\$ 409	\$ —	\$ 501	\$ — (b)
Consumer mortgage finance receivables and loans, net of unearned income	328	—	—	—	459	787	(69)(c)
<b>Liabilities</b>							
Secured debt							
On-balance sheet securitization debt	\$ (18)	\$ —	\$ (167)	\$ —	\$ (588)	\$ (773)	\$ 71 (d)
<b>Total</b>						\$ 515	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
- (c) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(\$ in millions)	Changes included in the Consolidated Statement of Income for the three months ended June 30, 2009				
	Consumer financing revenue	Total interest expense	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>					
Consumer mortgage finance receivables and loans, net of unearned income	\$ 133	\$ —	\$ 188	\$ 321	\$ 22 (b)
<b>Liabilities</b>					
Secured debt					
On-balance sheet securitization debt	\$ —	\$ (59)	\$ (249)	\$ (308)	\$ 22 (c)
<b>Total</b>				\$ 13	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

(\$ in millions)	Changes included in the Consolidated Statement of Income for the six months ended June 30, 2009				
	Consumer financing revenue	Total interest expense	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
<b>Assets</b>					
Consumer mortgage finance receivables and loans, net of unearned income	\$ 276	\$ —	\$ 233	\$ 509	\$ (43)(b)
<b>Liabilities</b>					
Secured debt					
On-balance sheet securitization debt	\$ —	\$ (119)	\$ (325)	\$ (444)	\$ 84 (c)
<b>Total</b>				\$ 65	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Interest income on consumer mortgage finance receivables and loans is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due. Interest expense on the on-balance sheet securitization debt is measured by multiplying bond principal by the coupon rate and number of days of interest due to the investor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables provide the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

June 30, 2010 (\$ in millions)	Unpaid principal balance	Fair value (a)
<b>Assets</b>		
Mortgage loans held-for-sale		
Total loans	\$ 3,976	\$ 4,167
Nonaccrual loans	1	1
Loans 90+ days past due (b)	—	—
Consumer mortgage finance receivables and loans, net of unearned income		
Total loans	9,501	2,345
Nonaccrual loans	2,556	(c)
Loans 90+ days past due (b)	1,601	(c)
<b>Liabilities</b>		
Secured debt		
On-balance sheet securitization debt	\$ (9,479)	\$ (2,178)

- (a) Excludes accrued interest receivable.  
 (b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance.  
 (c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net of unearned income*.

December 31, 2009 (\$ in millions)	Unpaid principal balance	Fair value
<b>Assets</b>		
Mortgage loans held-for-sale		
Total loans	\$ 5,427	\$ 5,546
Nonaccrual loans	3	3
Loans 90+ days past due (a)	—	—
Consumer mortgage finance receivables and loans, net of unearned income		
Total loans	7,180	1,303
Nonaccrual loans	2,343	(b)
Loans 90+ days past due (a)	1,434	(b)
<b>Liabilities</b>		
Secured debt		
On-balance sheet securitization debt	\$ (7,166)	\$(1,293)

- (a) Loans 90+ days past due are also presented within the nonaccrual loan balance and within the total loan balance.  
 (b) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net of unearned income*.



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**Fair Value of Financial Instruments**

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein is based on information available at June 30, 2010, and December 31, 2009.

(\$ in millions)	June 30, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Trading securities	\$ 209	\$ 209	\$ 739	\$ 739
Investment securities	12,710	12,710	12,158	12,158
Loans held-for-sale (a)	10,382	9,580	20,625	19,855
Finance receivables and loans, net	90,339	88,343	75,256	72,213
Fair value of derivative contracts in receivable position	4,848	4,848	2,654	2,654
Derivative collateral placed with counterparties (b)	142	142	845	845
Interests retained in financial asset sales	465	465	471	471
<b>Financial liabilities</b>				
Debt (c)	\$ 92,796	\$ 94,782	\$ 98,819	\$ 95,588
Deposit liabilities (d)	33,712	34,039	30,549	30,795
Fair value of derivative contracts in liability position	3,178	3,178	1,895	1,895

(a) The balance includes options to repurchase delinquent assets from certain off-balance securitizations and agency whole-loan sales. We are not exposed to the losses on these delinquent loans, unless we exercise the repurchase option. Until we exercise the option, the carrying value of these loans equals the unpaid principal balance and the fair value is based on internal valuation models. As a result, the carrying value (or unpaid principal balance) is greater than the fair value due to the underlying characteristics of the loans.

(b) Represents collateral in the form of investment securities.

(c) Debt includes deferred interest for zero-coupon bonds of \$537 million and \$506 million as of June 30, 2010, and December 31, 2009, respectively.

(d) The carrying value and fair value amounts exclude dealer deposits.

The following describes the methodologies and assumptions used to determine fair value for the respective classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market is not active and a transaction is not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not forced liquidation or distressed sale.

- **Trading securities** — Refer to the previous section of this note titled *Trading securities* for a description of the methodologies and assumptions used to determine fair value.
- **Investment securities** — Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous section of this note titled *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. The fair value of the held-to-maturity investment securities is based on valuation models using market-based assumption.
- **Loans held-for-sale** — Refer to the previous sections of this note also titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine fair value.
- **Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach). The carrying value of wholesale receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest

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rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of wholesale receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach or an in-use premise to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the previous section in this note titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- **Derivative assets and liabilities** — Refer to the previous section of this note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.
- **Derivative collateral placed with counterparties** — Derivative collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this note also titled *Derivative collateral placed with counterparties* for additional information.
- **Interests retained in financial asset sales** — Interest retained in financial asset sales are carried at fair value. Refer to the previous sections of this note titled *Interests retained in financial asset sales* for a description of the methodologies and assumptions used to determine fair value.
- **Debt** — The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.
- **Deposit liabilities** — Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

### 19. Variable Interest Entities

We account for VIEs under the requirements of ASU 810, *Consolidation*. ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended ASC 810, became effective on January 1, 2010, and upon adoption, we consolidated certain entities, including securitization trusts that were previously held off-balance sheet. As of January 1, 2010, we recognized a day-one net increase of \$17.6 billion to assets and liabilities on our consolidated balance sheet. (\$10.1 billion of the increase relates to operations classified as held-for-sale). Refer to Note 1 for additional information related to the adoption of ASU 2009-17. Refer to our Consolidated Balance Sheet for a detailed listing of the assets and liabilities of our consolidated VIEs as of June 30, 2010.

The following describes the VIEs that we consolidated or in which we had a significant variable interest. We had certain secured funding arrangements that were structured through consolidating entities, as described in further detail in Note 13.

- **On-balance sheet securitization trusts** — We hold variable interests in certain securitization transactions that are VIEs. The nature of, purpose of, activities of, and our continuing involvement with the consolidated securitization trusts is virtually identical to those of our off-balance sheet securitization trusts, which are discussed in Note 9. As part of our securitizations, we typically retain servicing responsibilities. We also hold retained interests in these consolidated securitization trusts, which represent a continuing economic interest in the securitization. The retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the securitization structure as they may absorb credit losses or other cash shortfalls. Additionally, the securitization

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documents may require cash flows to be directed away from certain of our retained interests due to specific over collateralization requirements, which may or may not be performance-driven. Because the securitization trusts are consolidated, these retained interests are not recognized as a separate asset on our Consolidated Balance Sheet.

Prior to the adoption of ASU 2009-17, we were the primary beneficiary because we typically held the first loss position in these securitization transactions and, as a result, anticipated absorbing the majority of the expected losses of the VIE; thus, we consolidated these entities. Subsequent to adoption of ASU 2009-17, we are the primary beneficiary because we have a controlling financial interest in the VIE as we have both power over the VIE, primarily due to our servicing activities, and we hold a variable interest in the VIE. The assets of the consolidated securitization trusts totaled \$49.4 billion and \$38.4 billion at June 30, 2010, and December 31, 2009, respectively. The majority of the assets are included as finance receivables and loans, net of unearned interest, or assets of operations held-for-sale on the Consolidated Balance Sheet. The liabilities of these entities totaled \$39.0 billion and \$28.9 billion at June 30, 2010, and December 31, 2009, respectively. The majority of these liabilities were included as secured debt or liabilities of operations held-for-sale on the Consolidated Balance Sheet.

The assets of the securitization trusts generally are the sole source of repayment on the securitization trusts' liabilities. The creditors of the securitization trusts do not have recourse to our general credit with the exception of the customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

- Servicing funding** — To assist in the financing of our servicing advance receivables, our Mortgage operations formed an SPE to issue term notes to third-party investors that are collateralized by servicing advance receivables. These servicing advance receivables were transferred to the SPE and consisted of delinquent principal and interest advances made by our Mortgage operations, as servicer, to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our Mortgage operations. Management determined that we were the primary beneficiary of the SPE and therefore consolidated the entity. The assets of this entity totaled \$1.0 billion and \$1.4 billion at June 30, 2010, and December 31, 2009, respectively, and were included in other assets on the Consolidated Balance Sheet. The liabilities of this entity totaled \$1.0 billion at June 30, 2010, consisting of \$779 million in third-party term notes that were included in debt on the Consolidated Balance Sheet and \$270 million in affiliate payables to ResCap, which were eliminated in consolidation. The liabilities of this entity totaled \$1.4 billion at December 31, 2009, consisting of \$700 million in third-party term notes that were included in debt on the Consolidated Balance Sheet and \$677 million in affiliate payables to ResCap that were eliminated in consolidation. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor did we provide noncontractual financial support to the entity during the three months ended June 30, 2010. On April 15, 2010, the terms of the facility were modified increasing the capacity to \$858 million and extending the maturity to April 2011. A term note was issued for \$508 million, and the existing variable funding note was reduced from \$700 million to \$350 million.

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20. Segment Information

Financial information for our reportable operating segments is summarized as follows.

Three months ended June 30, (\$ in millions)	Global Automotive Services (a)					Corporate and Other (d)	Consolidated (e)
	North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Mortgage operations (c)			
<b>2010</b>							
Net financing revenue (loss)	\$ 889	\$ 174	\$ —	\$ 154	\$ (505)	\$ 712	
Other revenue	186	86	573	531	12	1,388	
Total net revenue (loss)	1,075	260	573	685	(493)	2,100	
Provision for loan losses	106	11	—	92	11	220	
Other noninterest expense	339	144	465	363	123	1,434	
Income (loss) from continuing operations before income tax expense (benefit)	630	105	108	230	(627)	446	
Income tax expense (benefit) from continuing operations	176	4	22	(2)	(167)	33	
Net income (loss) from continuing operations	454	101	86	232	(460)	413	
Income (loss) from discontinued operations, net of tax	—	44	(4)	98	14	152	
Net income (loss)	\$ 454	\$ 145	\$ 82	\$ 330	\$ (446)	\$ 565	
Total assets	\$ 74,146	\$ 16,596	\$ 8,552	\$ 46,043	\$ 31,465	\$ 176,802	
<b>2009</b>							
Net financing revenue (loss)	\$ 729	\$ 189	\$ —	\$ 137	\$ (662)	\$ 393	
Other revenue (loss)	138	93	585	(84)	135	867	
Total net revenue (loss)	867	282	585	53	(527)	1,260	
Provision for loan losses	15	58	—	871	173	1,117	
Other noninterest expense	401	191	486	517	131	1,726	
Income (loss) from continuing operations before income tax expense (benefit)	451	33	99	(1,335)	(831)	(1,583)	
Income tax expense (benefit) from continuing operations	972	145	28	(183)	134	1,096	
Net (loss) income from continuing operations	(521)	(112)	71	(1,152)	(965)	(2,679)	
Income (loss) from discontinued operations, net of tax	—	3	(586)	(639)	(2)	(1,224)	
Net loss	\$ (521)	\$ (109)	\$ (515)	\$ (1,791)	\$ (967)	\$ (3,903)	
Total assets	\$ 64,040	\$ 25,597	\$ 11,588	\$ 44,401	\$ 35,622	\$ 181,248	

- (a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.
- (b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.
- (c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
- (d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the net impact from treasury asset liability management activities and reclassifications and eliminations between the reportable operating segments. At June 30, 2010, total assets were \$2.4 billion for the Commercial Finance Group.
- (e) Net financing revenue (loss) after the provision for loan losses totaled \$492 million and \$(724) million for the three months ended June 30, 2010 and 2009, respectively.

ALLY FINANCIAL INC.

