
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-53930

GENERAL MOTORS COMPANY

(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE

*(State or other jurisdiction of
Incorporation or Organization)*

300 Renaissance Center, Detroit, Michigan

(Address of Principal Executive Offices)

27-0756180

*(I.R.S. Employer
Identification No.)*

48265-3000

(Zip Code)

(313) 556-5000

Registrant's telephone number, including area code

Not applicable

(former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its company Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Do not check if smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2010, the number of shares outstanding of \$0.01 par value common stock was 1,500,000,000 shares.

Website Access to Company's Reports

General Motors Company's internet website address is www.gm.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

PART I

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Net sales and revenue	\$ 34,060	\$ 98,710	\$ 25,147	\$ 1,637	\$ 47,115
Costs and expenses					
Cost of sales	29,468	85,818	23,554	1,819	55,814
Selling, general and administrative expense	2,710	8,017	2,636	728	6,161
Other expenses (income), net	30	115	(40)	81	1,235
Total costs and expenses	<u>32,208</u>	<u>93,950</u>	<u>26,150</u>	<u>2,628</u>	<u>63,210</u>
Operating income (loss)	1,852	4,760	(1,003)	(991)	(16,095)
Equity in income of and disposition of interest in Ally Financial	—	—	—	—	1,380
Interest expense	(263)	(850)	(365)	(823)	(5,428)
Interest income and other non-operating income, net	258	802	454	19	852
Loss on extinguishment of debt	—	(1)	—	—	(1,088)
Reorganization gains, net (Note 2)	—	—	—	129,312	128,155
Income (loss) before income taxes and equity income	1,847	4,711	(914)	127,517	107,776
Income tax expense (benefit)	(25)	845	(139)	(607)	(1,166)
Equity income, net of tax	351	1,165	204	15	61
Net income (loss)	<u>2,223</u>	<u>5,031</u>	<u>(571)</u>	<u>128,139</u>	<u>109,003</u>
Less: Net income (loss) attributable to noncontrolling interests	61	265	287	141	(115)
Net income (loss) attributable to stockholders	<u>2,162</u>	<u>4,766</u>	<u>(858)</u>	<u>127,998</u>	<u>109,118</u>
Less: Cumulative dividends on preferred stock	203	608	50	—	—
Net income (loss) attributable to common stockholders	<u>\$ 1,959</u>	<u>\$ 4,158</u>	<u>\$ (908)</u>	<u>\$ 127,998</u>	<u>\$ 109,118</u>
Earnings (loss) per share (Note 22)					
Basic					
Net income (loss) attributable to common stockholders	\$ 1.31	\$ 2.77	\$ (0.73)	\$ 209.49	\$ 178.63
Weighted-average common shares outstanding	1,500	1,500	1,238	611	611
Diluted					
Net income (loss) attributable to common stockholders	\$ 1.20	\$ 2.62	\$ (0.73)	\$ 209.38	\$ 178.55
Weighted-average common shares outstanding	1,630	1,588	1,238	611	611
Pro forma earnings (loss) per share (Note 27)					
Basic					
Net income attributable to common stockholders	\$ 0.85	\$ 2.32			
Weighted average common shares outstanding	1,500	1,500			
Diluted					
Net income attributable to common stockholders	\$ 0.79	\$ 2.19			
Weighted-average common shares outstanding	1,630	1,588			

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	
	September 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 27,466	\$ 22,679
Marketable securities	6,010	134
Total cash, cash equivalents and marketable securities	33,476	22,813
Restricted cash and marketable securities	1,323	13,917
Accounts and notes receivable (net of allowance of \$279 and \$250)	8,725	7,518
Inventories	13,044	10,107
Assets held for sale	—	388
Equipment on operating leases, net	2,942	2,727
Other current assets and deferred income taxes	2,074	1,777
Total current assets	61,584	59,247
Non-Current Assets		
Equity in net assets of nonconsolidated affiliates	8,691	7,936
Assets held for sale	—	530
Property, net	19,116	18,687
Goodwill	30,556	30,672
Intangible assets, net	12,454	14,547
Other assets	4,837	4,676
Total non-current assets	75,654	77,048
Total Assets	\$ 137,238	\$ 136,295
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$ 22,137	\$ 18,725
Short-term debt and current portion of long-term debt (including debt at GM Daewoo of \$1,072 at September 30, 2010; Note 10)	5,621	10,221
Liabilities held for sale	—	355
Accrued expenses (including derivative liabilities at GM Daewoo of \$217 at September 30, 2010; Note 10)	24,811	23,134
Total current liabilities	52,569	52,435
Non-Current Liabilities		
Long-term debt (including debt at GM Daewoo of \$798 at September 30, 2010; Note 10)	2,945	5,562
Liabilities held for sale	—	270
Postretirement benefits other than pensions	8,721	8,708
Pensions	28,965	27,086
Other liabilities and deferred income taxes	13,322	13,279
Total non-current liabilities	53,953	54,905
Total Liabilities	106,522	107,340
Commitments and contingencies (Note 17)		
Preferred stock, \$0.01 par value (2,000,000,000 shares authorized, 360,000,000 shares issued and outstanding (each with a \$25.00 liquidation preference) at September 30, 2010 and December 31, 2009)	6,998	6,998
Equity		
Common stock, \$0.01 par value (5,000,000,000 shares authorized, 1,500,000,000 shares issued and outstanding at September 30, 2010 and December 31, 2009)	15	15
Capital surplus (principally additional paid-in capital)	24,041	24,040
Accumulated deficit	(236)	(4,394)
Accumulated other comprehensive income (loss)	(1,073)	1,588
Total stockholders' equity	22,747	21,249
Noncontrolling interests	971	708
Total equity	23,718	21,957
Total Liabilities and Equity	\$ 137,238	\$ 136,295

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 (a)	Capital Surplus (a)	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)			
Balance December 31, 2009, Successor	\$ 15	\$ 24,040	\$ (4,394)	\$ 1,588	\$ 708		\$21,957
Net income (loss)	—	—	4,766	—	265	\$ 5,031	5,031
Other comprehensive income (loss)							
Foreign currency translation adjustments	—	—	—	134	2	136	
Cash flow hedging loss, net	—	—	—	(20)	—	(20)	
Unrealized gain on securities	—	—	—	29	—	29	
Defined benefit plans							
Net prior service cost	—	—	—	(8)	—	(8)	
Net actuarial loss	—	—	—	(2,796)	—	(2,796)	
Other comprehensive income (loss)	—	—	—	(2,661)	2	(2,659)	(2,659)
Comprehensive income (loss)						<u>\$ 2,372</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	—	—	(608)	—	—		(608)
Dividends declared or paid to noncontrolling interests	—	—	—	—	(61)		(61)
Repurchase of noncontrolling interest shares	—	1	—	—	(7)		(6)
Other	—	—	—	—	(12)		(12)
Balance September 30, 2010, Successor	<u>\$ 15</u>	<u>\$ 24,041</u>	<u>\$ (236)</u>	<u>\$ (1,073)</u>	<u>\$ 971</u>		<u>\$23,718</u>

(a) Common stock and Capital surplus at December 31, 2009 and September 30, 2010 are restated to reflect a three-for-one stock split effected on November 1, 2010.

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 (a)	Capital Surplus (a)	Accumulated Equity (Deficit)	Accumulated Other Comprehensive Income (Loss)			
Balance December 31, 2008, Predecessor	\$ 1,017	\$ 16,489	\$ (70,727)	\$ (32,339)	\$ 484		\$ (85,076)
Net income (loss)	—	—	109,118	—	(115)	\$ 109,003	109,003
Other comprehensive income (loss)							
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 prior service costs	—	—	—	2,828	—	2,828	
Net actuarial loss	—	—	—	(6,237)	—	(6,237)	
Net transition asset/obligation	—	—	—	1	—	1	
Other comprehensive income (loss)	—	—	—	(3,031)	92	(2,939)	(2,939)
Comprehensive income (loss)						\$ 106,064	
Effects of Ally Financial adoption of ASC 820-10 and ASC 825-10	—	—	(1)	—	—		(1)
Dividends declared or paid to noncontrolling interests	—	—	—	—	(26)		(26)
Other	1	5	—	—	(27)		(21)
Balance July 9, 2009, Predecessor	1,018	16,494	38,390	(35,370)	408		20,940
Fresh-start reporting adjustments:							
Elimination of predecessor common stock, capital surplus and accumulated earnings	(1,018)	(16,494)	(38,390)	—	—		(55,902)
Elimination of predecessor accumulated other comprehensive loss	—	—	—	35,370	—		35,370
Issuance of common stock	12	18,779	—	—	—		18,791
Balance July 10, 2009, Successor	12	18,779	—	—	408		19,199
Net loss	—	—	(858)	—	287	\$ (571)	(571)
Other comprehensive income (loss)							
Foreign currency translation adjustments	—	—	—	184	(33)	151	
Unrealized gain on securities	—	—	—	10	—	10	
Defined benefit plans							
Net actuarial gain	—	—	—	483	—	483	
Other comprehensive income (loss)	—	—	—	677	(33)	644	644
Comprehensive income (loss)						\$ 73	
Cash dividends paid to GM preferred stockholders	—	—	(41)	—	—		(41)
Other	—	—	—	—	14		14
Balance September 30, 2009, Successor	\$ 12	\$ 18,779	\$ (899)	\$ 677	\$ 676		\$ 19,245

(a) Common stock and Capital surplus at July 10, 2009 and September 30, 2009 are restated to reflect a three-for-one stock split effected on November 1, 2010.

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)

	Successor		Predecessor January 1, 2009 Through July 9, 2009
	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	
Net cash provided by (used in) operating activities	\$ 8,319	\$ 2,959	\$ (18,303)
Cash flows from investing activities			
Expenditures for property	(3,112)	(881)	(3,517)
Investments in available-for-sale marketable securities, acquisitions	(8,682)	—	(202)
Investment in trading marketable securities, acquisitions	(271)	(81)	—
Investments in available-for-sale marketable securities, liquidations	2,822	—	185
Investment in trading marketable securities, liquidations	259	94	—
Investment in Ally Financial	—	—	(884)
Investment in companies, net of cash acquired	(59)	(78)	—
Operating leases, liquidations	337	346	1,307
Change in restricted cash and marketable securities	12,688	(9)	(18,043)
Increase in cash due to consolidation of Saab in August 2009	—	222	—
Distributions from Ally Financial received on Ally Financial common shares	—	72	—
Other	164	(31)	20
Net cash provided by (used in) investing activities	4,146	(346)	(21,134)
Cash flows from financing activities			
Net decrease in short-term debt	(83)	(290)	(2,364)
Proceeds from debt owed to the UST, EDC and German government	—	4,788	53,604
Proceeds from other debt	652	294	345
Payments on debt owed to UST, EDC and German government	(7,153)	(799)	—
Payments on other debt	(751)	(583)	(6,072)
Payments to acquire noncontrolling interest	(6)	—	(5)
Fees paid for debt modification	—	—	(63)
Dividends paid to GM preferred stockholders	(608)	(41)	—
Cash, cash equivalents and restricted cash retained by MLC	—	—	(1,216)
Net cash provided by (used in) financing activities	(7,949)	3,369	44,229
Effect of exchange rate changes on cash and cash equivalents	(120)	374	168
Net increase in cash and cash equivalents	4,396	6,356	4,960
Cash and cash equivalents reclassified (to) from assets held for sale	391	(277)	—
Cash and cash equivalents at beginning of the period	22,679	19,013	14,053
Cash and cash equivalents at end of the period	\$ 27,466	\$ 25,092	\$ 19,013

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.” 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. 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 our 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).

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.