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Six months ended June 30, (\$ in millions)	Global Automotive Services (a)					Corporate and Other (d)	Consolidated (e)
	North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Mortgage operations (c)			
<b>2010</b>							
Net financing revenue (loss)	\$ 1,802	\$ 356	\$ —	\$ 336	\$ (1,026)	\$ 1,468	
Other revenue (loss)	389	179	1,194	900	(176)	2,486	
Total net revenue (loss)	2,191	535	1,194	1,236	(1,202)	3,954	
Provision for loan losses	207	34	—	99	26	366	
Other noninterest expense	701	354	903	751	252	2,961	
Income (loss) from continuing operations before income tax expense (benefit)	1,283	147	291	386	(1,480)	627	
Income tax expense (benefit) from continuing operations	433	(9)	83	6	(444)	69	
Net income (loss) from continuing operations	850	156	208	380	(1,036)	558	
Income (loss) from discontinued operations, net of tax	—	46	(5)	110	18	169	
Net income (loss)	\$ 850	\$ 202	\$ 203	\$ 490	\$ (1,018)	\$ 727	
Total assets	\$ 74,146	\$ 16,596	\$ 8,552	\$ 46,043	\$ 31,465	\$ 176,802	
<b>2009</b>							
Net financing revenue (loss)	\$ 1,590	\$ 328	\$ —	\$ 269	\$ (1,320)	\$ 867	
Other revenue (loss)	449	163	1,096	(28)	437	2,117	
Total net revenue (loss)	2,039	491	1,096	241	(883)	2,984	
Provision for loan losses	149	109	—	1,432	173	1,863	
Other noninterest expense	778	389	961	1,071	182	3,381	
Income (loss) from continuing operations before income tax expense (benefit)	1,112	(7)	135	(2,262)	(1,238)	(2,260)	
Income tax expense (benefit) from continuing operations	1,016	138	34	(270)	54	972	
Net income (loss) from continuing operations	96	(145)	101	(1,992)	(1,292)	(3,232)	
Loss from discontinued operations, net of tax	—	(2)	(566)	(770)	(8)	(1,346)	
Net income (loss)	\$ 96	\$ (147)	\$ (465)	\$ (2,762)	\$ (1,300)	\$ (4,578)	
Total assets	\$ 64,040	\$ 25,597	\$ 11,588	\$ 44,401	\$ 35,622	\$ 181,248	

- (a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.
- (b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.
- (c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
- (d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the net impact from treasury asset liability management activities and reclassifications and eliminations between the reportable operating segments. At June 30, 2010, total assets were \$2.4 billion for the Commercial Finance Group.
- (e) Net financing revenue (loss) after the provision for loan losses totaled \$1,102 million and \$(996) million for the six months ended June 30, 2010 and 2009, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**21. Subsequent Events****Declaration of Quarterly Dividend Payments**

On July 14, 2010, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$257 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, and a cash dividend of \$17.31 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G. The dividends are payable on August 16, 2010.

**22. Supplemental Financial Information**

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Ally Financial Inc., are Ally US LLC, IB Finance Holding Company, LLC, GMAC Latin America Holdings LLC, GMAC International Holdings B.V., and GMAC Continental LLC. The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company only basis), (ii) the combined Guarantors, (iii) the combined nonguarantor subsidiaries (all other subsidiaries), (iv) an elimination column for adjustments to arrive at the information for the parent company, Guarantors, and nonguarantors on a consolidated basis, and (v) the parent company and our subsidiaries on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statement of Income

Three months ended June 30, 2010

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 220	\$ 3	\$ 905	\$ —	\$ 1,128
Commercial	(64)	3	517	—	456
Notes receivable from General Motors	19	—	21	—	40
Intercompany	137	—	(1)	(136)	—
Total finance receivables and loans	312	6	1,442	(136)	1,624
Loans held-for-sale	21	—	135	—	156
Interest on trading securities	—	—	6	—	6
Interest and dividends on available-for-sale investment securities	—	—	91	—	91
Interest and dividends on available-for-sale investment securities — intercompany	18	—	1	(19)	—
Interest bearing cash	4	—	14	—	18
Other interest income, net	—	—	(4)	—	(4)
Operating leases	283	—	728	—	1,011
Total financing revenue and other interest income	638	6	2,413	(155)	2,902
<b>Interest expense</b>					
Interest on deposits	12	—	143	—	155
Interest on short-term borrowings	10	—	90	—	100
Interest on long-term debt	921	4	484	—	1,409
Interest on intercompany debt	(5)	—	169	(164)	—
Total interest expense	938	4	886	(164)	1,664
Depreciation expense on operating lease assets	79	—	447	—	526
Net financing (loss) revenue	(379)	2	1,080	9	712
Dividends from subsidiaries					
Nonbank subsidiaries	11	1	—	(12)	—
<b>Other revenue</b>					
Servicing fees	99	—	285	—	384
Servicing asset valuation and hedge activities, net	—	—	(21)	—	(21)
Total servicing income, net	99	—	264	—	363
Insurance premiums and service revenue earned	—	—	477	—	477
Gain on mortgage and automotive loans, net	20	—	246	—	266
Loss on extinguishment of debt	—	—	(3)	—	(3)
Other gain on investments, net	(6)	—	101	—	95
Other income, net of losses	18	1	311	(140)	190
Total other revenue	131	1	1,396	(140)	1,388
<b>Total net revenue</b>	(237)	4	2,476	(143)	2,100
<b>Provision for loan losses</b>	(29)	(1)	250	—	220
<b>Noninterest expense</b>					
Compensation and benefits expense	184	4	200	—	388
Insurance losses and loss adjustment expenses	—	—	224	—	224
Other operating expenses	170	—	791	(139)	822
Total noninterest expense	354	4	1,215	(139)	1,434
<b>(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries</b>					
	(562)	1	1,011	(4)	446
Income tax (benefit) expense from continuing operations	(148)	—	181	—	33
<b>Net (loss) income from continuing operations</b>	(414)	1	830	(4)	413
Income from discontinued operations, net of tax					
	64	—	88	—	152
Undistributed income of subsidiaries					
Bank subsidiary	124	124	—	(248)	—
Nonbank subsidiaries	791	89	—	(880)	—
<b>Net income</b>	\$ 565	\$ 214	\$ 918	\$ (1,132)	\$ 565

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Three months ended June 30, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 123	\$ 5	\$ 1,047	\$ —	\$ 1,175
Commercial	69	3	362	—	434
Notes receivable from General Motors	29	—	18	—	47
Intercompany	201	1	1	(203)	—
Total finance receivables and loans	422	9	1,428	(203)	1,656
Loans held-for-sale	67	—	17	—	84
Interest on trading securities	—	—	35	(1)	34
Interest and dividends on available-for-sale investment securities	—	—	57	(2)	55
Interest and dividends on available-for-sale investment securities — intercompany	92	—	1	(93)	—
Interest bearing cash	8	—	19	—	27
Other interest income, net	—	—	23	7	30
Operating leases	893	—	610	—	1,503
Total financing revenue and other interest income	1,482	9	2,190	(292)	3,389
<b>Interest expense</b>					
Interest on deposits	5	—	174	—	179
Interest on short-term borrowings	9	1	172	—	182
Interest on long-term debt	980	6	634	(41)	1,579
Interest in intercompany debt	(1)	1	182	(182)	—
Total interest expense	993	8	1,162	(223)	1,940
Depreciation expense on operating lease assets	576	—	480	—	1,056
Net financing (loss) revenue	(87)	1	548	(69)	393
Dividends from subsidiaries					
Nonbank subsidiaries	5	—	—	(5)	—
<b>Other revenue</b>					
Servicing fees	182	—	211	—	393
Servicing asset valuation and hedge activities, net	—	—	(225)	—	(225)
Total servicing income, net	182	—	(14)	—	168
Insurance premiums and service revenue earned	—	—	496	—	496
(Loss) gain on mortgage and automotive loans, net	(9)	—	215	—	206
Gain on extinguishment of debt	—	—	1,718	(1,705)	13
Other gain on investments, net	453	—	97	(453)	97
Other income, net of losses	(167)	—	174	(120)	(113)
Total other revenue	459	—	2,686	(2,278)	867
<b>Total net revenue</b>	377	1	3,234	(2,352)	1,260
<b>Provision for loan losses</b>	(165)	1	1,281	—	1,117
<b>Noninterest expense</b>					
Compensation and benefits expense	138	2	249	—	389
Insurance losses and loss adjustment expenses	—	—	261	—	261
Other operating expenses	221	(1)	980	(124)	1,076
Total noninterest expense	359	1	1,490	(124)	1,726
<b>Income (loss) from continuing operations before income tax expense (benefit) and undistributed loss of subsidiaries</b>					
Income tax expense (benefit) from continuing operations	1,124	—	(28)	—	1,096
<b>Net (loss) income from continuing operations</b>	(941)	(1)	491	(2,228)	(2,679)
Loss from discontinued operations, net of tax					
Undistributed loss of subsidiaries	—	—	(1,224)	—	(1,224)
Bank subsidiary	(190)	(190)	—	380	—
Nonbank subsidiaries	(2,772)	(21)	—	2,793	—
<b>Net loss</b>	\$ (3,903)	\$ (212)	\$ (733)	\$ 945	\$ (3,903)



ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended June 30, 2010

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 447	\$ 7	\$ 1,804	\$ —	\$ 2,258
Commercial	2	7	882	—	891
Notes receivable from General Motors	42	—	53	—	95
Intercompany	314	1	—	(315)	—
Total finance receivables and loans	805	15	2,739	(315)	3,244
Loans held-for-sale	67	—	304	—	371
Interest on trading securities	—	—	7	—	7
Interest and dividends on available-for-sale investment securities	—	—	193	(2)	191
Interest and dividends on available-for-sale investment securities — intercompany	40	—	2	(42)	—
Interest bearing cash	5	—	27	—	32
Operating leases	483	—	1,691	—	2,174
Total financing revenue and other interest income	1,400	15	4,963	(359)	6,019
<b>Interest expense</b>					
Interest on deposits	22	—	291	—	313
Interest on short-term borrowings	19	—	193	—	212
Interest on long-term debt	1,829	9	1,006	—	2,844
Interest in intercompany debt	(11)	1	338	(328)	—
Total interest expense	1,859	10	1,828	(328)	3,369
Depreciation expense on operating lease assets	149	—	1,033	—	1,182
Net financing (loss) revenue	(608)	5	2,102	(31)	1,468
Dividends from subsidiaries					
Nonbank subsidiaries	16	1	—	(17)	—
<b>Other revenue</b>					
Servicing fees	243	—	526	—	769
Servicing asset valuation and hedge activities, net	—	—	(154)	—	(154)
Total servicing income, net	243	—	372	—	615
Insurance premiums and service revenue earned	—	—	945	—	945
Gain on mortgage and automotive loans, net	(11)	—	548	—	537
Loss on extinguishment of debt	(116)	—	(5)	—	(121)
Other gain on investments, net	(13)	—	249	(1)	235
Other income, net of losses	(51)	1	602	(277)	275
Total other revenue	52	1	2,711	(278)	2,486
<b>Total net revenue</b>	<b>(540)</b>	<b>7</b>	<b>4,813</b>	<b>(326)</b>	<b>3,954</b>
Provision for loan losses	(48)	(1)	415	—	366
<b>Noninterest expense</b>					
Compensation and benefits expense	379	7	429	—	815
Insurance losses and loss adjustment expenses	—	—	435	—	435
Other operating expenses	323	13	1,652	(277)	1,711
Total noninterest expense	702	20	2,516	(277)	2,961
<b>(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries</b>					
Income tax (benefit) expense from continuing operations	(1,194)	(12)	1,882	(49)	627
Income tax (benefit) expense from continuing operations	(313)	—	382	—	69
<b>Net (loss) income from continuing operations</b>	<b>(881)</b>	<b>(12)</b>	<b>1,500</b>	<b>(49)</b>	<b>558</b>
Income from discontinued operations, net of tax	80	—	89	—	169
Undistributed income (loss) of subsidiaries					
Bank subsidiary	349	349	—	(698)	—
Nonbank subsidiaries	1,179	138	—	(1,317)	—
<b>Net income</b>	<b>\$ 727</b>	<b>\$ 475</b>	<b>\$ 1,589</b>	<b>\$ (2,064)</b>	<b>\$ 727</b>

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended June 30, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Finance receivables and loans					
Consumer	\$ 274	\$ 10	\$ 2,124	\$ —	\$ 2,408
Commercial	130	8	714	—	852
Notes receivable from General Motors	50	—	39	—	89
Intercompany	463	4	1	(468)	—
Total finance receivables and loans	917	22	2,878	(468)	3,349
Loans held-for-sale	126	—	42	—	168
Interest on trading securities	—	—	57	—	57
Interest and dividends on available-for-sale investment securities	—	—	113	—	113
Interest and dividends on available-for-sale investment securities — intercompany	239	—	(5)	(234)	—
Interest bearing cash	20	—	49	—	69
Other interest income, net	—	—	55	—	55
Operating leases	1,858	—	1,247	—	3,105
Total financing revenue and other interest income	3,160	22	4,436	(702)	6,916
<b>Interest expense</b>					
Interest on deposits	11	—	346	—	357
Interest on short-term borrowings	18	2	323	—	343
Interest on long-term debt	2,110	11	1,255	(140)	3,236
Interest in intercompany debt	(15)	7	395	(387)	—
Total interest expense	2,124	20	2,319	(527)	3,936
Depreciation expense on operating lease assets	1,119	—	994	—	2,113
Net financing (loss) revenue	(83)	2	1,123	(175)	867
Dividends from subsidiaries					
Nonbank subsidiaries	30	—	—	(30)	—
<b>Other revenue</b>					
Servicing fees	387	—	410	—	797
Servicing asset valuation and hedge activities, net	—	—	(577)	—	(577)
Total servicing income, net	387	—	(167)	—	220
Insurance premiums and service revenue earned	—	—	991	—	991
Gain on mortgage and automotive loans, net	32	—	457	—	489
Gain on extinguishment of debt	623	—	1,729	(1,695)	657
Other gain on investments, net	548	—	67	(532)	83
Other income, net of losses	(779)	1	770	(315)	(323)
Total other revenue	811	1	3,847	(2,542)	2,117
<b>Total net revenue</b>	758	3	4,970	(2,747)	2,984
<b>Provision for loan losses</b>	(190)	1	2,052	—	1,863
<b>Noninterest expense</b>					
Compensation and benefits expense	261	5	488	—	754
Insurance losses and loss adjustment expenses	—	—	546	—	546
Other operating expenses	406	1	1,989	(315)	2,081
Total noninterest expense	667	6	3,023	(315)	3,381
<b>Income (loss) from continuing operations before income tax expense (benefit) and undistributed (loss) income of subsidiaries</b>					
Income tax expense (benefit) from continuing operations	1,129	(1)	(156)	—	972
<b>Net (loss) income from continuing operations</b>	(848)	(3)	51	(2,432)	(3,232)
Loss from discontinued operations, net of tax					
Undistributed (loss) income of subsidiaries	—	—	(1,346)	—	(1,346)
Bank subsidiary	(328)	(328)	—	656	—
Nonbank subsidiaries	(3,402)	42	—	3,360	—
<b>Net (loss) income</b>	\$ (4,578)	\$ (289)	\$ (1,295)	\$ 1,584	\$ (4,578)

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Balance Sheet

June 30, 2010

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 302	\$ —	\$ 518	\$ —	\$ 820
Interest bearing	459	6	13,063	—	13,528
Interest bearing — intercompany	—	—	6	(6)	—
Total cash and cash equivalents	761	6	13,587	(6)	14,348
Trading securities	—	—	209	—	209
Investment securities					
Available-for-sale	—	—	12,710	—	12,710
Intercompany	257	—	506	(763)	—
Total investment securities	257	—	13,216	(763)	12,710
Loans held-for-sale	876	—	9,506	—	10,382
Finance receivables and loans, net of unearned income					
Consumer	6,222	196	48,928	—	55,346
Commercial	1,811	149	35,045	—	37,005
Notes receivable from General Motors	—	—	365	—	365
Intercompany loans to					
Bank subsidiary	6,708	—	—	(6,708)	—
Nonbank subsidiaries	11,530	47	83	(11,660)	—
Allowance for loan losses	(473)	(1)	(1,903)	—	(2,377)
Total finance receivables and loans, net	25,798	391	82,518	(18,368)	90,339
Investment in operating leases, net	3,103	—	8,792	—	11,895
Intercompany receivables from					
Bank subsidiary	3,885	—	—	(3,885)	—
Nonbank subsidiaries	1,383	—	17	(1,400)	—
Investment in subsidiaries					
Bank subsidiary	8,343	8,343	—	(16,686)	—
Nonbank subsidiaries	21,299	3,096	—	(24,395)	—
Mortgage servicing rights	—	—	2,983	—	2,983
Premiums receivable and other insurance assets	—	—	2,259	(8)	2,251
Other assets	3,922	1	17,278	(1,555)	19,646
Assets of operations held-for-sale	(173)	—	12,212	—	12,039
<b>Total assets</b>	<b>\$ 69,454</b>	<b>\$ 11,837</b>	<b>\$ 162,577</b>	<b>\$ (67,066)</b>	<b>\$ 176,802</b>
<b>Liabilities</b>					
Deposit liabilities					
Noninterest bearing	\$ —	\$ —	\$ 2,276	\$ —	\$ 2,276
Interest bearing	1,257	—	31,681	—	32,938
Total deposit liabilities	1,257	—	33,957	—	35,214
Debt					
Short-term borrowings	2,084	23	4,947	—	7,054
Long-term debt	42,346	279	42,584	(4)	85,205
Intercompany debt to					
Nonbank subsidiaries	512	83	18,556	(19,151)	—
Total debt	44,942	385	66,087	(19,155)	92,259
Intercompany payables to					
Nonbank subsidiaries	—	15	5,274	(5,289)	—
Interest payable	1,140	5	552	(5)	1,692
Unearned insurance premiums and service revenue	—	—	2,990	—	2,990
Reserves for insurance losses and loss adjustment expenses	—	—	962	—	962
Accrued expenses and other liabilities	1,342	7	11,781	(1,555)	11,575
Liabilities of operations held-for-sale	—	—	11,337	—	11,337
<b>Total liabilities</b>	<b>48,681</b>	<b>412</b>	<b>132,940</b>	<b>(26,004)</b>	<b>156,029</b>
<b>Total equity</b>	<b>20,773</b>	<b>11,425</b>	<b>29,637</b>	<b>(41,062)</b>	<b>20,773</b>
<b>Total liabilities and equity</b>	<b>\$ 69,454</b>	<b>\$ 11,837</b>	<b>\$ 162,577</b>	<b>\$ (67,066)</b>	<b>\$ 176,802</b>

**ALLY FINANCIAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

December 31, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Assets</b>					
Cash and cash equivalents					
Noninterest bearing	\$ 418	\$ —	\$ 1,422	\$ —	\$ 1,840
Interest bearing	339	5	12,604	—	12,948
Total cash and cash equivalents	757	5	14,026	—	14,788
Trading securities	—	—	739	—	739
Investment securities					
Available-for-sale	—	—	12,155	—	12,155
Held-to-maturity	—	—	3	—	3
Intercompany	380	—	261	(641)	—
Total investment securities	380	—	12,419	(641)	12,158
Loans held-for-sale	1,758	—	18,867	—	20,625
Finance receivables and loans, net of unearned income					
Consumer	2,804	251	39,794	—	42,849
Commercial	2,193	273	31,475	—	33,941
Notes receivable from General Motors	—	—	911	—	911
Intercompany loans to					
Bank subsidiary	5,139	—	—	(5,139)	—
Nonbank subsidiaries	16,073	83	161	(16,317)	—
Allowance for loan losses	(383)	(3)	(2,059)	—	(2,445)
Total finance receivables and loans, net	25,826	604	70,282	(21,456)	75,256
Investment in operating leases, net	1,479	—	14,516	—	15,995
Intercompany receivables from					
Bank subsidiary	1,001	—	—	(1,001)	—
Nonbank subsidiaries	178	—	198	(376)	—
Investment in subsidiaries					
Bank subsidiary	7,903	7,903	—	(15,806)	—
Nonbank subsidiaries	26,186	3,059	—	(29,245)	—
Mortgage servicing rights	—	—	3,554	—	3,554
Premiums receivable and other insurance assets	—	—	2,728	(8)	2,720
Other assets	4,443	4	16,795	(1,355)	19,887
Assets of operations held-for-sale	(324)	—	6,908	—	6,584
<b>Total assets</b>	<b>\$ 69,587</b>	<b>\$ 11,575</b>	<b>\$ 161,032</b>	<b>\$ (69,888)</b>	<b>\$ 172,306</b>
<b>Liabilities</b>					
Deposit liabilities					
Noninterest bearing	\$ —	\$ —	\$ 1,755	\$ —	\$ 1,755
Interest bearing	1,041	—	28,960	—	30,001
Total deposit liabilities	1,041	—	30,715	—	31,756
Debt					
Short-term borrowings	1,795	39	8,458	—	10,292
Long-term debt	40,888	406	46,732	(5)	88,021
Intercompany debt to					
Nonbank subsidiaries	260	163	21,702	(22,125)	—
Total debt	42,943	608	76,892	(22,130)	98,313
Intercompany payables to					
Nonbank subsidiaries	1,385	1	—	(1,386)	—
Interest payable	1,082	12	553	(10)	1,637
Unearned insurance premiums and service revenue	—	—	3,192	—	3,192
Reserves for insurance losses and loss adjustment expenses	—	—	1,215	—	1,215
Accrued expenses and other liabilities	2,297	(7)	9,452	(1,286)	10,456
Liabilities of operations held-for-sale	—	—	4,898	—	4,898
<b>Total liabilities</b>	<b>48,748</b>	<b>614</b>	<b>126,917</b>	<b>(24,812)</b>	<b>151,467</b>
<b>Total equity</b>	<b>20,839</b>	<b>10,961</b>	<b>34,115</b>	<b>(45,076)</b>	<b>20,839</b>
<b>Total liabilities and equity</b>	<b>\$ 69,587</b>	<b>\$ 11,575</b>	<b>\$ 161,032</b>	<b>\$ (69,888)</b>	<b>\$ 172,306</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## Condensed Consolidating Statement of Cash Flows

(\$ in millions)	Six months ended June 30, 2010				
	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash provided by operating activities	\$ 575	\$ 23	\$ 11,002	\$ (17)	\$ 11,583
<b>Investing activities</b>					
Purchases of available-for-sale securities	—	—	(11,994)	—	(11,994)
Proceeds from sales of available-for-sale securities	41	—	9,854	(41)	9,854
Proceeds from maturities of available-for-sale securities	—	—	2,535	—	2,535
Net (increase) decrease in investment securities — intercompany	54	—	(245)	191	—
Net (increase) decrease in finance receivables and loans	(2,947)	177	(5,521)	—	(8,291)
Proceeds from sales of finance receivables and loans	4	—	2,358	—	2,362
Change in notes receivable from GM	—	—	116	—	116
Net (increase) decrease in loans — intercompany	2,974	37	77	(3,088)	—
Net (increase) decrease in operating lease assets	(1,738)	—	4,682	—	2,944
Purchases of mortgage servicing rights, net	—	—	(21)	—	(21)
Capital contributions to subsidiaries	(187)	(62)	—	249	—
Returns of contributed capital	250	—	—	(250)	—
Sale of business unit, net	41	—	(53)	—	(12)
Other, net	70	—	1,629	—	1,699
Net cash (used in) provided by investing activities	(1,438)	152	3,417	(2,939)	(808)
<b>Financing activities</b>					
Net change in short-term debt — third party	300	(17)	(4,110)	—	(3,827)
Net increase in bank deposits	—	—	2,720	—	2,720
Proceeds from issuance of long-term debt — third party	3,406	40	17,509	41	20,996
Repayments of long-term debt — third party	(2,774)	(167)	(29,366)	—	(32,307)
Net change in debt — intercompany	252	(80)	(3,063)	2,891	—
Dividends paid — third party	(532)	—	—	—	(532)
Dividends paid and returns of contributed capital — intercompany	—	—	(267)	267	—
Capital contributions from parent	—	50	199	(249)	—
Other, net	215	—	558	—	773
Net cash provided by (used in) financing activities	867	(174)	(15,820)	2,950	(12,177)
Effect of exchange-rate changes on cash and cash equivalents	—	—	619	—	619
Net increase (decrease) in cash and cash equivalents	4	1	(782)	(6)	(783)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	343	—	343
Cash and cash equivalents at beginning of year	757	5	14,026	—	14,788
Cash and cash equivalents at June 30,	\$ 761	\$ 6	\$ 13,587	\$ (6)	\$ 14,348

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended June 30, 2009

(\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash (used in) provided by operating activities	\$(8,217)	\$ 18	\$ 10,510	\$ (30)	\$ 2,281
<b>Investing activities</b>					
Purchases of available-for-sale securities	(40)	—	(8,080)	40	(8,080)
Proceeds from sales of available-for-sale securities	33	—	2,722	(33)	2,722
Proceeds from maturities of available-for-sale securities	—	—	2,125	—	2,125
Net decrease (increase) in investment securities — intercompany	1	—	(92)	91	—
Net decrease (increase) in finance receivables and loans	639	112	8,857	—	9,608
Proceeds from sales of finance receivables and loans	446	—	16	—	462
Change in notes receivable from GM	—	—	647	—	647
Net decrease (increase) in loans — intercompany	409	164	(276)	(297)	—
Net (increase) decrease in operating lease assets	(1,343)	—	4,459	—	3,116
Sales of mortgage servicing rights, net	—	—	13	—	13
Capital contributions to subsidiaries	(3,265)	(2,400)	—	5,665	—
Returns of contributed capital	260	—	—	(260)	—
Sale of business unit, net	—	—	82	—	82
Other, net	3,684	—	(4,168)	—	(484)
Net cash provided by (used in) investing activities	824	(2,124)	6,305	5,206	10,211
<b>Financing activities</b>					
Net change in short-term debt — third party	(217)	(114)	(1,431)	—	(1,762)
Net increase in bank deposits	—	—	5,460	—	5,460
Proceeds from issuance of long-term debt — third party	4,416	115	10,249	33	14,813
Repayments of long-term debt	(5,589)	(33)	(30,855)	(40)	(36,517)
Net change in debt — intercompany	44	(272)	15	213	—
Proceeds from issuance of common members' interests	1,247	—	—	—	1,247
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	7,500	—	—	—	7,500
Dividends paid — third party	(448)	—	—	—	(448)
Dividends paid and returns of contributed capital — intercompany	—	—	(290)	290	—
Capital contributions from parent	—	2,400	3,265	(5,665)	—
Other, net	202	—	649	—	851
Net cash provided by (used in) financing activities	7,155	2,096	(12,938)	(5,169)	(8,856)
Effect of exchange-rate changes on cash and cash equivalents	—	—	(132)	—	(132)
Net (decrease) increase in cash and cash equivalents	(238)	(10)	3,745	7	3,504
Cash and cash equivalents at beginning of year	5,643	12	9,513	(17)	15,151
Cash and cash equivalents at June 30,	\$ 5,405	\$ 2	\$ 13,258	\$ (10)	\$ 18,655

**CONSENT OF IHS GLOBAL INSIGHT, INC.**

IHS Global Insight, Inc. hereby consents to (a) the inclusion of the summary of certain market information originally published by IHS Global Insight, Inc. (the "Market Information") in the Registration Statement on Form S-1 (File No. 333-168919), and any related prospectuses, of General Motors Company (the "Company") filed with the Securities and Exchange Commission (the "Registration Statement") in connection with the registration by the Company of shares of its common stock, par value \$0.01 per share and Series B mandatory convertible junior preferred stock, par value \$0.01 per share and (b) the filing of this consent as an exhibit to the Registration Statement.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 or Section 11 of the Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder, nor do we admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder.

We provide this consent on the express understanding that (a) the Market Information was independently prepared for the use of our subscribers, and not specifically for the Company or specifically for inclusion in the Registration Statement; (b) we have not reviewed nor passed upon any information contained in the Registration Statement other than the Market Information; (c) the Market Information may not be used by anyone (other than the Company) in any context outside of the Registration Statement without our express agreement; (d) any projections or forward-looking information in the Market Information are based on assumptions, estimates, and conditions that may not occur; and (e) this consent does not constitute a recommendation to any prospective investor regarding an investment in the Company.