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 retrospectively adjusted our condensed consolidated financial statements for the period ended September 30, 2010 herein and our consolidated financial statements for the year ended December 31, 2009 to reflect the change in reportable segments in our Registration Statement on Form S-1, as filed with the SEC on August 18, 2010, and amendments thereto (Form S-1). Our Form S-1 relates to an offering of shares of our common stock and an offering of our Series B Mandatory Convertible Junior Preferred Stock (Series B Preferred Stock).

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 General Motors of Canada Limited (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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

Our Registration Statement on Form S-1 provides 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 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 were separately disclosed in the consolidated statement of cash flows in our Form S-1 for the periods January 1, 2009 through July 9, 2009.

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

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 included in our Form S-1. These adjustments were final and no determinations of fair value were considered provisional.

Reorganization gains, net

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 discussed in Note 2 to our consolidated financial statements included in our Form S-1 (dollars in millions):

	<u>Predecessor</u>	
	<u>July 1, 2009 Through July 9, 2009</u>	<u>January 1, 2009 Through July 9, 2009</u>
Change in net assets resulting from the application of fresh-start reporting	\$ 33,829	\$ 33,829
Fair value of our Series A Preferred Stock, common shares and warrants issued in 363 Sale	20,532	20,532
Gain from the conversion of debt owed to UST to equity	31,561	31,561
Gain from the conversion of debt owed to EDC to equity	5,964	5,964
Gain from the modification and measurement of our VEBA obligation	7,731	7,731
Gain from the modification and measurement of other employee benefit plans	4,585	4,585
Gain from the settlement of net liabilities retained by MLC via the 363 Sale	25,177	25,177
Income tax benefit for release of valuation allowances and other tax adjustments	710	710
Other 363 Sale adjustments	(21)	(21)
Total adjustment from 363 Sale Transaction and fresh-start reporting	130,068	130,068
Adjustment recorded to Income tax benefit for release of valuation allowances and other tax adjustments	(710)	(710)
Other losses, net	(46)	(1,203)
Total Reorganization gains, net	<u>\$ 129,312</u>	<u>\$ 128,155</u>

Other losses, net of \$1.2 billion in the period January 1, 2009 through July 9, 2009 primarily relate to costs incurred during Old GM's 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 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,

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Form S-1.

In the nine months ended September 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. Beginning in the fourth quarter of 2010, we are creating a new regional organization in South America. The new organization, 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.

On October 5, 2010 our Board of Directors recommended a three-for-one stock split on shares of our common stock, which was approved by our stockholders on November 1, 2010. The stock split was effected on November 1, 2010.

Each stockholder's percentage ownership in us and proportional voting power remained unchanged after the stock split. All applicable Successor share, per share and related information in the condensed consolidated financial statements and notes thereto have been adjusted retroactively to give effect to the three-for-one stock split.

On October 5, 2010, our Board of Directors recommended that we amend our Certificate of Incorporation to increase the number of shares of common stock that we are authorized to issue from 2,500,000,000 shares to 5,000,000,000 shares and to increase the number of preferred shares that we are authorized to issue from 1,000,000,000 shares to 2,000,000,000 shares. Our stockholders approved these amendments on November 1, 2010, and they were effected on November 1, 2010.

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.

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Correction of Presentation in Condensed Consolidated Financial Statements

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 the 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 nine months ended September 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 for the three months ended March 31, 2010 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>

In addition, in the three months ended June 30, 2010, we identified several items that had not been properly classified in the condensed consolidated statement of cash flows for the period July 10, 2009 through September 30, 2009 (Successor). Although we do not consider the effects of these errors to be material, we have corrected our condensed consolidated statement of cash flows to properly reflect these items. These errors primarily relate to reclassifications within the respective sections of the condensed consolidated statement of cash flows. The originally reported and corrected amounts for the period July 10, 2009 through September 30, 2009 (Successor) are summarized in the following table (dollars in millions):

	As Originally Reported	Adjustments	As Corrected
Net cash provided by (used in) operating activities	\$ 2,857	\$ 102	\$ 2,959
Cash flows from investing activities			
Other (a)	(107)	76	(31)
Net cash provided by (used in) investing activities	(422)	76	(346)
Cash flows from financing activities			
Net decrease in short-term debt	(588)	298	(290)
Payments on long-term debt	(130)	(453)	(583)
Net cash provided by (used in) financing activities	3,523	(154)	3,369
Effect of exchange rate changes on cash and cash equivalents	398	(24)	374
Cash and cash equivalents reclassified (to) from assets held for sale	(277)	—	(277)
Cash and cash equivalents at beginning of the period	19,013	—	19,013
Cash and cash equivalents at end of the period	\$ 25,092	\$ —	\$ 25,092

(a) Amount of (\$107) million was originally reported as (\$160) million in our condensed consolidated statement of cash flows for the period July 10, 2009 through September 30, 2009 (Successor). This amount was adjusted by \$53 million due to a change in presentation in the condensed consolidated statement of cash flows for the nine months ended September 30, 2010.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, we have corrected certain amounts disclosed in the notes to the condensed consolidated financial statements included in our 2009 Form 10-Q for the nine-month period ended September 30, 2009 (2009 Form 10-Q). Although we do not consider the effects of these disclosure errors to be material, we have corrected the amounts in the notes to the condensed consolidated financial statements. Originally reported and corrected amounts are included in the affected notes to the condensed consolidated financial statements which follow.

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 nine months ended September 30, 2010. In the nine months ended September 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.

The following tables provide condensed financial information for our Venezuelan subsidiaries at and for the three and nine months ended September 30, 2010, which includes amounts receivable from and payable to, and transactions with, affiliated entities (dollars in millions):

	<u>September 30, 2010</u>	
Total assets (a)	\$ 1,408	
Total liabilities (b)	\$ 1,147	
	Three Months Ended	Nine Months Ended
	<u>September 30, 2010</u>	<u>September 30, 2010</u>
Revenue	\$ 347	\$ 789
Net income attributable to stockholders (c)	\$ 29	\$ 244

(a) Includes BsF denominated and non-BsF denominated monetary assets of \$360 million and \$672 million.

(b) Includes BsF denominated and non-BsF denominated monetary liabilities of \$621 million and \$491 million.

(c) Includes a gain of \$119 million related to the devaluation of the Bolivar in January 2010 and gains of \$82 million and \$207 million in the three and nine months ended September 30, 2010 due to favorable foreign currency exchanges that were processed by CADIVI. 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 Net income attributable to stockholders reported above.

In addition, the total amount pending government approval for settlement is BsF 1.1 billion (equivalent to \$347 million), for which some requests have been pending from 2007. The amount includes payables to affiliated entities of \$250 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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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.

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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 July 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 September 30, 2010 Nexteer had total assets of \$857 million, total liabilities of \$376 million, and recorded revenue of \$1.4 billion in the nine months ended September 30, 2010, of which \$765 million were sales to us and our affiliates. Nexteer did not qualify for held for sale classification at September 30, 2010. Once consummated, we do not expect the sale of Nexteer to have a material effect on our 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.

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 nine months ended September 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 Shanghai Automotive Industry Corporation (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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 nine months ended September 30, 2010.

Acquisition of AmeriCredit Corp.

Refer to Note 27 for information on the acquisition of AmeriCredit Corp. (AmeriCredit).

Note 5. Marketable Securities

The following table summarizes information regarding trading securities gains and losses, which are recorded in Interest income and other non-operating income, net on securities still held at the reporting date (dollars in millions):

	Three Months Ended		Nine Months Ended		Successor		September 30, 2010	December 31, 2009
	September 30, 2010		September 30, 2010		July 10, 2009 Through September 30, 2009			
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses		
Trading securities (a)								
Equity	\$ 5	\$ 2	\$ 2	\$ 2	\$ 4	\$ 2	\$ 35	\$ 32
United States government and agencies	—	—	—	—	—	—	6	17
Mortgage and asset-backed	—	2	—	1	1	3	28	22
Foreign government	2	—	2	—	3	—	36	24
Corporate debt	1	—	—	—	1	1	29	29
Total trading securities	\$ 8	\$ 4	\$ 4	\$ 3	\$ 9	\$ 6	\$ 134	\$ 124

(a) Old GM had no marketable securities classified as trading for the period January 1, 2009 through July 9, 2009.

We maintained \$73 million and \$79 million of the above trading securities as compensating balances to support letters of credit of \$61 million and \$66 million at September 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.

The following table summarizes information regarding available-for-sale securities, including unrealized gains and losses which are recorded in Accumulated other comprehensive income (loss) on securities still held at the reporting date (dollars in millions):

	September 30, 2010		Fair Value	Successor				
	Cost	Unrealized		Cost	December 31, 2009		Fair Value	
		Gains			Losses	Gains		Losses
Available-for-sale securities								
United States government and agencies	\$2,254	\$ —	\$ —	\$2,254	\$ 2	\$ —	\$ —	\$ 2
Certificates of deposit	1,448	—	—	1,448	8	—	—	8
Corporate debt	2,173	1	—	2,174	—	—	—	—
Total available-for-sale securities	\$5,875	\$ 1	\$ —	\$5,876	\$10	\$ —	\$ —	\$ 10

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In addition to the securities previously discussed, securities of \$15.5 billion and \$11.2 billion with original maturities of 90 days or less were classified as cash equivalents and securities of \$1.5 billion and \$14.2 billion were classified as Restricted cash and marketable securities at September 30, 2010 and December 31, 2009. Additionally, we held equity securities that are classified as available-for-sale and recorded in Other assets. These securities had a fair value of \$40 million and \$13 million at September 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 and sold prior to maturity (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Sales proceeds	\$ 5	\$ 6	\$ —	\$ —	\$ 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 September 30, 2010 (dollars in millions):

	Successor	
	Amortized Cost	Fair Value
Due in one year or less	\$ 5,874	\$5,875
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	\$ 5,875	\$5,876

Refer to Note 21 for the amounts recorded as a result of other than temporary impairments on debt and equity securities.

Note 6. Inventories

The following table summarizes the components of our Inventories (dollars in millions):

	Successor	
	September 30, 2010	December 31, 2009
Productive material, work in process, and supplies	\$ 5,736	\$ 4,201
Finished product, including service parts	7,308	5,906
Total inventories	\$ 13,044	\$ 10,107

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information regarding equity in income of and disposition of interest in nonconsolidated affiliates (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
SGM and SGMW (a)	\$ 336	\$ 1,071	\$ 195	\$ 8	\$ 298
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	15	94	9	7	6
Total equity in income of nonconsolidated affiliates	<u>\$ 351</u>	<u>\$ 1,165</u>	<u>\$ 204</u>	<u>\$ 15</u>	<u>\$ 1,441</u>

- (a) Includes SGM (49%) in the three and nine months ended September 30, 2010 and (50%) in the periods July 10, 2009 through September 30, 2009, July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 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, Inc. (NUMMI) (50%) was retained by MLC as a part of the 363 Sale.

Investment in Chinese Joint Ventures

Our Chinese operations, which we established beginning in 1997, are primarily composed of three joint ventures: SGM, SGMW and FAW-GM. Sales and income of these joint ventures are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity in income of nonconsolidated affiliates.

SGM is a joint venture established by SAIC (51%) and us (49%) in 1997. SGM has interests in three other joint ventures in China — Shanghai GM (Shenyang) Norsom Motor Co., Ltd (SGM Norsom), Shanghai GM Dong Yue Motors Co., Ltd (SGM DY) and Shanghai GM Dong Yue Powertrain (SGM DYPT). These three joint ventures are jointly held by SGM (50%), SAIC (25%) and us (25%). The four joint ventures (SGM Group) are engaged in the production, import, and sale of a comprehensive range of products under the brands of Buick, Chevrolet, and Cadillac.

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

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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.

In the three months ended September 30, 2010 we entered into an equity transfer agreement to purchase an additional 10% interest in SGMW from the Wuling Group for \$51 million in cash plus an agreement to provide technical services to the Wuling Group through 2013. The transaction is subject to regulatory approval in China. After completing this transaction, we will own 44% of the outstanding stock of SGMW.

The following tables summarize certain key financial data for the SGM Group, which excludes SGMW and FAW-GM (dollars in millions):

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Total net sales and revenue	\$ 4,788	\$ 13,881	\$ 3,590	\$ 8,657
Net income	\$ 611	\$ 1,915	\$ 382	\$ 838
			September 30, 2010	December 31, 2009
Cash and cash equivalents			\$ 3,601	\$ 2,995
Debt			\$ 7	\$ 7

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 September 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 (as subsequently defined in Note 13). 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 liability 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

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

The following tables summarize financial information of Ally Financial for the period Ally Financial was accounted for as a nonconsolidated affiliate (dollars in millions):

	Six Months Ended June 30, 2009
Consolidated Statement of Loss	
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)
	June 30, 2009
Condensed Consolidated Balance Sheet	
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

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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	(500)	—
Investment in Ally Financial Common Membership Interests	884	—
Other, primarily accumulated other comprehensive loss	(121)	—
Balance at March 31, 2009	754	43
Old GM's proportionate share of Ally Financial's losses (a)	(630)	(7)
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	284	—
Balance at June 30, 2009	\$ —	\$ 36

- (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, excluding transactions with Ally Financial which are disclosed in Note 23, which are not eliminated in consolidation (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Results of Operations					
Net sales and revenue	\$ 672	\$ 2,093	\$ 401*	\$ 29	\$ 596
Cost of sales	\$ 782	\$ 2,411	\$ 297*	\$ 32	\$ 737
Selling, general and administrative expense	\$ 1	\$ 3	\$ (9)	\$ —	\$ (19)
Interest income and other non-operating income (expense), net	\$ 2	\$ 6	\$ 2	\$ —	\$ (9)

* Amounts originally reported as \$289 and \$276 in our 2009 Form 10-Q. Refer to Note 3.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor	
	September 30, 2010	December 31, 2009
Financial Position		
Accounts and notes receivable, net	\$ 411	\$ 771
Accounts payable (principally trade)	\$ 616	\$ 579

	Successor		Predecessor January 1, 2009 Through July 9, 2009
	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	
Cash Flows			
Operating	\$ 547	\$ 421*	\$ 546
Investing	\$ (24)	\$ (1)	\$ —
Financing	\$ —	\$ —	\$ —

* Amount originally reported as \$297 in our 2009 Form 10-Q. Refer to Note 3.

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
Reporting unit reorganization	—	82	(82)	—
Effect of foreign currency translation and other	1	40	(157)	(116)
Balance at September 30, 2010	<u>\$26,410</u>	<u>\$1,050</u>	<u>\$3,096</u>	<u>\$30,556</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 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 at 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

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 consolidated financial statements included in our Form S-1, 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					
	September 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets						
Technology and intellectual property	\$ 7,747	\$ 3,191	\$ 4,556	\$ 7,741	\$ 1,460	\$ 6,281
Brands	5,454	184	5,270	5,508	72	5,436
Dealer network and customer relationships	2,179	167	2,012	2,205	67	2,138
Favorable contracts	529	100	429	542	39	503
Other	19	7	12	17	3	14
Total amortizing intangible assets	15,928	3,649	12,279	16,013	1,641	14,372
Non amortizing in-process research and development	175	—	175	175	—	175
Total intangible assets	<u>\$16,103</u>	<u>\$ 3,649</u>	<u>\$12,454</u>	<u>\$16,188</u>	<u>\$ 1,641</u>	<u>\$14,547</u>

The following table summarizes amortization expense related to Intangible assets, net (dollars in millions):

	Successor			Predecessor	
	Three Months Ended	Nine Months Ended	July 10, 2009 Through	July 1, 2009 Through	January 1, 2009 Through
	September 30, 2010	September 30, 2010	September 30, 2009	July 9, 2009	July 9, 2009
Amortization expense related to intangible assets	\$ 604	\$ 2,007	\$ 775	\$ 1	\$ 44

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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 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 special purpose entities (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 \$1.1 billion, long-term debt of \$798 million and current derivative liabilities of \$217 million at September 30, 2010 do not have recourse to our general credit.

The following table summarizes the carrying amount of consolidated VIEs that we do not also control through a majority voting interest (dollars in millions):

	Successor	
	September 30, 2010 (a)(b)	December 31, 2009 (a)
Assets		
Cash and cash equivalents	\$ 119	\$ 15
Restricted cash	1	191
Accounts and notes receivable, net	123	14
Inventories	90	15
Other current assets	20	—
Property, net	50	5
Other assets	40	33
Total assets	\$ 443	\$ 273
Liabilities		
Accounts payable (principally trade)	\$ 232	\$ 17
Short-term debt and current portion of long-term debt	—	205
Accrued expenses	12	10
Other liabilities and deferred income taxes	52	23
Total liabilities	\$ 296	\$ 255

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (a) Amounts exclude GM Daewoo.
- (b) Amounts at September 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 September 30, 2010 GM Egypt had Total assets of \$383 million and Total liabilities of \$264 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):

	Successor			Predecessor	
	Three Months Ended September 30, 2010 (a)(b)	Nine Months Ended September 30, 2010 (a)(b)	July 10, 2009 Through September 30, 2009 (a)	July 1, 2009 Through July 9, 2009 (a)	January 1, 2009 Through July 9, 2009 (a)
Net sales and revenue	\$ 190	\$ 560	\$ 19	\$ 1	\$ 31
Cost of sales	165	452	(1)	(7)	(1)
Selling, general and administrative expense	9	26	8	(23)	5
Other expenses, net	—	2	1	8	10
Interest expense	1	5	14	21	22
Interest (income) and other non-operating (income), net	(1)	(4)	—	—	—
Reorganization expenses, net	—	—	—	26	26
Income tax expense	2	10	—	—	—
Net income (loss)	\$ 14	\$ 69	\$ (3)	\$ (24)	\$ (31)

- (a) Amounts exclude GM Daewoo.
- (b) Amounts recorded in the three and nine months ended September 30, 2010 reflect our adoption of amendments to ASC 810-10 in January 2010, which resulted in the consolidation of GM Egypt. In the three and nine months ended September 30, 2010 GM Egypt recorded Net sales and revenue of \$181 million and \$530 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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' 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):

	September 30, 2010		Successor December 31, 2009	
	Carrying Amount	Maximum Exposure to Loss (a)	Carrying Amount	Maximum Exposure to Loss (b)
Assets				
Accounts and notes receivable, net	\$ 76	\$ 62	\$ 8	\$ 8
Equity in net assets of nonconsolidated affiliates	280	280	96	50
Other assets	43	43	26	26
Total assets	\$ 399	\$ 385	\$ 130	\$ 84
Liabilities				
Accounts payable	\$ 15	\$ —	\$ —	\$ —
Accrued expenses	22	—	—	—
Other liabilities	212	—	—	—
Total liabilities	\$ 249	\$ —	\$ —	\$ —
Off-Balance Sheet				
Residual value guarantees		\$ —		\$ 32
Loan commitments (c)		102		115
Other guarantees		3		4
Other liquidity arrangements (d)		227		—
Total guarantees and liquidity arrangements		\$ 332		\$ 151

(a) Amounts at September 30, 2010 included \$134 million related to troubled suppliers.

(b) Amounts at December 31, 2009 included \$139 million related to troubled suppliers.

(c) Amounts at September 30, 2010 and December 31, 2009 included undrawn loan commitments, primarily \$100 million related to American Axle and Manufacturing Holdings, Inc. (American Axle).

(d) Amounts at September 30, 2010 included capital funding requirements, primarily an additional contingent future funding requirement of up to \$223 million related to HKJV.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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. 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 September 30, 2010 no amounts were outstanding under the second lien term loan facility. At September 30, 2010 our maximum contractual exposure to loss related to American Axle was \$129 million, which represented the fair value of the warrants of \$29 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 September 30, 2010 our maximum exposure to loss related to Saab was \$61 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 those 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			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Depreciation and impairment of plants and equipment	\$ 480	\$ 1,490	\$ 606	\$ 481	\$ 4,352
Amortization and impairment of special tools	554	1,341	394	68	2,139
Depreciation and impairment of equipment on operating leases	100	353	210	19	338
Amortization of intangible assets	604	2,007	775	1	44
Total depreciation, amortization and asset impairment charges	\$ 1,738	\$ 5,191	\$ 1,985	\$ 569	\$ 6,873

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. Old GM recorded incremental depreciation and amortization of approximately \$0.3 billion and \$2.8 billion in the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009.

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 September 30, 2010 and December 31, 2009 we held securities of \$1.5 billion and \$14.2 billion that were classified as Restricted cash and 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	
	September 30, 2010	December 31, 2009
Current		
UST Credit Agreement (a)	\$ —	\$ 12,475
Canadian Health Care Trust (b)	978	955
Receivables Program (c)	—	187
Securitization trusts	11	191
Pre-funding disbursements	104	94
Other (d)	230	15
Total current restricted cash and marketable securities	1,323	13,917
Non-current (e)		
Collateral for insurance related activities	629	658
Other non-current (d)	679	831
Total restricted cash and marketable securities	\$ 2,631	\$ 15,406

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (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.
- (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 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	
	September 30, 2010	December 31, 2009
Short-Term		
UST Loans (a)	\$ —	\$ 5,712
Canadian Loan (a)	—	1,233
VEBA Notes (b)	2,960	—
GM Daewoo Revolving Credit Facility (d)	986	1,179
Short-term debt — third parties	47	296
Short-term debt — related parties (c)	1,141	1,077
Current portion of long-term debt	487	724
Total short-term debt and current portion of long-term debt	5,621	10,221
Long-Term		
VEBA Notes	—	2,825
Other long-term debt	2,945	2,737
Total debt	\$ 8,566	\$ 15,783
Available under GM Daewoo Revolving Credit Facility (d)	\$ 219	\$ —
Available under other line of credit agreements (e)	\$ 1,100	\$ 618

- (a) In April 2010 the UST Loans and Canadian Loan were paid in full.
- (b) In October 2010 the VEBA Notes were paid in full.
- (c) Dealer financing from Ally Financial for dealerships we own.
- (d) During the three months ending December 31, 2010 we expect to convert any remaining amounts outstanding under this credit facility to a term loan.
- (e) Commitment fees are paid on credit facilities at rates negotiated in each agreement. Amounts paid and expensed for these commitment fees are insignificant.

New Secured Revolving Credit Facility

On October 27, 2010 we entered into a five-year, \$5.0 billion secured revolving credit facility, which includes a \$500 million letter of credit sub-facility. Refer to Note 27 for additional information on the secured revolving credit facility.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UST Loans and UST Loan Agreement

As previously disclosed in our Form S-1, 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 September 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.

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.

The following table summarizes interest expense and interest paid on the UST Loans, the loans under the UST Loan Agreement (UST Loan Facility) and the DIP Facility (dollars in millions):

	Successor		Predecessor	
	Nine Months Ended September 30, 2010 (a)	July 10, 2009 Through September 30, 2009 (a)	July 1, 2009 Through July 9, 2009 (b)	January 1, 2009 Through July 9, 2009 (b)
Interest expense	\$ 117	\$ 108	\$ 670	\$ 4,006
Interest paid	\$ 206	\$ —	\$ —	\$ 144

(a) Interest expense and interest paid on UST Loans.

(b) Interest expense and interest paid on the UST Loan Facility and the DIP Facility.

VEBA Notes

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 contractually 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.

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.

At September 30, 2010 we have classified the VEBA Notes as short-term debt in the amount of \$3.0 billion (including unamortized premium of \$201 million).