IHS GLOBAL INSIGHT, INC.

By: /s/ JOHN BANKES 10/13/10

Name: John Bankes

Title: VP of Sales

October 14, 2010

Jenner & Block LLP  
353 N. Clark Street  
Chicago, IL 60654-3456  
Tel 312-222-9350  
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Los Angeles  
New York  
Washington, DC**VIA EDGAR**Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E.  
Washington, D.C. 20549-3720Attention: Max A. Webb  
Justin T. Dobbie  
J. Nolan McWilliams  
Juan Migone  
David R. Humphrey**Re: General Motors Company  
Amendment No. 1 to Registration Statement on Form S-1  
Filed September 23, 2010  
File No. 333-168919**

Ladies and Gentlemen:

On behalf of General Motors Company (the "Company" or "GM"), we submit this letter in response to comments from the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") received by letter dated October 1, 2010, relating to the Company's Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-168919) filed with the Commission on September 23, 2010.

The Company is concurrently filing via EDGAR Amendment No. 2 to the Registration Statement ("Amendment No. 2"). For the convenience of the Staff, we are enclosing with this response letter copies of Amendment No. 2 with the relevant new disclosures marked for the Staff's ease of review.

In this letter, we have recited the comments from the Staff in italicized, bold type and have followed each comment with the Company's response thereto. Capitalized terms not defined herein have the meaning given to them in Amendment No. 2.

**General**

- We note your response to prior comment 1. Please file the consent of IHS Global Insight as an exhibit to your next amended registration statement.***

The Company respectfully advises the Staff that it has filed the consent of IHS Global Insight as an exhibit to Amendment No. 2.



2. ***We note your response to prior comment 3. Based on your response and on press accounts, it appears that you could extrapolate one possible valuation of your common stock by reference to trading prices of MLC's debt securities. As such, please explain why you believe that these trading prices would not meaningfully add to the substantial mix of information available to potential investors in this offering. For example, please discuss whether you, the selling stockholders, or the representatives of the underwriters considered or will consider these trading prices in setting the public offering price. We note, in this regard, the response to prior comment 78 that you considered the trading prices of MLC's debt securities to validate your conclusion in estimating the per share fair value of your common stock.***

The Company respectfully advises the Staff that the Company continues to believe that the trading prices of the debt securities of Motors Liquidation Company ("MLC") would not meaningfully add to the substantial mix of information available to potential investors through the Registration Statement, for the following reasons:

- MLC has a separate board of directors and executive management team, and MLC's assets and liabilities are not controlled by the Company.
- The Company believes that inclusion of MLC debt securities trading price information is not required to comply with: (1) Section 11 of the Securities Act (e.g., it is not required to be included in a Form S-1 registration statement by Item 201 of Regulation S-K); (2) the anti-fraud provisions of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (3) Rule 408 under the Securities Act; or (4) Rule 12b-20 under the Exchange Act. In this regard, the Company believes that the trading market for MLC debt securities is somewhat analogous to the when-issued trading markets that sometimes develop prior to the completion of spin-off transactions, and the Company notes that the inclusion of such when-issued trading prices is not required (and not included) in registration statements for spin-off transactions.
- The Company has been advised by the underwriters and their counsel that, as is the case with most companies undergoing initial public offerings, in determining the public offering price for the Company's common stock, the underwriters expect to base the public offering price on a number of other factors, including the Company's prospects and the history and prospects of the industry in which the Company competes, an assessment of the Company's management, the Company's prospects for future earnings, the general condition of the securities markets at the time of the offering, the recent market prices of, and demand for, publicly traded common stock of generally comparable companies and other similar factors they deem relevant at the time. While the underwriters have advised the Company that they expect to use the trading price of MLC debt securities as one of several references to check the common stock valuation against, the underwriters have also advised the Company that they do not expect to revise the public offering price in response to changes in the trading price of MLC debt securities.

- The trading volumes of the MLC debt securities on the over-the-counter market are low to limited.
- The Company believes that the trading prices of MLC debt securities are derivative of the expected value of the Company's common stock (and not vice versa), and the Company believes that once the Company sets a pricing range in the preliminary prospectus for the common stock offering, the trading prices of the MLC debt securities will likely trend to prices that reflect the common stock pricing range.
- While an implicit common stock value may be extrapolated from the trading price of MLC debt securities, doing so involves a number of complex assumptions and adjustments to convert from bond prices to an implied equity value, including assumptions with respect to volatility and the ultimate amount of MLC's liabilities. These assumptions and adjustments could vary depending on when such calculation is being made and on the approach adopted by the party undertaking such calculation. As a result, such trading prices (and implied common stock valuations) are not material or meaningful and could be confusing to potential investors.

Therefore, the Company believes that disclosure of the trading prices of the MLC debt securities is neither required nor desirable in the Registration Statement.

3. ***We note your response to prior comment 4. You disclose on page 6 that the UST's interests as a government entity may differ from those of your other stockholders. Please revise to explain how its interests may differ. We note, for example, your reference to the government's goal of promoting companies that can "contribute to economic growth and jobs," an interest that may not necessarily be aligned with the interests of your other stockholders. We also note the covenant in the UST Credit Agreement regarding manufacturing volume in the United States. Please revise your summary and risk factor disclosure accordingly.***

In response to the Staff's comment, the Company has revised its disclosure on pages 6 and 21 of Amendment No. 2.

4. ***Consistent with your response to prior comment 4, please disclose that the company cannot identify any significant examples of past actions by the UST as a stockholder of the company after the 363 Sale to influence the company's business and operations.***

In response to the Staff's comment, the Company has revised its disclosure on page 6 of Amendment No. 2.

5. ***If you intend to include additional pictures or graphics, please provide us with mock-ups prior to printing and distribution of the preliminary prospectus. Please also provide accompanying captions, if any. We may have comments after reviewing the materials.***

The Company respectfully advises the Staff that it has revised some of the pictures and graphics in Amendment No. 2. The Company does not currently plan to include any additional pictures or graphics, but if this situation changes, the Company notes the Staff's comment and will provide the Staff with mock-ups of any additional pictures or graphics as well as any accompanying captions prior to printing and distribution of the preliminary prospectus.

**6. We note the press release issued by the UST on September 17, 2010. Please disclose the UST's guidance in the prospectus.**

In response to the Staff's comment, the Company has added disclosure beginning on page 245 of Amendment No. 2.

**Prospectus Summary, page 1**

**Our Company, page 1**

**7. Please revise to briefly explain what attributes you believe will make your vehicles the "best" in the world.**

In response to the Staff's comment, the Company has revised its disclosure on pages 1 and 40 of Amendment No. 2.

**8. In this regard, please revise to explain the apparent inconsistency between your "vision" of selling "the world's best vehicles" and the information elsewhere in the prospectus about your declining market share, receipt of exceptional government assistance, the bankruptcy, and the "negative public perception" of your products described on page 14.**

The Company respectfully submits that the Company's vision to design, build and sell the world's best vehicles is not inconsistent with information elsewhere in the prospectus about Old GM's declining market share, Old GM's and the Company's receipt of exceptional government assistance, Old GM's bankruptcy and the public perception of the Company's and Old GM's products. In particular, the Company notes that the Company's vision to design, build and sell the world's vehicles is forward-looking and aspirational in nature, and is therefore distinct from the past problem of declining market share and any ongoing perception issues. The Company believes it has made progress towards achieving its vision, as demonstrated by the fact that all of its recently introduced U.S. models are Consumer Digest Best Buys and that it has won awards in other jurisdictions, as disclosed on page 44 of Amendment No. 2. The Company recognizes that perception issues may still exist with respect to the Company and its vehicles, and the Company believes that the Registration Statement contains appropriate disclosure about such issues, including the risk factor disclosure about "the perception of our company in light of Old GM's bankruptcy and our status as a recipient of aid under TARP" on page 14 of Amendment No. 2 that was added in response to prior comment 23. Since the Company's vision and these various risks are not inconsistent, the Company respectfully submits that it believes that the existing disclosure is appropriate and that no changes are necessary in response to the Staff's comment.

**Our Industry and Market Opportunity, page 2**

9. *We note your response to prior comment 6. Please revise your disclosure in the “Market and Industry Data” section on page ii to clarify, if true, that your calculations include 100% of sales by joint ventures.*

In response to the Staff’s comment, the Company has revised its disclosure in the “Market and Industry Data” section on page ii of Amendment No. 2.

**Our Strategy, page 4**

10. *Please tell us what is unique to GM that causes you to state in the summary that your “management team is focused on hiring new and promoting current talented employees . . . .” We believe virtually all organizations have a similar focus.*

In response to the Staff’s comment, the Company has revised its disclosure on pages 5 and 46 of Amendment No. 2.

**Risk Factors, page 14**

**Our business is highly dependent on sales volume, page 14**

11. *Please revise the last sentence of this risk factor, if true, to clarify that it appears that the recovery in vehicle sales may be continuing but at a measurably slower pace.*

In response to the Staff’s comment, the Company has revised the risk factor disclosure on page 14 of Amendment No. 2 to clarify that the recovery in vehicle sales in North America is continuing at a slower pace.

**Our business plan contemplates that we restructure our operations, page 17**

12. *Please revise the heading to include that you intend to fund the Opel restructuring with approximately \$1.3 billion in cash. Also, tell us why the need for funds for this purpose is not one of the uses of proceeds for the preferred offering.*

In response to the Staff’s comment, the Company has revised the body of the referenced risk factor on page 17 of Amendment No. 2 to include that the Company intends to fund the restructuring of its European operations with approximately \$1.3 billion in cash. While the amount of the expected European restructuring funding is now contained within the body of the risk factor, the Company does not believe that disclosure of the precise amount in the heading of the risk factor is necessary or appropriate.

Additionally, the Company respectfully advises the Staff that the Company does not need to raise additional funds in order to complete its European restructuring. At June 30, 2010, the Company had available liquidity of \$31.5 billion. Accordingly, the Company intends to fund its European restructuring whether or not the Series B preferred offering is completed. As a result, the Company does not intend for any of the proceeds of the Series B preferred offering to be specifically used for the restructuring of its European operations and therefore has not included such restructuring as a use of proceeds of the Series B preferred offering.

**Our U.S. defined pension plans are currently underfunded, page 18**

13. *We note your response to prior comment 39. Please revise the last paragraph of this risk factor to address the risk of a government takeover of your pension plans and the resulting impact on you.*

The Company respectfully advises the Staff that the Company does not believe that the risk of a government takeover of the Company's pension plans presents a material risk to the Company. In particular, the Company notes that at June 30, 2010, the Company had available liquidity of \$31.5 billion. Given this liquidity position, the Company believes that the risk of a government takeover of the Company's pension plans is remote.

**The VEBA Note Agreement, the UST Credit Agreement, page 20**

14. *We note your response to prior comment 44. Please discuss in the third paragraph on page 21 the impact the enforcement of this covenant may have on you.*

In response to the Staff's comment, the Company has revised its disclosure in the referenced risk factor on page 21 of Amendment No. 2.

**Use of Proceeds, page 33**

15. *We note your response to prior comment 18. Please quantify each of the uses of proceeds you mention in the last sentence. If you intend to use any material part of the proceeds to discharge indebtedness, set forth the interest rate and maturity of such indebtedness.*

The Company acknowledges the Staff's comment and respectfully advises the Staff that it has not finalized its plans for the use of proceeds and will update its disclosure, as necessary, to comply with the comment and Item 504 of Regulation S-K prior to printing and distribution of the preliminary prospectus.

**Management's Discussion and Analysis, page 39**

**Competitive cost structure in GMNA, page 43**

16. *We note your response to prior comment 22. Please revise this bullet to disclose the substance of your response to the comment.*

In response to the Staff's comment, the Company has revised its disclosure on page 44 of Amendment No. 2.

**Job Security Programs, page 63**

17. *We note your response to prior comment 29. In accordance with your response, please disclose that the program could potentially be reinstated, but management believes that the possibility of reinstatement is remote.*

Based on discussions with the Staff, we understand that the Staff's concern regarding potential reinstatement of the JOBS Program is due to the disclosure in the prospectus that the JOBS Program is "suspended." The Company respectfully advises the Staff that the term "suspended" is used to remain consistent with the actual language in the agreement with the UAW. The Company believes that the possibility of reinstatement of the JOBS Program is remote and, consequently, respectfully submits that disclosure in the MD&A section of this remote possibility is not required.