On October 26, 2010 we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion. Refer to Note 27 for additional information.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes interest expense on the VEBA Notes (dollars in millions):

	Successor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Interest expense	\$ 52	\$ 151

Canadian Loan Agreement and EDC Loan Facility

As previously disclosed in our Form S-1, 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 and the EDC Loan Facility (dollars in millions):

	Successor		Predecessor	
	Nine Months Ended September 30, 2010 (a)	July 10, 2009 Through September 30, 2009 (a)	July 1, 2009 Through July 9, 2009 (b)	January 1, 2009 Through July 9, 2009 (b)
Interest expense	\$ 26	\$ 22	\$ 111	\$ 173
Interest paid	\$ 26	\$ 22	\$ —	\$ 6

- (a) Interest expense and interest paid on the Canadian Loan.
- (b) Interest expense and interest paid on the EDC Loan Facility.

GM Daewoo Revolving Credit Facility

At September 30, 2010 GM Daewoo's revolving credit facility was our largest credit facility. The borrowings under this Korean Won denominated facility are secured by substantially all of GM Daewoo's property, plant, and equipment located in Korea. Amounts borrowed under this facility accrue interest based on the Korean Won denominated 91-day certificate of deposit rate. The average interest rate on outstanding amounts under this facility at September 30, 2010 was 5.5%. The facility is used by GM Daewoo for general corporate purposes, including working capital needs. We expect to convert any remaining amounts outstanding under this credit facility to a term-loan during the three months ending December 31, 2010. Prior to conversion into a term-loan, amounts borrowed under this facility are classified as short-term debt. These amounts will be repaid in four equal annual installments beginning in November 2011 and ending in October 2014. 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 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes interest expense and interest paid on the German Facility, including amortization of related discounts (dollars in millions):

	Successor	Predecessor	
	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Interest expense	\$ 23	\$ 2	\$ 5
Interest paid	\$ 12	\$ —	\$ —

Contingent Convertible Debt

Old GM adopted the provisions of ASC 470-20, “Debt with Conversion and Other Options” (ASC 470-20) in January 2009, with retrospective application to prior periods. At July 9, 2009 Old GM’s contingent convertible debt outstanding was \$7.4 billion, comprised of principal of \$7.9 billion and unamortized discounts of \$551 million. 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%. In connection with the 363 Sale, MLC retained the contingent convertible debt.

The following table summarizes the components of Interest expense related to contingent convertible debt (dollars in millions):

	Predecessor	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Interest accrued or paid (a)	\$ —	\$ 176
Amortization of discounts	—	51
Interest expense	<u>\$ —</u>	<u>\$ 227</u>

(a) Contractual interest expense not accrued or recorded on pre-petition debt as a result of the Chapter 11 Proceedings totaled \$10 million and \$44 million in the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009.

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 period January 1, 2009 through July 9, 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 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.

Contractual interest expense not accrued or recorded on pre-petition debt was \$46 million and \$200 million in the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009 (includes contractual interest expense related to contingent convertible debt of \$10 million and \$44 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 obligations. The total amount of the two loan facilities in technical default for

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

these reasons was \$203 million. In July 2010 we executed an agreement with the lenders of the \$150 million loan facility, which resulted in early repayment of the loan. Additionally, in July 2010 we executed an amendment with the lender of the second loan facility of \$53 million which cured the default.

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.

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):

	Successor		Predecessor
	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	January 1, 2009 Through July 9, 2009
Beginning balance	\$ 7,030	\$ 7,193	\$ 8,491
Warranties issued and assumed in period	2,312	545	1,069
Payments	(2,680)	(905)	(1,851)
Adjustments to pre-existing warranties	100	89	(153)
Effect of foreign currency translation	(6)	140	63
Liability adjustment, net due to the deconsolidation of Saab	—	—	(77)
Ending balance	6,756	7,062	7,542
Effect of application of fresh-start reporting	—	—	(349)
Ending balance including effect of application of fresh-start reporting	<u>\$ 6,756</u>	<u>\$ 7,062</u>	<u>\$ 7,193</u>

Note 15. Pensions and Other Postretirement Benefits

The following tables summarize the components of pension and other postretirement benefits (OPEB) (income) expense (dollars in millions):

	U.S. Plans Pension Benefits			Predecessor	
	Successor		July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010			
Components of (Income) expense					
Service cost	\$ 128	\$ 387	\$ 119	\$ 10	\$ 243
Interest cost	1,338	4,014	1,235	143	3,077
Expected return on plan assets	(1,639)	(4,914)	(1,437)	(169)	(3,810)
Amortization of prior service cost (credit)	—	(1)	—	18	429
Amortization of transition obligation	—	—	—	—	—
Recognized net actuarial loss	—	—	—	39	715
Curtailments, settlements and other	—	—	209	2	1,720
Net periodic pension (income) expense	<u>\$ (173)</u>	<u>\$ (514)</u>	<u>\$ 126</u>	<u>\$ 43</u>	<u>\$ 2,374</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Non-U.S. Plans Pension Benefits				
	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Components of (Income) expense					
Service cost	\$ 98	\$ 287	\$ 73	\$ 4	\$ 155
Interest cost	287	883	280	30	596
Expected return on plan assets	(242)	(733)	(203)	(22)	(364)
Amortization of prior service cost (credit)	—	(1)	—	(5)	(12)
Amortization of transition obligation	—	—	—	1	2
Recognized net actuarial loss	7	12	—	11	193
Curtailments, settlements and other	(9)	30	3	5	97
Net periodic pension expense	<u>\$ 141</u>	<u>\$ 478</u>	<u>\$ 153</u>	<u>\$ 24</u>	<u>\$ 667</u>

	U.S. Plans Other Benefits				
	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Components of (Income) expense					
Service cost	\$ 8	\$ 18	\$ 28	\$ 3	\$ 69
Interest cost	72	216	412	74	1,615
Expected return on plan assets	—	—	(197)	(21)	(444)
Amortization of prior service cost (credit)	—	—	—	(59)	(1,051)
Amortization of transition obligation	—	—	—	—	—
Recognized net actuarial loss	—	—	—	3	32
Curtailments, settlements and other	—	—	10	2	21
Net periodic OPEB expense	<u>\$ 80</u>	<u>\$ 234</u>	<u>\$ 253</u>	<u>\$ 2</u>	<u>\$ 242</u>

	Non-U.S. Plans Other Benefits				
	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Components of (Income) expense					
Service cost	\$ 6	\$ 22	\$ 7	\$ 1	\$ 12
Interest cost	51	149	43	4	102
Expected return on plan assets	—	—	—	—	—
Amortization of prior service cost (credit)	(2)	(6)	—	(4)	(63)
Amortization of transition obligation	—	—	—	—	—
Recognized net actuarial loss	—	—	—	2	23
Curtailments, settlements and other	—	3	—	—	(123)
Net periodic OPEB (income) expense	<u>\$ 55</u>	<u>\$ 168</u>	<u>\$ 50</u>	<u>\$ 3</u>	<u>\$ (49)</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant Plan Amendments, Benefit Modifications and Related Events

Three and Nine Months Ended September 30, 2010

Remeasurements

In September 2010 the U.S. hourly defined benefit pension plan was amended to create a legally separate new defined benefit pension plan for the participants who are covered by the cash balance benefit formula. The underlying benefits offered to plan participants were unchanged. The remeasurement used a discount rate of 4.56% and increased the projected benefit obligations (PBO) by \$5.8 billion. A discount rate of 5.49% was used at December 31, 2009. Additionally, higher than expected asset returns partially offset the discount rate effects and the remeasurement resulted in an increase of \$2.4 billion to Pensions and a pretax increase to Other comprehensive loss. The remeasurement of the plan did not affect net periodic pension expense for the three and nine months ended September 30, 2010.

In July 2010 GMIO remeasured a pension plan due to a partial plan settlement resulting in a gain of \$18 million.

In June 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 a pretax increase to 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.

Contributions

After the completion of our common stock offering and Series B Preferred Stock offering, we expect to make a voluntary contribution of \$4.0 billion in cash and \$2.0 billion of our common stock to our U.S. hourly and salaried pension plans. Refer to Note 27 for additional information.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2009

The following tables summarize the significant defined benefit plan interim remeasurements, the related changes in accumulated postretirement benefit obligations (APBO), PBO and the associated curtailments, settlements and termination benefits recorded in earnings in the periods July 10, 2009 through September 30, 2009 and January 1, 2009 through July 9, 2009, which are subsequently discussed (dollars in millions):

July 10, 2009 Through September 30, 2009

		Successor						
Event and Remeasurement Date When Applicable	Affected Plans	Change in Discount Rate		Increase (Decrease) Since the Most Recent Remeasurement Date (c)	Gain (Loss)			Termination Benefits and Other
		From	To		PBO/APBO	Curtailments	Settlements	
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	—	—	139	—	—	(139)	
Delphi Benefit Guarantee Agreements — August 1 (b)	U.S. hourly defined benefit pension plan	5.83%	5.58%	2,548	—	—	—	
Total				<u>\$ 2,745</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (197)</u>	

(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.

January 1, 2009 Through July 9, 2009

		Predecessor						
Event and Remeasurement Date When Applicable	Affected Plans	Change in Discount Rate		Increase (Decrease) Since the Most Recent Remeasurement Date	Gain (Loss)			Termination Benefits and Other
		From	To		PBO/APBO	Curtailments	Settlements	
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 healthcare 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	—	—	
Total				<u>\$ (457)</u>	<u>\$ (1,624)</u>	<u>\$ —</u>	<u>\$ (38)</u>	

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2009 Special Attrition Programs

In February and June 2009 Old GM announced 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 period January 1, 2009 through July 9, 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 7,800 irrevocable acceptances of the 2009 special attrition programs 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.

In the period July 10, 2009 through September 30, 2009 5,000 employees accepted the 2009 Special Attrition Programs. As a result, we recorded pension 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 2009 Special Attrition Programs.

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 period January 1, 2009 through July 9, 2009. Refer to Note 20 for additional information on the involuntary severance program.

In the period July 10, 2009 through September 30, 2009 1,200 salaried employees irrevocably accepted the salaried separation window program option. We reduced the severance accrual that had previously been recorded in the three months ended June 30, 2009 by \$64 million and recorded pension special termination benefits.

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 healthcare 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 a 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 healthcare 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 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;
- 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 revised settlement agreement, which were subject to the successful completion of the 363 Sale, 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;
- 263 million shares (17.5%) of our common stock;
- A warrant to acquire 45 million shares (2.5%) of our common stock at \$42.31 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.

The modifications to the settlement agreement and the new payment terms resulted in a reorganization gain of \$7.7 billion. Refer to Note 2 for additional information on Reorganization gains, net.

Under the terms of the revised settlement agreement, we are released from UAW retiree healthcare 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 revised settlement agreement.

At September 30, 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 revised settlement agreement with the UAW. As a result, \$105 million of the \$146 million of dividends paid on September 15, 2009 were recorded as a reduction of Postretirement benefits other than pensions.

On October 26, 2010 we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion. Refer to Note 27 for additional information.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, IUE-CWA, USW and any additional union that agreed to the terms of the settlement agreement were 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 over age 65 retirees, over age 65 surviving spouses and under age 65 medicare eligible retirees or surviving spouses disqualified for retiree healthcare benefits from us under the settlement agreement. For participants remaining eligible for healthcare, 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 Reorganization gains, net.

The settlement agreement was expressly conditioned upon and did not become effective until approved by the Bankruptcy Court in MLC's Chapter 11 proceedings and such condition had not been achieved at September 30, 2009. The effects of the IUE-CWA and USW settlement agreement previously discussed were not remeasured at September 30, 2009. Although the settlement agreement that provided IUE-CWA and USW retirees with retiree healthcare, life insurance and other applicable benefits had not yet been approved by the Bankruptcy Court, we believed that a liability to certain IUE-CWA and USW retirees existed at July 10, 2009. We recorded a liability associated with the IUE-CWA and USW retiree healthcare benefits, life benefits and other affected benefits plans at July 10, 2009 and September 30, 2009.

Delphi Corporation

In July 2009 we entered into an agreement with Delphi and other parties. Pursuant to this agreement, we agreed to acquire Delphi's Nexteer and four domestic facilities and invest in a new entity, New Delphi. As a result of the agreement, active Delphi plan participants at the sites covered by the agreement were then covered under our comparable counterpart plans as new employees with vesting rights and we assumed liabilities associated with certain international benefit plans.

Delphi Benefit Guarantee Agreements

In July 2009 Delphi announced that it had entered into an agreement with the PBGC regarding the settlement of 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 agreements to provide benefits to certain Delphi U.S. hourly employees. 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 settlement agreement with the IUE-CWA and USW was approved by the Bankruptcy Court in MLC's Chapter 11 proceedings, which had not occurred at September 30, 2009. However, we believed that the settlement agreement with the IUE-CWA and USW would be approved and that a liability existed for this benefit, and we recorded a contingent liability of \$221 million.

2009 CAW Agreement

In March 2009 Old GM announced that the members of the Canadian Auto Workers Union (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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 period January 1, 2009 through July 9, 2009.

In June 2009 GMCL and the CAW agreed to the terms of the HCT to provide retiree healthcare 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. Certain of the preconditions have not been achieved and the HCT is not yet implemented at September 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 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 healthcare 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 healthcare 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 healthcare trust at September 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 September 30, 2010 and September 30, 2009 we did not have any derivatives designated in a hedge accounting relationship.

In August 2010 we changed our risk management policy with respect to foreign exchange and commodities. 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.

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Counterparty Credit Risk

Derivative financial instruments contain an element of credit risk attributable to the counterparties' ability to meet the terms of the agreements. In August 2010 we executed new agreements with counterparties that will require, under certain circumstances, that the counterparty post collateral with us for net asset positions with these counterparties. At September 30, 2010 we held collateral of \$29 million from counterparties and recorded the related obligation in Accrued expenses. 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 \$121 million at September 30, 2010. Agreements are entered into with counterparties that allow the set-off of certain exposures in order to manage the risk. At September 30, 2010 the total net derivative asset position for all counterparties with which we were in a net asset position, less the collateral we held, was \$86 million.

Counterparty credit risk is managed and monitored by our Risk Management Committee, which establishes exposure limits by counterparty. At September 30, 2010 a majority of all counterparty exposures were with counterparties that were rated A or higher.

Credit Risk Related Contingent Features

Certain of our agreements with counterparties require that we provide cash collateral for net liability positions that we may have with such counterparty. At September 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.

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 September 30, 2010 no outstanding derivative contracts were designated in hedging relationships. We and Old GM accounted for changes in the fair value of all outstanding contracts by recording the gains and losses in earnings for all periods presented. 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 September 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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):

	Predecessor	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Foreign Currency Exchange Contracts		
Sales	\$ (25)	\$ (351)
Cost of sales	(1)	19
Reorganization gains, net	—	247
Total gains (losses) reclassified from accumulated other comprehensive income (loss)	\$ (26)	\$ (85)

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.

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	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Sales	\$ (2)	\$ (182)
Reorganization gains, net	—	247
Total gains (losses) reclassified from accumulated other comprehensive income (loss)	\$ (2)	\$ 65

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 three and nine months ended September 30, 2010 we recorded insignificant cash flow hedge losses 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 September 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 periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009 Old GM amortized an insignificant amount of previously deferred fair value hedge gains and losses to Interest expense.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 September 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). 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 in Accumulated other comprehensive income (loss) were adjusted to \$0 at July 10, 2009.

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>July 1, 2009 Through July 9, 2009</u>	<u>January 1, 2009 Through July 9, 2009</u>
Effective portion of net investment hedge gains (losses)	\$ 13	\$ 5

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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):

	Predecessor	
	July 1, 2009 Through July 9, 2009	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 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 September 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.

The following table summarizes the notional amounts of nondesignated commodity derivative contracts (units in thousands):

Commodity	Units	Successor	
		September 30, 2010	December 31, 2009
Aluminum and aluminum alloy	Metric tons	263	39
Copper	Metric tons	26	4
Lead	Metric tons	43	7
Heating oil	Gallons	94,654	10,797
Natural gas	MMBTU	8,303	1,355
Natural gas	Gigajoules	1,000	150
Palladium	Troy ounce	110	—
Platinum	Troy ounce	15	—

Interest Rate Swap Derivatives

At September 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 September 30, 2010 we managed foreign currency exchange risk through the use of foreign currency options and forward contracts.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the total notional amounts of nondesignated foreign currency exchange derivatives (dollars in millions):

	Successor	
	September 30, 2010	December 31, 2009
Nondesignated foreign currency exchange derivatives	\$ 4,538	\$ 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 September 30, 2010 the fair value of these warrants was \$29 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.

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.

Fair Value of Nondesignated Derivatives

The following table summarizes the fair value of our nondesignated derivative instruments (dollars in millions):

	September 30, 2010		Successor		December 31, 2009	
	Asset Derivatives (a)(b)	Liability Derivatives (c)	Asset Derivatives (a)(b)	Liability Derivatives (c)(d)	Asset Derivatives (a)(b)	Liability Derivatives (c)(d)
Current Portion						
Foreign currency exchange derivatives	\$ 65	\$ 222	\$ 104	\$ 568		
Commodity derivatives	56	—	11	—		
Total current portion	<u>\$ 121</u>	<u>\$ 222</u>	<u>\$ 115</u>	<u>\$ 568</u>		
Non-Current Portion						
Foreign currency exchange derivatives	\$ —	\$ —	\$ 19	\$ 146		
Other derivatives	29	—	25	—		
Total non-current portion	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ 44</u>	<u>\$ 146</u>		

- (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.

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Gains and (Losses) on Nondesignated Derivatives

The following schedule summarizes gains and (losses) recorded in earnings on nondesignated derivatives (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Foreign Currency Exchange Derivatives					
Sales	\$ —	\$ —	\$ —	\$ 38	\$ (688)
Cost of sales	—	—	—	7	(211)
Interest income and other non-operating income, net	35	65	195	1	91
Interest Rate Swap Derivatives					
Interest expense	—	—	(1)	—	(38)
Commodity Derivative Contracts					
Cost of sales	—	—	—	2	(332)
Interest income and other non-operating income, net	14	(39)	—	—	—
Other Derivatives					
Interest income and other non-operating income, net	4	4	(1)	—	164
Total gains (losses) recorded in earnings	<u>\$ 53</u>	<u>\$ 30</u>	<u>\$ 193</u>	<u>\$ 48</u>	<u>\$ (1,014)</u>

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	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Beginning net unrealized gain (loss) on derivatives	\$ (409)	\$ (490)
Change in fair value	—	—
Reclassification to earnings	18	99
Ending net unrealized gain (loss) on derivatives	<u>\$ (391)</u>	<u>\$ (391)</u>

In connection with our application of fresh-start reporting, the remaining previously deferred cash flow hedging gains and losses of \$391 million in Accumulated other comprehensive income (loss) were adjusted to \$0 at July 10, 2009.

Note 17. Commitments and Contingencies

The following tables summarize information related to Commitments and contingencies (dollars in millions):

	Successor			
	September 30, 2010		December 31, 2009	
	Liability Recorded	Maximum Liability (a)	Liability Recorded	Maximum Liability (a)
Guarantees				
Operating lease residual values (b)	\$ —	\$ 76	\$ —	\$ 79
Supplier commitments and other related obligations	\$ —	\$ 57	\$ 3	\$ 218
Ally Financial commercial loans (c)	\$ —	\$ 28	\$ 2	\$ 167
Other product-related claims	\$ 56	\$ 480	\$ 54	\$ 553

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- (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 nine months ended September 30, 2010 this guarantee was terminated.

	Successor	
	September 30, 2010 Liability Recorded	December 31, 2009 Liability Recorded
Environmental liability (a)	\$ 205	\$ 190
Product liability	\$ 318	\$ 319
Liability related to contingently issuable shares	\$ 231	\$ 162
Other litigation-related liabilities (b)	\$ 1,421	\$ 1,192

- (a) Of the amounts we recorded, \$40 million and \$28 million were recorded in Accrued expenses at September 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 as well as various non-U.S. labor related items.

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 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 2011 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 healthcare 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.

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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).

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 September 30, 2010 we estimate that remediation losses could range from \$150 million to \$390 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 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 nine months ended September 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.

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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 30 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 8.6 million Adjustment Shares to MLC. At September 30, 2010, we increased our accrual related to this contingent obligation based on an updated estimate of the fair value of our common stock.

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; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740 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 as well as various non-U.S. labor-related matters. Tax related matters not recorded pursuant to ASC 740 (indirect tax-related matters) 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. Certain South American administrative and legal proceedings are indirect tax-related and may require that we deposit funds in escrow; such escrow deposits may range from \$540 million to \$720 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 September 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.

Commencing on or about September 29, 2010, current and former hourly employees of GM Daewoo, our majority-owned affiliate in the Republic of Korea, filed four 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. At September 30, 2010, GM Daewoo accrued 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. This accrual is included in the reserves for non-U.S. labor-related matters.

Asbestos-Related Liability

In connection with the 363 Sale, MLC retained substantially all of the asbestos-related claims outstanding.

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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.

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 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 agreement, we will be required to pay certain amounts up to Euro 265 million for each of those years,

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and/or interest on those amounts, to our employees. Certain inventory with a carrying amount of \$195 million at September 30, 2010 was pledged as collateral under the agreement. Management has the intent and believes it has the ability to meet the requirements under the agreement, which was finalized in the three months ended 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 IUE-CWA and the 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 healthcare 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.

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. 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

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

The following table summarizes charges that have been recorded with respect to obligations associated with the various Delphi agreements (dollars in millions):

	<u>Successor</u>	<u>Predecessor</u>	
	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Other expenses, net	\$ 8	\$ 60	\$ 184
Cost of sales	88	(18)	142
Reorganization gains, net	—	662	662
Total Delphi charges	<u>\$ 96</u>	<u>\$ 704</u>	<u>\$ 988</u>

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. Tax jurisdictions with a projected or year-to-date loss for which a tax benefit cannot be realized are excluded. 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.

In the nine months ended September 30, 2010 income tax expense of \$845 million resulted primarily from tax expense attributable to entities included in our effective tax rate calculation. Aside from a taxable foreign currency gain in Venezuela, unusual or infrequent items did not have a significant effect on tax expense, either individually or in the aggregate. The recorded effective tax rate is substantially below the applicable statutory tax rate, primarily due to income earned in jurisdictions for which a full valuation allowance is recorded.

In interim periods, income tax expense is comprised of two key elements: (1) the amount necessary to appropriately state the year-to-date estimated tax expense of entities included in our effective tax rate calculation, which is calculated as the difference between the amount currently estimated for the year to date period and the amount previously recorded in prior interim periods; and (2) the tax effect of unusual or infrequent items that occur in the period. In the three months ended September 30, 2010 income tax benefit of \$25 million resulted from tax expense of \$50 million attributable to entities included in our effective tax rate calculation, offset by net tax benefit of \$75 million attributable to unusual or infrequent items, none of which had a significant effect on tax expense either individually or in the aggregate.

In the period July 10, 2009 through September 30, 2009 income tax benefit of \$139 million resulted primarily from tax benefit attributable to entities included in our effective tax rate calculation, including intra period tax allocation benefit relating to the remeasurement of 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the period July 1, 2009 through July 9, 2009 income tax benefit of \$607 million primarily resulted from the reversal of valuation allowances of \$710 million related to Reorganization gains, net.