**Consolidated Results of Operations, page 65**

18. *In your response to prior comment 30, you indicate that management does not measure the business by monitoring additional financial statement items other than net sales and EBIT. However, since certain financial statement items represent the costs deducted to arrive at EBIT, it is not clear how management can analyze and monitor EBIT without analyzing and monitoring cost of sales, SG&A and their related components. In particular, we direct your attention to your response to prior comment 22, which indicates that the breakeven point for GMNA is a critical metric that provides an indication of GMNA's cost structure and operating leverage. Your response also stated that GM and Old GM's high cost structure in GMNA relative to its revenue resulted in significant losses over a long period of time. In addition, we note the following disclosures:*

- *On page 4, you indicate that a primary element of your strategy is to maintain a competitive cost structure.*
- *On page 6, you indicate that you want to capitalize on cost structure improvement in GMNA.*
- *On page 15, you provide a risk factor indicating your future competitiveness and ability to achieve long-term profitability depends on your ability to control costs.*
- *On page 15, you also provide a risk factor indicating that an increase in raw material costs could materially harm your business. You state that freight charges and raw material costs increased significantly and additional substantial increases could reduce your profitability if you cannot recoup increased costs through increased vehicle prices. This disclosure appears to indicate that certain factors, other than volume, have an impact on your results.*
- *On page 16, you indicate that many manufacturers have relatively high fixed labor costs as well as significant limitations on their ability to close facilities and reduce fixed costs.*

*These disclosures only provide a qualitative discussion and do not quantify amounts. Enhanced disclosure on a quantitative and qualitative basis, related to your cost of sales and SG&A, would provide additional information to help investors view your business through*

***the eyes of management. In particular, such disclosure should include a qualitative as well as quantitative discussion of fixed versus variable costs from period to period along with a supplemental discussion of raw material costs, labor costs and any other significant costs.***

As previously discussed with the Staff, the Company continues to believe that, due to the effect of fresh start reporting, its financial statements and related financial information are not comparable to the financial statements of Old GM that are included in the Registration Statement as the Company's predecessor (solely for accounting and financial reporting purposes). Accordingly, and as disclosed in the "Effect of Fresh-Start Reporting" section of the MD&A, the Company believes that, with the exception of Total net sales and revenue, the results of the Company are not comparable to those of Old GM, and it would not be appropriate to present a line by line, period by period comparison of the Company's results with those of Old GM in the Company's MD&A. It was the Company's understanding that the Staff concurred with that view as documented in the no action letter issued to Old GM by the Staff on July 9, 2009. Therefore, no such comparison was presented and the Company continues to believe that a period over period analysis comparing Cost of sales and Selling, general and administrative expenses ("SG&A") of the Company to Old GM would not provide meaningful information to help potential investors understand the Company's business through the eyes of management.

However, the Company does believe that when it presents comparable periods, a period over period analysis of Cost of sales and SG&A would provide additional information to help potential investors view the Company's business through the eyes of management, and the Company intends to present such period by period comparison of the Company's results starting in the three months ended September 30, 2010, comparing the Company's results for the three months ended September 30, 2010 with the Company's period from July 10, 2009 to September 30, 2009.

Notwithstanding the lack of comparability between the Company and Old GM, the Company understands that the Staff may have suggestions regarding expanded disclosures within MD&A that would discuss the components of the Company's Cost of sales and SG&A for the period from July 10, 2009 to December 31, 2009 and for the six months ended June 30, 2010, including its fixed and variable costs and breakeven point. The Company notes the instances in the Staff's comment letter of September 23, 2010 regarding disclosures in the Company's filings where cost or breakeven information has been disclosed.

The Company respectfully advises the Staff that, for the reasons discussed below, the Company believes that a significant expansion of those disclosures to include a quantitative discussion of fixed versus variable costs and a supplemental discussion of raw material costs, labor costs and other significant costs would not, in the Company's view, provide additional meaningful disclosures to potential investors. Specifically, the Company believes that investors should focus on the Company's business through the eyes of management. The Company continues to believe that the current disclosures achieve that goal.

As can be seen in the reports provided to the Board of Directors and segment managers, the Company's chief operating decision maker reviews vehicle volume, market share, revenue,

EBIT and free cash flow, while the segment managers review vehicle volume, market share, revenue, contribution margin, structural costs and EBIT. The MD&A utilizes this data and the U.S. GAAP income statement to determine the effect of changes in volume, product mix, price, warranty adjustments, pension/OPEB adjustments and restructuring charges in addition to a limited number of other factors, including the effect of foreign currency exchange rate changes and unusual or non-recurring items. In summary, the chief operating decision maker and the segment managers do not review detailed information such as an analysis of material and labor costs or the total components of SG&A. Such detailed reviews are performed during the budgeting and planning process, at which point detailed cost forecasts and analyses are developed by line functional managers, and thereafter periodic reports comparing aggregated budget to actual information are provided to segment managers. As demonstrated in the GMNA segment manager report, the preponderance of information is focused on revenue and volume. The Company acknowledges that while cost control and breakeven points are important, the Company believes the most significant factors to changes to revenue and EBIT are annual industry sales volumes (SAARS) and the Company's market share. It is these factors on which the Company believes investors should concentrate.

Pursuant to Rule 418(b) under the Securities Act, the Company is supplementally furnishing with this response certain reports (as referred to above) prepared by management. The Company hereby requests that these materials be returned to the Company upon completion of the Staff's review and that, pending such return, these materials be withheld from release. The supplemental materials are not being furnished in electronic format and are not being filed with nor deemed part of the Registration Statement nor any amendment thereto.

The Company acknowledges the bullet points in comment 18, and the Company would like to put into better context certain of its disclosures in the Registration Statement, specifically as they relate to a breakeven point at an industry annual sales volume or other metrics which are discussed in the MD&A. The Company notes the Staff's bullet points and would like to point out the following:

- The disclosure on pages 4 and 6 of Amendment No. 2 discusses the restructuring activities undertaken by the Company, the importance of annual U.S industry sales, and the resulting effect of each of those on the Company's breakeven point, given its current market share. The Company believes going forward annual industry sales and market share will be the largest factors to changes in the Company's EBIT and profitability. The Company also notes that GMNA management uses breakeven as a metric as opposed to such items as fixed and variable costs, and the Company refers the Staff to the response to comment 19 below in which the breakeven point is discussed. Further, the Company's disclosures appropriately focus on other important factors, such as strengthening GM's product portfolio, managing production and inventory levels, and producing vehicles in locations where they will be sold. All factors which are qualitatively important, but do not lend themselves to quantification in any meaningful measure.
- The referenced risk factor on page 15 of Amendment No. 2 discusses risks concerning the Company's ability to control costs, and specifically mentions restructuring charges



in North America and Europe. The Company believes that disclosure of the Company's restructuring efforts along with the fact that many factors relating to controlling costs are outside of the Company's control is meaningful to potential investors. Specifically such items as interest rates, labor costs and the ability to close plants, especially when such items are dependent upon future labor negotiations or government involvement, are outside of the Company's control and are forward-looking events. Again, while these factors warrant qualitative disclosure, their effects on Cost of sales are difficult to quantify and not necessary meaningful to potential investors. Additionally, the Company has provided disclosure of GMNA's dealer restructuring activities on pages 50 and 55 of Amendment No. 2, GME's current and planned restructuring activities on pages 47 and 57 of Amendment No. 2 and a quantification of recent charges on pages 70, 74, 75, 77, 89, 90, 91 and 100 of Amendment No. 2. Furthermore, while the GME restructuring activities are ongoing, the focus of the risk factor is the inherent uncertainty surrounding the activities and that a successful restructuring of GME is uncertain.

- With respect to the fourth bullet in comment 18, the Company advises the Staff that it never intended to imply that factors other than volume could not have an effect on results. The Company believes, however, that the referenced risk factor on page 15 of Amendment No. 2 discusses a risk, of which potential investors should be aware, but which is not a significant factor when compared to volume and SAARS in EBIT. The Company purchases raw materials functionally to ensure optimal pricing and standardization of quality, and allocates raw materials to the various manufacturing facilities based upon expected production requirements. As noted above, segment managers do not regularly review cost of raw materials, and the Company does not believe that an analysis of cost of raw materials would significantly enhance the MD&A or a potential investor's understanding of the business. The Company does note that raw material costs are a factor in the calculation of breakeven, which is viewed by GMNA segment management. This is disclosed on pages 4 and 44 of Amendment No. 2.
- The referenced risk factor on page 16 of Amendment No. 2 describes risks primarily related to the pricing of vehicles within the industry, and how the Company and its competitors react to a shrinking market or increased competition. Such conditions frequently lead to the increased use of incentives. The Company believes that the disclosure of the effect of pricing pressure is meaningful to potential investors, and it is a component of a key metric viewed by management, sales mix, which is disclosed and described on pages 70, 74, 88, 89, 91, 97 and 102 of Amendment No. 2.

**19. *Your response to prior comment 8 appears to indicate that you review truck and car profitability when arriving at your profitability breakeven point for GMNA. In this regard, please tell us what consideration you gave to disclosing a quantitative discussion of the relative profitability of trucks as compared to cars, and the effect of vehicle mix and the level of sales incentives on your profitability.***

The Company respectfully advises the Staff that in the response to prior comment 8, the Company noted that its variable profit per vehicle in the three months ended June 30, 2010 was approximately \$8,000 per vehicle on average for GMNA. That variable profit figure comprehended vehicle mix, country mix, option mix, etc. for the same period. These factors can vary from period to period, which supports the Company's disclosure of a range for the GMNA breakeven point. For additional perspective, the Company respectfully advises the Staff that it would take a significant shift in consumer preference to materially change the GMNA breakeven point. For example, if there was a shift in demand such that truck market share deteriorated 10 percentage points and car market share increased by 10 percentage points, the breakeven point would increase from a U.S. industry volume of 10.7 million units (as discussed in the response to prior comment 8) to 11.0 million units. Therefore, the Company respectfully submits that it continues to believe that the current disclosure of a GMNA breakeven point with U.S. industry sales of approximately 10.5 to 11.0 million units is appropriate and that no additional disclosure in response to the Staff's comment is necessary.

**Production and Vehicle Sales Volume, page 66**

20. *We note your statement that vehicle sales data represents sales from your dealers to the ultimate customer. However, it appears that vehicle sales data also includes fleet sales that are not transacted through your dealers. Please clarify your disclosure in this regard. In addition, please clarify that you do not present fleet sales accounted for as operating leases as sales within your tables when those vehicles are later sold at auction.*

In response to the Staff's comment, the Company has revised its disclosure on page 67 of Amendment No. 2 to clarify that vehicle sales data includes retail and fleet sales. The Company respectfully advises the Staff that fleet sales that are accounted for as operating leases are included in Vehicle Sales at the time of delivery to the daily rental car companies and that Vehicle Sales do not include the same vehicles when later sold at auction.

21. *Please expand the footnotes to the tables on pages 66 and 67 to disclose the amount of production and vehicle sales volume, by segment, attributable to your SGM, SGMW and FAW-GM joint ventures in China as well as your HKJV joint venture in India.*

In response to the Staff's comment, the Company has revised its disclosure, including on pages 67 and 68 of Amendment No. 2.

**Executive Compensation, page 192**

**Long-Term Restricted Stock, page 199**

22. *We note your response to prior comment 48. Please explain why these awards have a 2010 grant date rather than a 2009 grant date for purposes of Summary Compensation Table disclosure. Refer to Item 402(c)(2)(v) of Regulation S-K.*

The Company respectfully advises the Staff that according to Item 402(a)(6)(iv) of Regulation S-K, "the terms date of grant or grant date refer to the grant date determined for financial statement reporting purposes pursuant to FAS123(R)" (FASB ASC Topic 718). Under ASC 718, one condition to achieve a grant date is that the employer and the employees reach a mutual understanding of the key terms and conditions of a share-based payment award.

The Company and its employees did not obtain a mutual understanding of the key terms and conditions of the 2009 GMLTIP award until March 2010. Because this understanding was not reached until 2010, the Company is treating the awards as 2010 grants for financial statement reporting purposes under ASC 718, and these grants will be reported as 2010 compensation in the Summary Compensation Table and Grants Table disclosure for Named Executive Officers in the Company's 2010 Annual Report on Form 10-K.

### **Audited Consolidated Financial Statements**

### **Notes to Consolidated Financial Statements**

### **Note 2. Chapter 11 Proceedings and the 363 Sale, page F-11**

### **Preferred Stock, page F-16**

23. *We note that you classify the Series A Preferred Stock as temporary equity because the UST currently has the ability to exert control, through its power to vote for the election of your directors, over various matters, which could include compelling you to redeem the Series A Preferred Stock in 2014 or later. We also note that, while you base your decision regarding the balance sheet classification of the Series A Preferred Stock on the UST's current ability to elect your directors, your decision not to accrete the Series A Preferred Stock to its redemption amount of \$9.0 billion is not based on current circumstances but rather on your assessment of the probability of whether the UST will continue to have the ability to elect your directors in 2014. In this regard, please tell us your basis in the accounting literature for having policies based on different underlying reasons with respect to the balance sheet classification and income statement effect of the same security.*
24. *Please disclose the specific future event that would cause you to reclassify the Series A Preferred Stock into permanent equity. Also, tell us what consideration you gave to accreting the related discount based on the circumstances that existed at July 10, 2009, and then discontinuing such accretion if and when the Series A Preferred Stock is reclassified into permanent equity.*

The Company respectfully advises the Staff that it accounts for the Series A Preferred Stock under the provisions of ASC 480-10-S99-3A, paragraphs 4, 5, 7 and 15. Specifically, paragraphs 4 and 5 require the Series A Preferred Stock to be classified as temporary equity if any event that is outside the Company's control (regardless of probability) could trigger the security to become redeemable outside the Company's control. In contrast, ASC 480-10-S99-3A, paragraph 15 requires accretion from the security's carrying amount to its redemption amount only when it is probable the security will become redeemable outside the Company's control. While the Company currently believes that it is possible that the Series A Preferred Stock could become redeemable outside the Company's control on or after December 31, 2014, the Company does not believe that event is currently probable. Each aspect of the Company's accounting analysis is discussed separately below.

Policy for Balance Sheet Classification

ASC 480-10-S99-3A paragraphs 4 and 5 (EITF D-98 paragraph 4) state:

Classification

4. ASR 268 requires equity instruments with redemption features that are not solely within the control of the issuer to be classified outside of permanent equity (often referred to as classification in “temporary equity”). The SEC staff does not believe it is appropriate to classify a financial instrument (or host contract) that meets the conditions for temporary equity classification under ASR 268 as a liability.

5. Determining whether an equity instrument is redeemable at the option of the holder or upon the occurrence of an event that is solely within the control of the issuer can be complex. The SEC staff believes that all of the individual facts and circumstances surrounding events that could trigger redemption should be evaluated separately and that the possibility that any triggering event that is not solely within the control of the issuer could occur—without regard to probability—would require the instrument to be classified in temporary equity.