In the period January 1, 2009 through July 9, 2009 income tax benefit of \$1.2 billion primarily resulted from the reversal of valuation allowances of \$710 million related to Reorganization gains, net and the resolution of a transfer pricing matter of \$692 million between the U.S. and Canadian governments, partially offset by income tax attributable to entities included in our effective tax rate calculation.

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 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 the agreements negotiated with the unions as to the protection of employment will be executed as signed. This ruling is further 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 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 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 June 2010 a Mexican income tax audit covering the 2002 and 2003 years was concluded and an assessment of 2.0 billion pesos (equivalent to \$163 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.

Based on recent developments in Brazil, it is likely we will settle a contested income tax matter for approximately \$225 million in the next 12 months. This amount was fully reserved in a prior period.

At September 30, 2010, aside from the Brazilian matter, 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*.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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, certain 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. 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 its Chapter 11 Proceedings 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			
	September 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents				
United States government and agency	\$ —	\$ 1,783	\$ —	\$ 1,783
Certificates of deposit	—	3,730	—	3,730
Money market funds	5,526	—	—	5,526
Commercial paper	—	4,419	—	4,419
Marketable securities				
Trading securities				
Equity	17	18	—	35
United States government and agency	—	6	—	6
Mortgage and asset-backed	—	28	—	28
Foreign government	—	36	—	36
Corporate debt	—	29	—	29
Available-for-sale securities				
United States government and agency	—	2,254	—	2,254
Certificates of deposit	—	1,448	—	1,448
Corporate debt	—	2,174	—	2,174
Restricted cash and marketable securities				
United States government and agency	—	98	—	98
Money market funds	396	—	—	396
Foreign government bonds	—	981	—	981
Other assets				
Equity	40	—	—	40
Derivatives				
Commodity	—	56	—	56
Foreign currency	—	34	31	65
Other	—	29	—	29
Total assets	<u>\$ 5,979</u>	<u>\$ 17,123</u>	<u>\$ 31</u>	<u>\$ 23,133</u>
Liabilities				
Other liabilities				
Options	\$ —	\$ —	\$ 24	\$ 24
Derivatives				
Foreign currency	—	8	214	222
Total liabilities	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 238</u>	<u>\$ 246</u>

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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
Assets				
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	—	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	\$ 20,598	\$ 5,029	\$ 33	\$25,660
Liabilities				
Derivatives				
Foreign currency	\$ —	\$ 9	\$ 705	\$ 714
Total liabilities	\$ —	\$ 9	\$ 705	\$ 714

Fair Value Measurements on a Recurring Basis using Level 3 Inputs

In the period January 1, 2009 through July 9, 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 Old GM's nonperformance risk was not observable through the credit default swap market as a result of its Chapter 11 Proceedings. 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 period January 1, 2009 through July 9, 2009.

In the period January 1, 2009 through July 9, 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor					Total Net Liabilities
	Level 3 Financial Assets and Liabilities					
	Mortgage- backed Securities (a)	Commodity Derivatives, Net (b)	Foreign Currency Derivatives (c)	Options (d)	Other Securities (a)	
Balance at July 1, 2010	\$ —	\$ —	\$ (338)	\$ (24)	\$ —	\$ (362)
Total realized/unrealized gains (losses)						
Included in earnings	—	—	30	—	—	30
Included in Accumulated other comprehensive income (loss)	—	—	(13)	—	—	(13)
Purchases, issuances, and settlements	—	—	136	—	—	136
Transfer in and/or out of Level 3	—	—	2	—	—	2
Balance at September 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (183)</u>	<u>\$ (24)</u>	<u>\$ —</u>	<u>\$ (207)</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>\$ 34</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34</u>

	Successor					Total Net Liabilities
	Level 3 Financial Assets and Liabilities					
	Mortgage- backed Securities (a)	Commodity Derivatives, Net (b)	Foreign Currency Derivatives (c)	Options (d)	Other Securities (a)	
Balance at January 1, 2010	\$ —	\$ —	\$ (672)	\$ —	\$ —	\$ (672)
Total realized/unrealized gains (losses)						
Included in earnings	—	—	103	(3)	—	100
Included in Accumulated other comprehensive income (loss)	—	—	(10)	—	—	(10)
Purchases, issuances, and settlements	—	—	394	(21)	—	373
Transfer in and/or out of Level 3	—	—	2	—	—	2
Balance at September 30, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (183)</u>	<u>\$ (24)</u>	<u>\$ —</u>	<u>\$ (207)</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>\$ 40</u>	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ 37</u>

	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	—	—	177	—	—	177
Included in Accumulated other comprehensive income (loss)	—	—	(86)	—	—	(86)
Purchases, issuances and settlements	—	—	362	—	—	362
Transfer in and/or out of Level 3	—	—	—	—	—	—
Balance at September 30, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (977)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (977)</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>\$ 163</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 163</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Predecessor					
	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)	Total Net Assets (Liabilities)
Balance at July 1, 2009	\$ —	\$ —	\$ (1,559)	\$ —	\$ —	\$ (1,559)
Total realized/unrealized gains (losses)						
Included in earnings	—	—	26	—	—	26
Included in Accumulated other comprehensive income (loss)	—	—	(2)	—	—	(2)
Purchases, issuances and settlements	—	—	105	—	—	105
Transfer in and/or out of Level 3	—	—	—	—	—	—
Balance at July 9, 2009	\$ —	\$ —	\$ (1,430)	\$ —	\$ —	\$ (1,430)
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	\$ —	\$ —	\$ 28	\$ —	\$ —	\$ 28

	Predecessor					
	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)	Total Net Assets (Liabilities)
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 Accumulated other comprehensive income (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	\$ —	\$ —	\$ (1,430)	\$ —	\$ —	\$ (1,430)
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	\$ —	\$ —	\$ 28	\$ —	\$ —	\$ 28

- (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.

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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	
	September 30, 2010	December 31, 2009
Carrying amount (a)	\$ 8,566	\$ 15,783
Fair value (a)	\$ 8,858	\$ 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 September 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 September 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 September 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 September 30, 2010 and December 31, 2009 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	
	September 30, 2010	December 31, 2009
Common stock		
Carrying amount (a)	\$ 966	\$ 970
Fair value	\$ 1,039	\$ 970
Preferred stock		
Carrying amount	\$ 665	\$ 665
Fair value	\$ 1,056	\$ 989

(a) Investment in Ally Financial common stock at September 30, 2010 and December 31, 2009 includes the 16.6% held directly and through an independent trust.

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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 three and nine months ended September 30, 2010 (dollars in millions):

	Successor			Total
	GMNA	GMIO	GME	
Balance at January 1, 2010	\$2,088	\$ 7	\$ 451	\$2,546
Additions	7	—	273	280
Interest accretion and other	10	—	32	42
Payments	(243)	(3)	(37)	(283)
Revisions to estimates	(104)	—	—	(104)
Effect of foreign currency translation	24	—	(33)	(9)
Balance at March 31, 2010	<u>1,782</u>	<u>4</u>	<u>686</u>	<u>2,472</u>
Additions	21	—	207	228
Interest accretion and other	10	—	28	38
Payments	(178)	(2)	(257)	(437)
Revisions to estimates	(1)	1	(8)	(8)
Effect of foreign currency translation	(25)	—	(63)	(88)
Balance at June 30, 2010	<u>1,609</u>	<u>3</u>	<u>593</u>	<u>2,205</u>
Additions	14	2	125	141
Interest accretion and other	8	—	28	36
Payments	(169)	(3)	(84)	(256)
Revisions to estimates	(73)	—	(2)	(75)
Effect of foreign currency translation	17	—	72	89
Balance at September 30, 2010 (a)	<u>\$1,406</u>	<u>\$ 2</u>	<u>\$ 732</u>	<u>\$2,140</u>

(a) The remaining cash payments related to these restructuring reserves primarily relate to postemployment benefits to be paid.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GMNA

GMNA recorded charges, interest accretion and other and revisions to estimates that decreased the restructuring reserves by \$51 million and \$108 million in the three and nine months ended September 30, 2010. The decreases were primarily related to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple production sites, partially offset by Canadian restructuring activities.

GME

GME recorded charges, interest accretion and other, and revisions to estimates of \$151 million and \$683 million in the three and nine months ended September 30, 2010 for separation programs primarily related to the following initiatives:

- Separation charges of \$92 million and \$445 million in the three and nine months ended September 30, 2010 related to the closure of the Antwerp, Belgium facility which affects 2,600 employees.
- Separation charges of \$72 million and revisions to estimates to decrease the reserve by \$11 million in the nine months ended September 30, 2010 related to separation/layoff plans and an early retirement plan in Spain which affects 1,200 employees.
- Separation charges of \$3 million and \$28 million in the three and nine months ended September 30, 2010 related to a voluntary separation program in the United Kingdom.
- Separation charges of \$5 million and \$32 million and interest accretion and other of \$26 million and \$81 million in the three and nine months ended September 30, 2010 related to previously announced programs in Germany, and separation charges of \$20 million related to a voluntary separation program announced in the three months ended September 30, 2010.

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 September 30, 2010 there were approximately 5,800 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 September 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 three and nine months ended September 30, 2010 (dollars in millions):

	Successor		Total
	U.S.	Canada and Mexico	
Balance at January 1, 2010	\$ 460	\$ 41	\$ 501
Additions	9	9	18
Payments	(44)	(28)	(72)
Effect of foreign currency translation	—	2	2
Balance at March 31, 2010	425	24	449
Revisions to estimates	(6)	—	(6)
Payments	(140)	(4)	(144)
Balance at June 30, 2010	279	20	299
Revisions to estimates	(2)	—	(2)
Payments	(73)	(9)	(82)
Balance at September 30, 2010	<u>\$ 204</u>	<u>\$ 11</u>	<u>\$ 215</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our restructuring reserves (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges in the period July 10, 2009 through September 30, 2009 (dollars in millions):

	Successor			Total
	GMNA	GME	GMIO	
Balance at July 10, 2009	\$2,905	\$433	\$ 48	\$3,386
Additions	5	9	29	43
Interest accretion and other	8	13	—	21
Payments	(643)	(26)	(43)	(712)
Revisions to estimates	(139)	—	(2)	(141)
Effect of foreign currency translation	56	18	4	78
Balance at September 30, 2009 (a)	<u>\$2,192</u>	<u>\$447</u>	<u>\$ 36</u>	<u>\$2,675</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 reduced the restructuring reserves by \$126 million in the period July 10, 2009 through September 30, 2009 for separation programs primarily related to the reduction of the salaried and hourly workforce severance accruals of \$146 million in the period July 10, 2009 through September 30, 2009. 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.

GMIO

GMIO recorded charges, interest accretion and other, and revisions to estimates of \$27 million in the period July 10, 2009 through September 30, 2009, which includes separation charges of \$25 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 September 30, 2009 (dollars in millions):

	Successor		Total
	U.S.	Canada and Mexico	
Balance at July 10, 2009	\$ 398	\$ 118	\$ 516
Additions	161	26	187
Payments	(107)	(52)	(159)
Effect of foreign currency translation	—	8	8
Balance at September 30, 2009	<u>\$ 452</u>	<u>\$ 100</u>	<u>\$ 552</u>

Restructuring reserves related to dealer wind-down agreements in the period July 10, 2009 through September 30, 2009 increased 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 period January 1, 2009 through July 9, 2009 (dollars in millions):

	Predecessor			Total
	GMNA	GME	GMIO	
Balance at January 1, 2009	\$ 2,456	\$ 468	\$ 58	\$ 2,982
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 translation	50	(1)	7	56
Balance at July 9, 2009	2,942	433	48	3,423
Effect of application of fresh-start reporting	(37)	—	—	(37)
Ending balance including effect of application of fresh-start reporting (a)	<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.

GMNA

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 Programs;
- Supplemental Unemployment Benefit (SUB) and Transition Support Program (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, Old GM's job security provision in the collective bargaining agreement with the UAW to continue paying idled employees certain wages and benefits;
- 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 terminated employees to receive ongoing wages and benefits for up to 12 months; and
- Postemployment benefit charges in Canada of \$38 million related to 380 hourly employees who participated in a special attrition program at the Oshawa Facility.

GME

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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GMIO

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; and
- 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		Total
	U.S.	Canada and Mexico	
Balance at January 1, 2009	\$ —	\$ —	\$ —
Additions	398	120	518
Payments	—	(2)	(2)
Effect of foreign currency translation	—	—	—
Balance at July 9, 2009	<u>\$398</u>	<u>\$ 118</u>	<u>\$516</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			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
GMNA					
Intangible assets	\$ —	\$ —	\$ 21	\$ —	\$ —
Product-specific tooling assets	140	188	—	—	278
Cancelled powertrain programs	—	—	—	—	42
Equity and cost method investments	—	—	—	—	28
Vehicles leased to rental car companies	—	—	—	—	11
Total GMNA impairment charges	140	188	21	—	359
GMIO					
Product-specific tooling assets	6	6	1	—	7
Other long-lived assets	—	—	—	—	2
Total GMIO impairment charges	6	6	1	—	9
GME					
Product-specific tooling assets	—	—	—	—	237
Vehicles leased to rental car companies	17	32	12	1	36
Total GME impairment charges	17	32	12	1	273
Corporate					
Other than temporary impairment charges on debt and equity securities (a)	—	—	—	—	11
Automotive retail leases	—	—	—	—	16
Total Corporate impairment charges	—	—	—	—	27
Total impairment charges	\$ 163	\$ 226	\$ 34	\$ 1	\$ 668

(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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED 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):

GM

Three and Nine Months Ended September 30, 2010

	Three Months Ended September 30, 2010 (a)	Successor Fair Value Measurements Using			Three Months Ended September 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)	
Product-specific tooling assets	\$ —	\$ —	\$ —	\$ —	\$ (146)
Vehicles leased to rental car companies	\$ 614	\$ —	\$ —	\$ 614	(17)
Total					\$ (163)

(a) Amounts represent the fair value measure during the period.

	Nine Months Ended September 30, 2010 (a)	Successor Fair Value Measurements Using			Nine Months Ended September 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)	
Product-specific tooling assets	\$ —	\$ —	\$ —	\$ —	\$ (194)
Vehicles leased to rental car companies	\$ 537-614	\$ —	\$ —	\$ 537-614	(32)
Total					\$ (226)

(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 \$140 million and \$188 million in the three and nine months ended September 30, 2010. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

GME

Vehicles leased to rental car companies were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$17 million and \$32 million in the three and nine months ended September 30, 2010. Fair value measurements utilized projected cash flows from vehicle sales at auction.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

July 10, 2009 Through September 30, 2009

	Successor				July 10, 2009 Through September 30, 2009 Total Losses
	Fair Value Measurements Using				
	Period Ended September 30, 2009 (a)	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	\$ —	\$ —	\$ —	\$ —	\$ (1)
Vehicles leased to rental car companies	\$ 543	\$ —	\$ —	\$ 543	(12)
Intangible assets	\$ —	\$ —	\$ —	\$ —	(21)
Total					<u>\$ (34)</u>

(a) Amounts represent the fair value measure during the period.

GMNA

Intangible assets related to product-specific technology were adjusted to their fair value, resulting in impairment charges of \$21 million in the period July 10, 2009 through September 30, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the technology.

GME

Vehicles leased to rental car companies were adjusted to their fair value at the time of impairment, resulting in impairment charges of \$12 million in the period July 10, 2009 through September 30, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auctions.

Old GM

January 1, 2009 Through July 9, 2009

	Predecessor				January 1, 2009 Through July 9, 2009 Total Losses
	Fair Value Measurements Using				
	Period Ended July 9, 2009 (a)	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	\$539 - 2,057	\$ —	\$ —	\$539 - 2,057	\$ (47)
Automotive retail leases	\$ 1,519	\$ —	\$ —	\$ 1,519	\$ (16)
Total					<u>\$ (657)</u>

(a) Amounts represent the fair value measure (or range of measures) during the period.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 period January 1, 2009 through July 9, 2009. Fair value measurements utilized discounted projected cash flows.

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 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 investee. 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.

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 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 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 \$1 million and \$36 million in the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicles sales at auctions.

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 projected cash flows, discounted at a rate commensurate with the perceived business risks related to the assets involved.

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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Contract Cancellations

The following table summarizes net contract cancellation charges primarily related to the cancellation of product programs (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
GMNA (a)	\$ (5)	\$ 31	\$ 77	\$ —	\$ 157
GMIO	—	—	—	—	8
GME	3	3	—	—	12
Total contract cancellations	\$ (2)	\$ 34	\$ 77	\$ —	\$ 177

(a) The three months ended September 30, 2010 includes a favorable change in estimate on a contract cancellation of \$14 million.

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):

	Successor			Predecessor	
	Three Months Ended September 30, 2010 (a)(b)	Nine Months Ended September 30, 2010 (a)(b)	July 10, 2009 Through September 30, 2009 (a)(c)	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Basic					
Net income (loss) attributable to common stockholders	\$ 1.31	\$ 2.77	\$ (0.73)	\$ 209.49	\$ 178.63
Weighted-average common shares outstanding	1,500	1,500	1,238	611	611
Diluted					
Net income (loss) attributable to common stockholders	\$ 1.20	\$ 2.62	\$ (0.73)	\$ 209.38	\$ 178.55
Weighted-average common shares outstanding	1,630	1,588	1,238	611	611

- (a) All applicable Successor share, per share and related information have been adjusted retroactively for the three-for-one stock split effected on November 1, 2010.
- (b) The three and nine months ended September 30, 2010 includes accumulated but undeclared dividends of \$34 million on our Series A Preferred Stock, which decreases Net income attributable to common stockholders.
- (c) The period July 10, 2009 through September 30, 2009 includes accumulated but undeclared dividends of \$9 million on Series A Preferred Stock, which reduces Net income (or increases Net loss) attributable to common stockholders and excludes dividends of \$105 million on Series A Preferred Stock, which were paid to the New VEBA prior to September 30, 2009.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GM

During the three and nine months ended September 30, 2010, we considered potentially dilutive securities in our diluted earnings per share computation under the treasury stock method utilizing an average stock price based upon estimates of the fair value of our common stock.

During the three and nine months ended September 30, 2010, warrants to purchase 318 million shares were outstanding, of which 45 million were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. Under the treasury stock method, the assumed exercise of the remaining 273 million warrants resulted in 130 million and 88 million dilutive shares for the three and nine months ended September 30, 2010.

For the period July 10, 2009 through September 30, 2009, outstanding warrants to purchase 273 million shares of common stock were not included in the computation of diluted loss per share because the effect would have been antidilutive to loss per share.

At September 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 30 million shares (subject to an adjustment to take into account stock dividends, stock splits and other transactions). At September 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 (RSUs) 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 RSUs are excluded from the computation of diluted earnings per share. At September 30, 2010 18 million RSUs were outstanding. Refer to Note 26 for additional information on RSUs.

In connection with the 363 Sale, we issued 263 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 outstanding until December 31, 2009 they were not included in the calculation of the weighted-average common shares outstanding at September 30, 2009. Refer to Note 15 for additional information on the 2009 Revised UAW Settlement Agreement.

Old GM

In the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009 diluted earnings per share included the potential effect of the assumed exercise of certain stock options. The total 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 207 million and 208 million in the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 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 earnings (loss) per share for the periods July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 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 our Form S-1. The following tables describe the financial statement effects of and maximum obligations under these agreements (dollars in millions):

	Successor	
	September 30, 2010	December 31, 2009
Operating lease residuals		
Residual support (a)		
Liabilities (receivables) recorded	\$ (34)	\$ 369
Maximum obligation	\$ 689	\$ 1,159
Risk sharing (a)		
Liabilities recorded	\$ 330	\$ 366
Maximum obligation	\$ 877	\$ 1,392
Note payable to Ally Financial (b)	\$ 35	\$ 35
Vehicle repurchase obligations (c)		
Maximum obligations	\$ 16,823	\$ 14,249
Fair value of guarantee	\$ 30	\$ 46

- (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 nine months ended September 30, 2010 favorable adjustments to our residual support and risk sharing liabilities of \$0.6 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	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Marketing incentives and operating lease residual payments (a)	\$ 282	\$ 793	\$ 387	\$ —	\$ 601
Exclusivity fee revenue	\$ 25	\$ 75	\$ 23	\$ 2	\$ 52
Royalty income	\$ 4	\$ 11	\$ 3	\$ —	\$ 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	
	September 30, 2010	December 31, 2009
Assets		
Accounts and notes receivable, net (a)	\$ 718	\$ 404
Restricted cash and marketable securities (b)	\$ —	\$ 127
Other assets (c)	\$ 26	\$ 27
Liabilities		
Accounts payable (d)	\$ 146	\$ 131
Short-term debt and current portion of long-term debt (e)	\$ 1,141	\$ 1,077
Accrued expenses and other liabilities (f)	\$ 805	\$ 817
Long-term debt (g)	\$ 48	\$ 59
Other non-current liabilities (h)	\$ 105	\$ 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):

	Successor			Predecessor	
	Three Months Ended	Nine Months Through	July 10, 2009 Through	July 1, 2009 Through	January 1, 2009 Through
	September 30, 2010	September 30, 2010	September 30, 2009	July 9, 2009	July 9, 2009
Net sales and revenue (reduction) (a)	\$ (427)	\$ (638)	\$ (205)	\$ 30	\$ 207
Cost of sales and other expenses (b)	\$ 3	\$ 32	\$ 68	\$ 1	\$ 180
Interest income and other non-operating income, net (c)	\$ 56	\$ 172	\$ 62	\$ 7	\$ 166
Interest expense (d)	\$ 56	\$ 174	\$ 51	\$ 5	\$ 100
Servicing expense (e)	\$ —	\$ 2	\$ 3	\$ —	\$ 16
Derivative gains (losses) (f)	\$ —	\$ —	\$ (1)	\$ —	\$ (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 Form S-1. The following tables describe the financial statement effects of the transactions with MLC.

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.

Statement of Operations

The following table summarizes the income statement effects of transactions with MLC (dollars in millions):

	Successor		
	Three Months Ended	Nine Months Ended	July 10, 2009 Through
	September 30, 2010	September 30, 2010	September 30, 2009
Cost of sales (a)	\$ (5)	\$ (19)	\$ (5)
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.

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):

	September 30, 2010	Successor December 31, 2009
Accounts and notes receivable, net (a)	\$ 9	\$ 16
Other assets	\$ —	\$ 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):

	Nine Months Ended September 30, 2010	Successor July 10, 2009 Through September 30, 2009
Operating (a)	\$ (151)	\$ (26)
Financing (b)	\$ 5	\$ (29)

(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 of this funding agreement did not permit additional funding after July 30, 2010. At September 30, 2010 we have reserved \$11 million against the advanced amounts.

Note 25. Segment Reporting

We design, build and sell cars, trucks and parts worldwide. We manage our operations on a geographic basis through our three geographically-based segments: GMNA, GME and GMIO. Each segment has a manager responsible for executing our strategies within each geographic region. Our manufacturing operations are integrated within each of our segments, benefit from broad-based trade agreements and are subject to regulatory requirements, such as Corporate Average Fuel Economy (CAFE) regulations. While not all vehicles within a segment are individually profitable on a fully loaded cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. Because of these factors, we do not manage our business on an individual brand or vehicle basis.