The Company notes that the exercise of the call provision in the Series A Preferred Stock on or after December 31, 2014 (the earliest call date pursuant to the contractual terms of the securities) is at the Company’s option. However, one of the holders, the UST, owns a majority of GM’s common stock and therefore has the ability to exert control, through its power to vote for the election of directors, over various matters. Paragraph 7 of ASC 480-10-S99-3A specifically addresses this situation as follows:

7. Example 2. A preferred security that is not required to be classified as a liability under other applicable GAAP may have a redemption provision that states it may be called by the issuer upon an affirmative vote by the majority of its board of directors. While some might view the decision to call the security as an event that is within the control of the company because the governance structure of the company is vested with the power to avoid redemption, if the preferred security holders control a majority of the votes of the board of directors through direct representation on the board of directors or through other rights, the preferred security is redeemable at the option of the holder and classification in temporary equity is required. In other words, any provision that requires approval by the board of directors cannot be assumed to be within the control of the issuer. All of the relevant facts and circumstances should be considered.

Accordingly, the Company evaluated the potential that the holders of Series A Preferred Stock might have the ability to exert control, through their power to vote for the election of directors as the holders of a majority of the Company’s common stock, over a Company decision to call (i.e., redeem) the Series A Preferred Stock, recognizing that the earliest call date does not occur until December 31, 2014. Because the holders of the Series A Preferred Stock currently have the ability to exert control, and it is possible (although not probable) that they will continue to have such ability at December 31, 2014, the Company concluded that temporary equity classification is required.

The Company notes the Staff's observation that, based upon the Company's current disclosure, it appears the Company's conclusion regarding the balance sheet classification is based on the UST's current ability to elect directors (as opposed to a consideration of possible future circumstances). The Company respectfully advises the Staff that its balance sheet classification is in fact based on a consideration of possible future circumstances. As the Series A Preferred Stock is not yet callable, the fact that the holders currently own a majority of GM's common stock and therefore have the ability to exert control is not, in and of itself, the reason the Company is required to classify the Series A Preferred Stock as temporary equity. If, for example, there were an agreement in place under which it was certain that the holders of the Series A Preferred Stock would lose their ability to exert control prior to December 31, 2014, the condition in paragraph 7 of ASC 480-10-S99-3A would not be met, and the Company would classify the Series A Preferred Stock as permanent equity notwithstanding the current ability of the holders of the Series A Preferred Stock to exert control. Temporary equity classification is only required because it is possible (although not probable) that the holders will continue to have such ability at December 31, 2014. In that regard, the Company's determination of balance sheet classification is based upon possible future circumstances (i.e., the potential that the ability to exert control through 2014 will persist), even though such circumstances are not probable. The Company has clarified its disclosure on pages 53, 54, 118 and F-16 of Amendment No. 2 accordingly.

#### Policy for Accretion

With respect to accretion, ASC 480-10-S99-3A includes the following guidance:

14. If an equity instrument subject to ASR 268 is currently redeemable (for example, at the option of the holder), it should be adjusted to its maximum redemption amount at the balance sheet date. If the maximum redemption amount is contingent on an index or other similar variable (for example, the fair value of the equity instrument at the redemption date or a measure based on historical EBITDA), the amount presented in temporary equity should be calculated based on the conditions that exist as of the balance sheet date (for example, the current fair value of the equity instrument or the most recent EBITDA measure). The redemption amount at each balance sheet date should also include amounts representing dividends not currently declared or paid but which will be payable under the redemption features or for which ultimate payment is not solely within the control of the registrant (for example, dividends that will be payable out of future earnings).
15. If an equity instrument subject to ASR 268 is not currently redeemable (for example, a contingency has not been met), subsequent adjustment of the amount presented in temporary equity is unnecessary if it is not probable that the instrument will become redeemable. If it is probable that the equity instrument will become redeemable (for example, when the redemption depends solely on the passage of time), the SEC staff will not object to either of the following measurement methods provided the method is applied consistently.

- a. Accrete changes in the redemption value over the period from the date of issuance (or from the date that it becomes probable that the instrument will become redeemable, if later) to the earliest redemption date of the instrument using an appropriate methodology, usually the interest method. Changes in the redemption value are considered to be changes in accounting estimates.
- b. Recognize changes in the redemption value (for example, fair value) immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. This method would view the end of the reporting period as if it were also the redemption date for the instrument.

Based on the fact that the earliest call date of the Series A Preferred Stock is not until December 31, 2014, the Company concluded that the security is not currently redeemable.

The Company next considered whether it is probable that the security will become redeemable. The above excerpt from ASC 480-10-S99-3A indicates that one example of a situation in which it is probable that a security will become redeemable is “when the redemption depends solely on the passage of time.” The Company recognizes that, as the UST currently has the ability to exert control, absent intervening events, the security would become redeemable outside the Company’s control. Accordingly, the Company considered one view under which it should assume that the present condition (the UST’s ability to exert control) would remain unchanged, and therefore the Company would immediately begin accreting the Series A Preferred Stock. The Company also considered a second view under which it would assess the probability of a change in the present condition (the UST’s ability to exert control) and, if it was not probable that the holders would still have the ability to exert control at the earliest call date, accretion would not be recorded. After analyzing the applicable authoritative guidance and the Company’s particular facts and circumstances, the Company ultimately concluded that the second view is most appropriate. The basis for that conclusion follows.

The Company believes that the reference to “passage of time” was intended to refer to a circumstance in which there is no uncertainty as to the ability of the holder to elect redemption of a security. That is, the holder can be assured that, by waiting until the earliest redemption date, the holder will have the right to elect redemption. In contrast, when uncertainty exists as to whether the holder will ultimately have the ability to exert control over redemption, the Company believes it was the intent of Topic D-98 to permit an issuer to make a probability assessment as to whether the holder would ever have such ability. The Company notes that there is no statement in Topic D-98, nor any example, where it is indicated that one must assume a present condition remains unchanged, without consideration of intervening events that may occur.

The Company recognizes that the examples of contingent events in ASC 480-10-S99-3A for which probability is assessed (“the fair value of the equity instrument at the redemption date or

a measure based on historical EBITDA”) are referring to circumstances where an index or metric has not yet been met. However, in concept, the Company does not believe there is any difference between a situation where a condition has not yet been met, but may be met in the future, as compared to a situation where a condition has already been met, but may revert to not being met before the earliest redemption date. Importantly, in both circumstances, there is uncertainty as to whether the holder will ever have the right to demand redemption, and such uncertainty is factored into the assessment of probability. If the condition is already met, there may of course be additional scrutiny as to the assessment of the likelihood that the condition will revert to a status of not being met, but the need to perform such a probability assessment is nevertheless still present (the Company’s probability assessment is included later in this response).

The Company is aware of an analogous situation that illustrates this issue. A security issued by a company with no publicly traded equity securities may become redeemable at a future date if the issuer has not consummated a successful initial public offering by that date. Under one view, one might suggest that the issuer should begin accreting the security because, if the present condition remains unchanged (that is, if the issuer’s equity remains nonpublic), the security will become redeemable. Under an alternative view, one would evaluate the likelihood of the intervening event (that is, a successful initial public offering) prior to the future date on which the security would become redeemable by the holder. So long as the issuer has a basis to conclude that it is at least reasonably possible that an initial public offering will occur prior to the earliest redemption date, under this alternative view, the issuer would conclude that it is not probable that the equity security will become redeemable at the holder’s option. The Company understands that the latter view has in fact been applied in practice, and that this view has been accepted by the Staff.

In reaching a conclusion as to the propriety of performing a probability assessment, the Company also considered the fact that the Company currently has a majority shareholder and evaluated whether this fact would impact the Company’s ability to assess probability. The Company ultimately concluded that this fact did not serve as an impediment to the Company’s ability to assess probability. Significantly, the Company is not relying upon a purely subjective assessment of the intentions of a third party. The actions that the UST will carry out to dispose of its interest are in fact embedded in a combination of (a) a legally binding arrangement (the Stockholders Agreement) and (b) a published policy of the U.S. government (discussed further below).

It is also important to put in context the size of the UST’s Series A Preferred Stock investment relative to the total interests in the Company held by the UST. The UST holds approximately 84 million shares of Series A Preferred Stock, which had a fair value at July 10, 2009 of approximately \$1.6 billion. The UST’s investment in the Company’s common stock exceeds this amount by a large multiple. This is not a situation in which a preferred shareholder’s primary investment is the preferred stock itself, and therefore the preferred shareholder would make decisions in isolation with respect to its preferred stock investment. Rather, it is reasonable to conclude, and economically rational, that the UST’s primary motive is to monetize its investment in the Company’s common stock in accordance with the current published policy of the U.S. government. There is no reason to believe (and no economic

incentive) that the UST would modify or sub-optimize the U.S. government's disposition policy covering the UST's significant common stock investment in an effort to manage the potential redemption of its far smaller investment in Series A Preferred Stock. Again, the Company believes that such a consideration is best addressed in a probability assessment.

For the reasons outlined above, the Company believes that the most appropriate interpretation of the guidance in ASC 480-10-S99-3 is that the Company should assess the probability that the holders of the Series A Preferred Stock will have the ability to exert control over the Company at the earliest call date. The Company's probability assessment follows.

#### Probability Assessment

After concluding that it is appropriate to consider probability, the Company performed a thorough probability assessment. The Company concluded that, as of July 10, 2009 and at each subsequent balance sheet date, it was not probable that the UST (along with the other holders of Series A Preferred Stock) will continue to have the ability to exert such control through December 31, 2014, which is the earliest date the Company's option to call the Series A Preferred Stock becomes exercisable. The Company notes that, as long as it is reasonably possible that the holders of the Series A Preferred Stock, as a class, will drop below majority ownership of the Company's common stock (through direct dispositions and other dilutive events) by December 31, 2014, one can conclude that it is not probable that the securities will ever become redeemable outside the Company's control. In reaching the conclusion that it is reasonably possible that the Series A Preferred holders will drop below majority ownership of the Company's common stock prior to December 31, 2014, the Company considered the following factors:

- The UST has a contractual obligation to use its best efforts to reduce its holdings. Section 3.1 of the original Stockholders Agreement, dated as of July 10, 2009 provides that the UST and Canada Holdings shall use their reasonable best efforts to exercise their demand registration rights under the Equity Registration Rights Agreement and cause an IPO (as defined in the original Stockholders Agreement) to occur by July 10, 2010, unless GM was already taking steps and proceeding with reasonable diligence to effect such an IPO. The original Stockholders Agreement was superseded by the Stockholders Agreement, dated as of October 15, 2009, which was entered into as part of the holding company reorganization and includes the same obligations under Section 3.1. The Company respectfully advises the Staff that, at this time, the Company anticipates this offering will reduce the UST's common stock ownership percentage to less than 50%. Although the Company recognizes that public offerings may be initiated and later deferred as a result of market conditions or other factors, the Company believes that there is compelling evidence that the holders of Series A Preferred Stock will use their best efforts to execute an offering as quickly as possible for a variety of contractual, economic and political reasons. The long period available (July 9, 2009 through December 31, 2014) in which to effectuate such an offering provides further evidence for the Company's "reasonably possible" assessment, as one would expect windows of positive market conditions during such a lengthy period.



- In the response to prior comment 4, the Company made reference to a document posted on the White House's website stating that, pursuant to the current policy of the U.S. government, "the Government has no desire to own equity stakes in companies any longer than necessary, and will seek to dispose of its ownership interest as soon as practicable." The Company believes that it is a fundamental premise of applying U.S. GAAP that current laws, regulations and government policies are presumed to remain in effect. Further, the long period between July 10, 2009 and December 31, 2014 provides ample time for the U.S. government to carry out this stated policy. This offering provides additional confirming evidence of the Company's assessment of likelihood.
- In addition, numerous other circumstances are likely to occur in the lengthy period prior to December 31, 2014 that will continue to dilute the common stock ownership interest of the holders of Series A Preferred Stock. These circumstances could include, among other possible dilutive activities, the granting and vesting of stock awards to employees, the issuance of additional common shares pursuant to the terms of the Series B preferred stock to be issued in this offering and a possible stock contribution to the Company's pension plans.
- As part of the Second Amended and Restated Secured Credit Agreement dated as of August 12, 2009, as amended (the "UST Credit Agreement"), the Company has agreed to use its commercially reasonable best efforts to achieve certain manufacturing volume levels (the "Volumes") in the United States for the years 2010-2014 (the "Vitality Commitment"). As part of the Company's probability assessment, the Company considered whether it would achieve the Volumes and concluded, based on its forecasts at each balance sheet date, that it would achieve or exceed the Volumes. The Vitality Commitment expires on the later of December 31, 2014 and the date on which all of its loans from the UST have been repaid (currently December 31, 2014 as the UST loans have been repaid). The Vitality Commitment would terminate even earlier than December 31, 2014 if before that date, the UST receives total proceeds from debt repayments, dividends, interest, preferred stock redemptions and common stock sales equal to the total dollar amount of all UST invested capital. The Company has regularly certified to the UST that it has complied with the Vitality Commitment and expects to continue to comply with it through its expiration. Based on the terms of the UST Credit Agreement, the Company's failure to comply with the Vitality Commitment would result in the UST being able to seek specific performance of the Vitality Commitment and the appointment of a court appointed monitor to ensure compliance with the Vitality Commitment, but would not provide for any incremental rights or abilities to exert control over the Company that are not present at the time the Company failed to comply with the Vitality Commitment.

Based upon a thorough evaluation of these facts and circumstances, including the contractual provisions in the Company's Stockholders Agreement, the announced policy of the U.S. government and developments that have occurred subsequent to July 9, 2009 (including this offering), the Company continues to conclude that it is not probable that the Series A Preferred Stock will ever become redeemable outside the Company's control. Therefore, the Company concluded that accretion is unnecessary.

Current Developments

During the three months ended September 30, 2010, the Company began discussions with the UST to purchase the Series A Preferred Stock currently held by the UST. A contingent agreement, subject to the closing of a revolving credit facility, the closing of this offering of common stock and the execution of final documentation, has been reached to purchase these shares from the UST that will be disclosed prior to marketing of the common stock and Series B preferred stock registered in the Registration Statement. Therefore, the Company intends to include the following disclosures in a future amendment to the Registration Statement:

- Pro forma effects on the face of the Unaudited Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2010 (Successor) and the Condensed Consolidated Balance Sheet at June 30, 2010 (Successor) with appropriate footnote and MD&A disclosure of the agreement to purchase the \$2.1 billion face amount of Series A Preferred Stock held by the UST.
- Pro forma effects in the Capitalization table of the purchase of the \$2.1 billion face amount of Series A Preferred Stock held by the UST.
- Disclosure of the amount of the potential future charge to earnings available to common stockholders related to the difference between the carrying amount and the face amount of Series A Preferred Stock currently held by parties other than the UST that would be recorded in the event the Company elects to exercise its call right or reaches agreement to purchase those shares.

The Company intends to include similar pro forma and other disclosures in its Form 10-Q filing for the quarterly period ended September 30, 2010.

Disclosures Included in Amendment No. 2

In response to the Staff's comments, the Company has determined that enhancements to its disclosures would increase the transparency of the Company's accounting policy and the related financial statement effects. The Company has revised its disclosure on pages 53, 54, 118 and F-16 of Amendment No. 2 to: (a) provide additional clarification on the specific future event that would cause the Company to reclassify the Series A Preferred Stock into permanent equity; (b) clarify the basis for presenting the Series A Preferred Stock in mezzanine equity; and (c) disclose the reduction to earnings available to common stockholders that would be recorded if the Series A Preferred Stock is ultimately redeemed.

**Note 10. Equity in Net Assets of Nonconsolidated Affiliates, page F-52**

**Transactions with Nonconsolidated Affiliates, page F-56**

25. *Based on your response to prior comment 65, please tell us what consideration you gave to presenting purchases of component parts and vehicles as inventory purchases, and indicating that such amounts are later charged to cost of sales when the related vehicles or parts are sold.*

The Company respectfully advises the Staff that in applying the disclosure requirements of ASC 850-10-50 the Company discloses the nature of the transactions with nonconsolidated affiliates and their effects on the financial statements that the Company believes are necessary to understand its financial statements. The Company does not believe that disclosing the amount of purchases during a given period would enhance a potential investor's ability to understand its financial statements. Because purchased component parts and vehicles flow through Cost of sales and the Company's finished product inventory turned approximately every ten days in the six months ended June 30, 2010, the amount of purchases is highly correlated to the amount included within Cost of sales.

**Note 19. Pensions and Other Postretirement Plans, page F-77**

26. ***In light of your response to prior comment 42, please tell us how your current presentation complies with each of the disclosure requirement set forth in ASC 820-10-50-6A (a) through (h). Please note that, as indicated at the beginning of ASC 820-10-50-6A, these disclosure requirements apply regardless of whether the practical expedient approach in ASC 920-10-35-59 has been applied.***

The Company respectfully advises the Staff that it measures its plan assets at fair value in accordance with the provisions of ASC 820, including the practical expedient as discussed in ASU 2009-12, as ASC 820-10-15-1 provides that its guidance applies to all entities, transactions and instruments under other Subtopics that require or permit fair value measurements.

However, the Company did not provide disclosures that would fulfill the requirements set forth in ASC 820-10-50-6A (a) through (h) because it believes that the disclosure provisions of ASC 820 and ASU 2009-12 are not applicable to an employer's disclosures about pension and other postretirement benefit plan assets. Instead, the Company believes that ASC 715, Compensation-Retirement Benefits, sets forth the applicable disclosure requirements related to benefit plan assets, and the Company believes its existing disclosures comply with such requirements. The Company's conclusion is based upon the following excerpts from ASC 820 and FSP FAS 132(R)-1:

ASC 820-10-50-10

"Plan assets of a defined benefit pension or other postretirement plan that are accounted for under Topic 715 are not subject to the disclosure requirements in paragraphs 820-10-50-1 through 50-9. Instead, the disclosures required in paragraphs 715-20-50-1(d)(iv) and 715-20-50-5(c)(iv) shall apply for fair value measurements of plan assets of a defined benefit pension or other postretirement plan."

Paragraph 4 of FSP FAS 132(R)-1

“At its November 2007 meeting, the Board broadened the scope of the project to consider requiring employers to disclose information about fair value measurements of plan assets that would be similar to the disclosures about fair value measurements required by FASB Statement No. 157, Fair Value Measurements. The Board reached this decision after concluding that disclosures about fair value measurements of plan assets are not within the scope of the disclosure requirements of Statement 157.”

27. ***With respect to valuing plan assets using a method other than net asset value, when assumptions used to arrive at the fair value of these plan assets involve significant subjectivity, please disclose the nature of the inputs used to arrive at the fair value of such assets, including those assumptions subject to volatility or change, along with a corresponding sensitivity analysis, in your discussion of critical accounting policies within MD&A, as appropriate.***

The Company respectfully advises the Staff that approximately \$5.0 billion of its Level 3 investments as of December 31, 2009 were priced at an amount other than net asset value (“NAV”), including approximately \$1.8 billion of corporate debt securities, \$1.6 billion of government and agency debt securities and \$1.5 billion of non-agency mortgage and asset-based securities. The Company performed a sensitivity analysis on these Level 3 investments through the use of dual-source pricing data and analytics and believes that the reported amounts reflect fair value within a range of plus or minus \$150 million. The Company believes that this low level of potential sensitivity does not require disclosure within MD&A under critical accounting policies because any change would not have a material effect on its reported financial information, particularly given that a change in fair value estimate would only affect balance sheet presentation in the near-term.

In the future, to the extent management believes that the potential sensitivity in the fair value of its Level 3 investments is material, the Company would include appropriate disclosure in its Registration Statement and other required filings with the Commission.

28. ***To ensure that your investors obtain an understanding of how management determined that an 8.5% expected rate of return remains appropriate, please consider revising your filing to include disclosures similar to that provided in your response to prior comment 67.***

In response to the Staff’s comment, the Company has revised its disclosure on page F-92 of Amendment No. 2.

**Note 33. Segment Reporting, page F-161**

29. ***Please clarify the statement in your response to prior comment 73 that standalone EBIT results for GMNA and GME are not available below the operating segment level in light of the following:***

- ***Your disclosures on page F-33, which indicate that you test product specific long-lived assets for impairment at the platform level, appear to indicate that you have identifiable cash flows at the platform level.***
- ***If you do not review profitability at the brand level, tell us how you determined that certain brands should be discontinued.***
- ***Your response to prior comment 8 indicates that GMNA's profitability varies depending on multiple factors, including vehicle mix. Furthermore, you indicate that trucks are generally more profitable than cars.***
- ***Your response to prior comment 32 indicates that certain fleet transactions, particularly daily rentals, are generally less profitable than retail sales.***
- ***On page 43, you indicate that you have substantially completed the restructuring of GMNA, which has reduced your cost base and improved product line profitability.***

***To ensure we obtain a better understanding of your reporting structure, also provide us with a sample of the reports that your chief operating decision maker and segment managers regularly review to assess performance and allocate resources.***

The Company respectfully advises the Staff that the intent of the response to prior comment 73 was to indicate that because of the integrated nature of the operations within its GMNA and GME segments and the fixed nature of a significant portion of the Company's costs, financial information by brand, product line or country is not discrete below the operating segment level as the Company manages each segment and allocates resources on a segment-wide basis. For example, the costs associated with the following functional areas are managed on a segment-wide or global basis and are allocated to the cost of each vehicle only for purposes of product line reporting:

- Engineering is shared among all segments and costs are allocated based on predetermined formulas (aligns prior engineering expense with current vehicles).
- Powertrains are produced and used in multiple vehicles and platforms.
- Manufacturing plants and tooling for individual platforms are used to produce nameplates that are sold over multiple brands and countries. Production and capacity planning is also performed on a regional or global basis.

In addition, the acquisition of material is managed globally to optimize price, quality and logistics. While discrete costs related to tooling and raw materials could be accumulated on a platform basis, the remaining costs to produce and sell a vehicle, including the cost of plant and equipment, overhead, corporate and SG&A, are allocated because vehicle production and brand management are not independent. Revenues, sales incentives and marketing are managed on a more disaggregated basis although segment-wide interdependencies do exist.

Likewise, because the Company produces multiple nameplates on a single platform (for example, in GMNA, the Buick Enclave, GMC Acadia and Chevrolet Traverse are all produced on a single platform and in a single assembly plant), no single brand could discretely produce

its own vehicles and stand on its own. Accordingly, disclosing brand information would be of limited usefulness, and, in fact, runs the risk of being misleading with respect to evaluating the financial results of the Company's operations.

The reorganization of the Company that occurred in conjunction with the 363 Sale highlights the Company's views expressed above, as it significantly reduced fixed costs associated with Old GM's manufacturing operations (e.g., the number of plants) and "legacy" labor costs and allowed for the reduction of certain nameplates and brands.

In determining whether to eliminate certain nameplates and brands, the actual sales volumes associated with the discontinued brands coupled with information about how much a nameplate and/or brand contributed to covering the Company's fixed costs was used. Brands and nameplates that had lower volumes, such as Saturn, Saab and Pontiac, were targeted for elimination, as their lower sales volumes resulted in a lower return on the Company's marketing spending and contributed less to covering the Company's fixed costs associated with these vehicle brands. Eliminating these brands allowed the Company to concentrate its marketing expenditures on its remaining brands and many historic customers of discontinued brands are likely to purchase other GM products. That said, the decision to eliminate these brands was one part of a larger restructuring plan that included the closing of manufacturing facilities, the elimination of dealers and the reduction of the Company's labor costs and employee base within the GMNA segment. The conclusion to eliminate these nameplates and brands would not have been reached had it not been for the corresponding reduction within GMNA of the segment-wide fixed cost manufacturing base and "legacy" labor costs.

The Company's product-specific long-lived assets impairment testing performed at the platform level is a discrete analysis prepared solely for accounting purposes. Costs not directly attributable to the platform are excluded to arrive at an estimate of direct costs associated with the platform. The information utilized to perform this assessment is not reviewed by the Company's chief operating decision maker or its segment managers.

Pursuant to Rule 418(b) under the Securities Act, the Company is supplementally furnishing with this response certain reports prepared by management. The Company hereby requests that these materials be returned to the Company upon completion of the Staff's review and that, pending such return, these materials be withheld from release. The supplemental materials are not being furnished in electronic format and are not being filed with nor deemed part of the Registration Statement nor any amendment thereto.

The Company respectfully directs the Staff's attention to the supplementally provided sample reports that the Company's chief operating decision maker and its segment managers regularly review to assess performance and allocate resources. The sample reports pertain to the June 30, 2010 timeframe. As the Staff will note in the sample reports provided, the Company's chief operating decision maker reviews vehicle volume, market share, revenue, EBIT and free cash flow information along operating segment lines (GMNA, GME and GMIO). As would be expected, the Company's segment managers review information on a more detailed basis.

With respect to GMNA, this information includes: (1) vehicle volume, revenues, market share, EBIT, structural costs and contribution margin for GMNA as a whole; (2) sales volumes, EBIT and contribution margin per vehicle by vehicle/vehicle type and also by brand; and (3) sales volume, revenues and profitably by country (U.S., Canada and Mexico). Contribution margin consists of costs related to material, freight and warranty and is primarily product-specific. Structural costs consist of costs that are fixed and/or semi-fixed (in the short term), such as manufacturing (including depreciation and amortization), engineering, marketing and retiree pension/OPEB costs. Structural costs are reviewed and managed primarily by functional area on a segment-wide basis.

With respect to GME, this information includes vehicle volumes, revenues, EBIT, earnings before taxes (“EBT”) and cash flows, for GME as a whole and vehicle volumes in certain major countries and by brand. The Company notes that the information by vehicle and brand is not, in any way, the focus or preponderance of information included in the segment reports.

Furthermore, the Company points out the profitability and cash flow measures (EBIT, EBT and cash flows) below the segment level (GMNA and GME) presented in the reports discussed above are not the result of the accumulation of “discrete financial information” of a component but rather revenues less vehicle material, freight and warranty costs and the allocation of significant amounts of common costs of the segment to the individual vehicles. These amounts are accumulated by brand and/or geography.

To the extent discrete information is maintained, the Company does not believe disclosing profitability on a per vehicle basis is meaningful as a mix of product offerings (small, medium, and large cars and trucks) must be maintained across the Company’s fleet of vehicles to support its overall operations and segment profitability and to meet regulatory requirements such as Corporate Average Fuel Economy (“CAFE”) regulations. In this regard, the Company notes that not all vehicles within a segment are individually profitable on a fully allocated cost basis, but those vehicles are nevertheless needed in the Company’s product mix in order to attract customers to dealer showrooms and to maintain the sales volumes for other, more profitable vehicles.

The Company respectfully submits that the fact that operating information (revenue and expense) exists at a level below the operating segment does not indicate the existence of a reporting unit under U.S. GAAP, as such a “component” might be a product line or brand that is not a business itself (and therefore does not meet the U.S. GAAP definition of a reporting unit). The Company further believes that for a reporting unit to exist and to have “discrete financial information” that financial information must clearly be distinguished, operationally and for financial reporting purposes, from the rest of the segment and that all other U.S. GAAP requirements to be considered a reporting unit must be present. As such, because of the integrated nature of the operations within the Company’s GMNA and GME segments and the fixed nature of a significant portion of the Company’s costs, financial information by brand or country is not discrete below the operating segment level. For these reasons, the Company does not believe that it has reporting units in GMNA or GME below the operating segment level, and the Company’s segment information aligns with the information the chief operating decision maker regularly reviews to assess performance and allocate resources.

**Unaudited Condensed Consolidated Interim Financial Statements**

**Notes to Condensed Consolidated Financial Statements**

**Note 22. Earnings (Loss) Per Share, page F-224**

30. *In your response to prior comment 78, you indicate that trading prices of MLC's debt securities between December 31, 2009 and June 30, 2010 did not suggest any significant market movement or trend on GM's perceived common stock value. Please provide us with more information in this regard. Specifically, tell us GM's perceived common stock value implied by the trading prices of MLC's debt securities during the first six months of 2010. In addition, please include your underlying calculations in your response.*

Pursuant to Rule 418(b) under the Securities Act, the Company is supplementally furnishing with this response certain information regarding the trading prices of MLC's debt securities. The Company hereby requests that these materials be returned to the Company upon completion of the Staff's review and that, pending such return, these materials be withheld from release. The supplemental materials are not being furnished in electronic format and are not being filed with nor deemed part of the Registration Statement nor any amendment thereto.

As requested, the Company has supplementally provided the Staff certain graphs depicting the trading prices of MLC's debt securities and estimates of the implied value of GM's common stock based on those trading prices. These graphs and estimates result from calculations carried out by certain financial institutions using data, analysis and assumptions provided to them by the Company. The graphs and estimates were provided to the Company by those financial institutions for informational and discussion purposes only, and not for the purpose of providing tax, accounting, actuarial, legal or any other advice or recommendation, including with respect to executive compensation.

The Company continues to believe that its own estimates of the Company's common stock values at December 31, 2009 and through June 30, 2010 are the best estimates of the fair values of the Company common stock for those dates, as further discussed below. Accordingly, the Company continues to believe the stock prices used for financial reporting purposes in its historical financial statements are appropriate.

The Company's estimated per share value for its common stock at July 10, 2009 was \$39.72 based on a discounted cash flow methodology compared to a \$40.71 implied per share value based on the trading prices of MLC's debt securities. The key inputs into the Company's discounted cash flow calculation included the Company's forecasted cash flow and a discount rate reflecting the Company's weighted average cost of capital ("WACC"). The forecasted cash flows were dependent on the Company's assumptions regarding industry volumes, market share and cost structure. The WACC assumed various factors including bond yields, risk premiums, tax rates and cost of capital.

At December 31, 2009, the Company performed a detailed valuation analysis similar to the one that was performed at July 10, 2009, but this December 31, 2009 valuation was now based on the Company's detailed business plan approved by its Board of Directors. Based on this



analysis, the Company determined that the value of GM's common stock was \$56.40 per share compared to an implied \$77.13 per share based on the trading prices of MLC's debt securities. At the time the Company prepared the December 31, 2009 annual financial statements, the Company evaluated whether the implied share price was a reliable proxy for GM's common stock price. After considering all information, the Company determined that the implied share price from the trading prices of MLC's debt securities was not a reliable indicator of the Company's common stock price at December 31, 2009. The factors the Company considered in making this determination included: (a) lack of publicly available financial information regarding the Company, including the fact that no U.S. GAAP financial statements for any period after July 10, 2009 were released until April 7, 2010; (b) the imprecise nature of the derived estimate, as the ultimate number of shares a bondholder will be entitled to receive was unknown and still remains contingent on determination of the general unsecured claims allowed against MLC; (c) the low to limited trading volume of MLC debt securities on the over-the-counter market; and (d) disclaimers by the third party that calculated the implied stock price as to any use of the data for financial reporting or other purposes due to, among other things, the underlying assumptions that need to be made to estimate an implied equity value. The Company also considered the fact that trading in other MLC securities had exhibited anomalous behavior, as the trading price of MLC's common shares reflected trades significantly in excess of the apparent fair value of those shares. As the Staff may recall, Old GM filed a Current Report on Form 8-K on July 1, 2009 that reminded its investors of Old GM's strong belief that there will be no value for the holders of MLC's common stock in the bankruptcy proceedings. Accordingly, the Company remained concerned whether there was significant information in the market to appropriately price MLC's securities. For these reasons, through June 30, 2010, the Company remained skeptical of speculative prices for MLC's securities.

When evaluating the June 30, 2010 common stock share value, the Company focused on whether there would be any changes to the inputs that were utilized for the December 31, 2009 detailed valuation analysis that would result in a different valuation if the valuation was updated to June 30, 2010. At June 30, 2010, the Company reviewed the December 2009 forecast and projections in light of the global economic conditions, industry conditions and actual sales and market share data for the six months ended June 30, 2010. Ultimately, the Company concluded that these forecasts, projections and assumptions remained consistent at June 30, 2010 with the prior forecasts utilized in the December 31, 2009 valuation. It should be noted that the Company's Board of Directors had not approved any revised projections subsequent to December 31, 2009. At June 30, 2010, the Company also assessed whether the WACC utilized at December 31, 2009 would still be appropriate. After considering the Company's implied credit rating, an appropriate specific risk premium and the economic conditions (including bond yield curves) at June 30, 2010, the Company concluded that the WACC that was used at December 31, 2009 continued to be appropriate. Accordingly, since the Company determined that the projections and the WACC remained consistent at June 30, 2010 compared to December 31, 2009, the Company concluded that the December 31, 2009 per share value of its common stock was a reasonable estimate of the common stock share price at June 30, 2010.

When analyzing GM's common stock price to utilize for financial reporting purposes at June 30, 2010, the Company did in fact also consider changes in the trading prices of MLC's debt securities during the period to confirm the Company's belief that there were no significant changes in value between December 31, 2009 and June 30, 2010. However, for the reasons outlined above, the Company's consideration of the trading prices of MLC's debt securities was only one data point in the overall assessment, and such consideration was in fact limited to evaluating whether a fundamental shift in trading prices of MLC's debt securities may be an indicator of a significant movement in the value of the Company's common stock that would warrant further evaluation (i.e., reconsideration of whether the inputs used in the Company's valuation model would change significantly). The Company did not examine or utilize calculations regarding the implied stock price from the trading prices of MLC's debt securities when forming its conclusion. Rather, the Company focused on volatility in the trading prices of MLC's debt securities as a qualitative factor to validate the Company's conclusion that the December 31, 2009 valuation remained a reliable estimate of its common stock value at June 30, 2010. Only if the Company had identified a fundamental shift in prices that indicated a significant upward or downward trend in the bond trading prices from April 7, 2010 (the filing date of the Company's 2009 Annual Report on Form 10-K, when the first post-363 Sale U.S. GAAP financial information became available) to June 30, 2010 would the Company have concluded that the trading price data suggested a detailed common stock price valuation, similar to the December 31, 2009 analysis, might be necessary.

For purposes of this analysis, the Company assessed MLC bond trading prices between April 7, 2010 and June 30, 2010. The Company utilized the MLC bond trading prices starting April 7, 2010 rather than December 31, 2009 to allow for market response to the filing of the Company's 2009 Annual Report, including the audited consolidated financial statements therein, as the Company believes MLC bond prices prior to April 7, 2010 were more speculative in nature and less reliable given the lack of publicly available U.S. GAAP financial information for the Company.

The Company observed that MLC bonds traded at \$36.46 and \$30.48 on April 7, 2010 and June 30, 2010, respectively, which indicated an implied stock price of \$109.64 and \$97.13, respectively. The Company also noted that during this period, bond prices ranged from \$30.25 (reached on May 25, 2010) to \$38.06 (April 26, 2010) and had an average price of \$33.88 during the period. In the Company's view, the trading prices during this period did not suggest any significant market movement or trend on the perceived common stock value.

The Company's concerns with respect to using the implied common stock price derived from the trading prices of MLC's debt securities have in fact been validated by information recently received. On October 5, 2010, the Company's Board of Directors was presented with information prepared by the underwriters as to a preliminary indication of the range of public offering price of the common stock, based on factors including the Company's prospects and the history and prospects of the industry in which the Company competes, an assessment of the Company's management, the Company's prospects for future earnings, the general condition of the securities markets at the time of the offering, the recent market prices of, and demand for, publicly traded common stock of generally comparable companies and other similar factors they deem relevant at the time. The implied stock price derived from the trading prices of MLC's debt securities substantially exceeds even the high end of such range.

It should be noted that the underwriters have advised the Company's Board of Directors that, for the purposes of pricing the common stock and the Series B preferred stock in this offering, the most comparable public company is Ford Motor Company ("Ford"). In fact, many of the metrics utilized in determining a preliminary indication of the pricing range are based upon Ford's market valuation. The Company respectfully advises the Staff that the trading price of Ford's common stock closed at \$10.00 on December 31, 2009 and at \$10.08 on June 30, 2010, further validating the Company's conclusion that the Company's common stock value did not shift significantly between December 31, 2009 and June 30, 2010 (it should be noted, however, that the common stock price of Ford has subsequently appreciated and closed at \$13.66 on October 8, 2010).

The Company respectfully advises the Staff that the Company has not granted any stock-based compensation awards for which a final measurement of compensation cost was determined at the grant date. Rather, all of the Company's stock-based compensation awards are accounted for as liabilities and are remeasured based upon changes in the fair value of the Company's common stock. In addition to stock-based compensation liabilities, the Company also has a stock-based liability related to its contingent obligation to issue additional shares to MLC. The Company expects to record an expense during the three months ended September 30, 2010 to reflect an increase in the estimated fair value of the Company's common stock value based upon the public offering pricing range provided by the underwriters. While the determination of that expense is not final, the Company currently expects the expense related to remeasurement of the June 30, 2010 stock-based compensation liabilities and the June 30, 2010 MLC contingent share issuance liability will be under \$120 million.

- 31. *With respect to your response to prior comment 80, we believe the qualitative factors supporting interim disclosures regarding your stock incentive plans outweigh the quantitative analysis you provided regarding materiality. Accordingly, please add a separate footnote to your interim financial statements in a format similar to Note 29 of your audited financial statements.***

In response to the Staff's comment, the Company has added this disclosure as Note 26 to the unaudited condensed consolidated interim financial statements in Amendment No. 2.

**Other**

- 32. *Update the financial statements, as necessary, to comply with Article 3-12 of Regulation S-X, at the effective date of the registration statement.***

The Company notes the Staff's comment and will update its financial statements, as necessary, to comply with Article 3-12 of Regulation S-X prior to the effective date of the Registration Statement.

- 33. *Please provide a currently dated signed consent from the independent public accountant in the amendment.***

The Company notes the Staff's comment and has filed currently dated consents of Deloitte & Touche LLP as Exhibits 23.1 and 23.2 to Amendment No. 2.

\* \* \* \* \*

A letter from Nick Cyprus, Vice President, Controller and Chief Accounting Officer of the Company, containing the following representations is sent as an EDGAR correspondence under a separate cover:

- The Company is responsible for the adequacy and accuracy of the disclosure in its filing;
- Staff comments, or changes to the Company's disclosure in response to Staff comments, do not foreclose the Commission from taking any action with respect to the filing; and
- The Company may not assert Staff comments and the declaration of effectiveness as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

The Company appreciates your assistance in its compliance with applicable disclosure requirements and in enhancing the overall disclosures in its filings. Should you have any questions or comments regarding the responses in this letter or Amendment No. 2, please feel free to contact me at (740) 633-9500. Thank you for your assistance.

Very truly yours,

/s/ William L. Tolbert, Jr.

William L. Tolbert, Jr.

Enclosures

cc (w/o encl.):

Nick S. Cyprus  
Vice President, Controller and Chief Accounting Officer  
**General Motors Company**

Robert C. Shrosbree, Esq.  
**General Motors Company**

Joseph P. Gromacki, Esq.  
Brian R. Boch, Esq.  
**Jenner & Block LLP**

Richard A. Drucker, Esq.

Sarah E. Beshar, Esq.

**Davis Polk & Wardwell LLP**



General Motors Company

Controller's Office  
482-C34-071  
P. O. Box 300  
Detroit, Michigan 48265-3000  
USA

October 14, 2010

**VIA EDGAR SUBMISSION**

Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, NE  
Washington, DC 20549-3561

Attention: Max A. Webb  
Justin T. Dobbie  
J. Nolan McWilliams  
Juan Migone  
David R. Humphrey

**Re: General Motors Company  
Amendment No. 1 to the Registration Statement on Form S-1  
Filed September 23, 2010  
File No. 333-168919**

Ladies and Gentlemen:

Reference is hereby made to that letter of even date herewith submitted by William L. Tolbert, Jr. of Jenner & Block LLP to you in response to the comment letter dated October 1, 2010 that General Motors Company (the "Company") received from the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") regarding the above-referenced filings.

In connection with the responses to your comments contained within Mr. Tolbert's letter, we hereby acknowledge that:

- We are responsible for the adequacy and accuracy of the disclosure in our filing;
- Staff comments, or changes to our disclosure in response to Staff comments, do not foreclose the Commission from taking any action with respect to the filing; and
- The Company may not assert Staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

We appreciate your assistance in our compliance with applicable disclosure requirements and in enhancing the overall disclosures in our filings.

Very truly yours,

/s/ Nick S. Cyprus

\_\_\_\_\_  
Nick S. Cyprus  
Vice President, Controller and Chief Accounting Officer