In the nine months ended September 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

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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
- Cadillac
- Chevrolet
- Daewoo
- GMC
- Holden
- Isuzu
- Opel
- Vauxhall

At September 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
- Cadillac
- Chevrolet
- Daewoo
- FAW
- GMC
- Holden
- Jiefang
- Wuling

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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

All intersegment balances and transactions have been eliminated in consolidation.

	Successor					Total
	GMNA	GMIO	GME	Eliminations	Corporate	
At and For the Three Months Ended September 30, 2010						
Sales						
External customers	\$20,676	\$ 7,959	\$ 5,380	\$ —	\$ —	\$ 34,015
Intersegment	817	743	277	(1,837)	—	—
Other revenue	—	—	—	—	45	45
Total net sales and revenue	<u>\$21,493</u>	<u>\$ 8,702</u>	<u>\$ 5,657</u>	<u>\$ (1,837)</u>	<u>\$ 45</u>	<u>\$ 34,060</u>
Earnings (loss) attributable to stockholders before interest and income taxes	<u>\$ 2,125</u>	<u>\$ 646</u>	<u>\$ (559)</u>	<u>\$ (19)</u>	\$ 82	\$ 2,275
Interest income					125	125
Interest expense					263	263
Income tax expense (benefit)					(25)	(25)
Net income (loss) attributable to stockholders					<u>\$ (31)</u>	<u>\$ 2,162</u>
Equity in net assets of nonconsolidated affiliates	\$ 2,045	\$ 6,610	\$ 8	\$ —	\$ 28	\$ 8,691
Total assets	\$82,363	\$29,933	\$18,881	\$ (36,418)	\$ 42,479	\$137,238
Depreciation, amortization and impairment	\$ 1,161	\$ 205	\$ 357	\$ —	\$ 15	\$ 1,738
Equity income, net of tax	\$ 22	\$ 328	\$ —	\$ —	\$ 1	\$ 351
Significant non-cash charges						
Impairment charges related to long-lived assets	\$ 140	\$ 6	\$ —	\$ —	\$ —	\$ 146
Impairment charges related to equipment on operating leases	—	—	17	—	—	17
Total significant non-cash charges	<u>\$ 140</u>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 163</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Successor					Total
	GMNA	GMIO	GME	Eliminations	Corporate	
For the Nine Months Ended September 30, 2010						
Sales						
External customers	\$58,641	\$23,390	\$16,537	\$ —	\$ —	\$98,568
Intersegment	2,404	1,976	625	(5,005)	—	—
Other revenue	—	—	—	—	142	142
Total net sales and revenue	<u>\$61,045</u>	<u>\$25,366</u>	<u>\$17,162</u>	<u>\$ (5,005)</u>	<u>\$ 142</u>	<u>\$98,710</u>
Earnings (loss) attributable to stockholders before interest and income taxes	<u>\$ 4,935</u>	<u>\$ 2,484</u>	<u>\$ (1,196)</u>	<u>\$ (49)</u>	<u>\$ (42)</u>	<u>\$ 6,132</u>
Interest income					329	329
Interest expense					850	850
Income tax expense (benefit)					845	845
Net income (loss) attributable to stockholders					<u>\$ (1,408)</u>	<u>\$ 4,766</u>
Depreciation, amortization and impairment	\$ 3,384	\$ 625	\$ 1,101	\$ —	\$ 81	\$ 5,191
Equity income, net of tax	\$ 97	\$ 1,055	\$ 11	\$ —	\$ 2	\$ 1,165
Significant non-cash charges						
Impairment charges related to long-lived assets	\$ 188	\$ 6	\$ —	\$ —	\$ —	\$ 194
Impairment charges related to equipment on operating leases	\$ —	\$ —	\$ 32	\$ —	\$ —	\$ 32
Total significant non-cash charges	<u>\$ 188</u>	<u>\$ 6</u>	<u>\$ 32</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 226</u>

	Successor					Total
	GMNA	GMIO	GME	Eliminations	Corporate	
For the Period July 10, 2009 Through September 30, 2009						
Sales						
External customers	\$13,871	\$6,003	\$5,186	\$ —	\$ —	\$25,060
Intersegment	280	392	52	(724)	—	—
Other revenue	—	—	—	—	87	87
Total net sales and revenue	<u>\$14,151</u>	<u>\$6,395</u>	<u>\$5,238</u>	<u>\$ (724)</u>	<u>\$ 87</u>	<u>\$25,147</u>
Income (loss) attributable to stockholders before interest and income taxes	<u>\$ (1,377)</u>	<u>\$ 474</u>	<u>\$ (15)</u>	<u>\$ (33)</u>	<u>\$ 210</u>	<u>\$ (741)</u>
Interest income					109	109
Interest expense					365	365
Income tax expense (benefit)					(139)	(139)
Net income (loss) attributable to stockholders					<u>\$ 93</u>	<u>\$ (858)</u>
Depreciation, amortization and impairment	\$ 1,348	\$ 177	\$ 394	\$ —	\$ 66	\$ 1,985
Equity income (loss), net of tax	\$ (5)	\$ 204	\$ 6	\$ —	\$ (1)	\$ 204

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	GMNA	GMIO	GME	Predecessor Eliminations	Corporate	Total
For the Period July 1, 2009 Through July 9, 2009						
Sales						
External customers	\$ 501	\$ 519	\$ 610	\$ —	\$ —	\$ 1,630
Intersegment	(74)	24	(4)	54	—	—
Other revenue	—	—	—	—	7	7
Total net sales and revenue	<u>\$ 427</u>	<u>\$ 543</u>	<u>\$ 606</u>	<u>\$ 54</u>	<u>\$ 7</u>	<u>\$ 1,637</u>
Income (loss) attributable to stockholders before interest and income taxes	<u>\$ (640)</u>	<u>\$ (265)</u>	<u>\$ (104)</u>	<u>\$ 38</u>	\$ 129,175	\$ 128,204
Interest income					10	10
Interest expense					823	823
Income tax expense (benefit)					(607)	(607)
Net income (loss) attributable to stockholders					<u>\$ 128,969</u>	<u>\$ 127,998</u>
Depreciation, amortization and impairment	\$ 437	\$ 11	\$ 115	\$ —	\$ 6	\$ 569
Equity income (loss), net of tax	\$ 7	\$ 8	\$ (1)	\$ —	\$ 1	\$ 15
Significant non-cash (gains)						
Reorganization gains, net (a)	\$ —	\$ —	\$ —	\$ —	\$(129,312)	\$(129,312)
Reversal of valuation allowances against deferred tax assets	—	—	—	—	(751)	(751)
Total significant non-cash (gains)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (130,063)</u>	<u>\$ (130,063)</u>

(a) Refer to Note 2 for additional information on Reorganization gains, net.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Predecessor					Total
	GMNA	GMIO	GME	Eliminations	Corporate	
For the Period January 1, 2009 Through July 9, 2009						
Sales						
External customers	\$ 23,490	\$ 10,878	\$ 12,419	\$ —	\$ —	\$ 46,787
Intersegment	701	820	133	(1,654)	—	—
Other revenue	—	—	—	—	328	328
Total net sales and revenue	\$ 24,191	\$ 11,698	\$ 12,552	\$ (1,654)	\$ 328	\$ 47,115
Income (loss) attributable to stockholders before interest and income taxes	\$(11,092)	\$ (964)	\$(2,815)	\$ 102	\$ 127,966	\$ 113,197
Interest income					183	183
Interest expense					5,428	5,428
Income tax expense (benefit)					(1,166)	(1,166)
Net income (loss) attributable to stockholders					\$ 123,887	\$ 109,118
Depreciation, amortization and impairment	\$ 4,759	\$ 480	\$ 1,492	\$ —	\$ 142	\$ 6,873
Equity in income of and disposition of interest in Ally Financial	\$ —	\$ —	\$ —	\$ —	\$ 1,380	\$ 1,380
Equity income (loss), net of tax	\$ (277)	\$ 334	\$ 3	\$ —	\$ 1	\$ 61
Significant non-cash charges (gains)						
Gain on extinguishment of debt	\$ —	\$ —	\$ —	\$ —	\$ (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 (a)	—	—	—	—	(128,563)	(128,563)
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	9	237	—	—	566
Total significant non-cash charges (gains)	\$ 331	\$ 9	\$ 273	\$ —	\$(130,687)	\$(130,074)

(a) Refer to Note 2 for additional information on Reorganization gains, net.

Note 26. Stock Incentive Plans

Our and Old GM's stock incentive plans are more fully discussed in our Form S-1.

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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes compensation expense and total Income tax expense recorded for our stock incentive plans (dollars in millions):

	Successor		
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009
Compensation expense	\$ 84	\$ 136	\$ —
Income tax expense (a)	\$ 1	\$ 2	\$ —

(a) Income tax expense does not include U.S. and non-U.S. jurisdictions which have full valuation allowances.

Long-Term Incentive Plan

In March and June 2010, we granted 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 75 million units.

Salary Stock

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 75 million units.

The following tables summarize our RSU activity under the 2009 GMLTIP and GMSSP in the nine months ended September 30, 2010 (RSUs in millions):

	Shares	Successor		
		Weighted-Average Grant Date Fair Value	Remaining Contractual Term	Aggregate Intrinsic Value
RSUs outstanding at January 1, 2010	1.1	\$ 16.39		
Granted	16.9	\$ 18.80		
Settled	(0.2)	\$ 16.39		
Forfeited or expired	(0.3)	\$ 18.80		
RSUs outstanding at September 30, 2010	<u>17.5</u>	\$ 18.67	2.1	\$ —
RSUs expected to vest at September 30, 2010	<u>12.8</u>	\$ 18.80	2.5	\$ —
RSUs vested and payable at September 30, 2010	<u>4.0</u>	\$ 18.22	—	\$ —

There were no RSU's granted or outstanding under the 2009 GMLTIP and GMSSP for the period July 10, 2009 through September 30, 2009.

The following table summarizes our total payments for 97.2 thousand and 194.6 thousand RSUs vested under the GMSSP in the three and nine months ended September 30, 2010 (dollars in millions):

	Successor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Total payments	\$ 2	\$ 4

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

The following table summarizes compensation expense (benefit) and total Income tax expense (benefit) recorded for the Old GM Stock Incentive Plans (dollars in millions):

	Predecessor	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Compensation expense	\$ —	\$ (10)
Income tax expense (a)	\$ —	\$ —

(a) Income tax expense 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 stock options, including performance-contingent stock options (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	\$ —

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	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	\$ —

There were no GMSSOP options or market-contingent option awards under the 2007 GMLTIP granted or exercised in the period January 1, 2009 through July 9, 2009. There were no tax benefits realized from the exercise of share-based payment arrangements in the period January 1, 2009 through July 9, 2009.

Summary of Nonvested Awards

The following table summarizes the status of Old GM's nonvested awards (option awards in millions):

	Predecessor	
	Shares	Weighted-Average Grant-Date Fair Value
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.

Stock Performance Plans

The following table summarizes outstanding stock performance plan shares at July 9, 2009 (shares in millions):

Granted	Predecessor	
	Shares (a)	Weighted-Average Grant Date Fair Value
2007	1	\$ 33.70
2008	1	\$ 18.43
Total outstanding	2	

(a) Excludes shares that have not met performance condition.

There were no stock performance plan shares granted in the period January 1, 2009 through July 9, 2009.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 following tables summarize GMCRSUs (GMCRSUs in millions):

	<u>Predecessor</u> <u>January 1,</u> <u>2009</u> <u>Through</u> <u>July 9, 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>July 9, 2009</u>
GMCRSUs outstanding	5
Fair value per share	\$ 0.84
Weighted-average remaining contractual term (years)	1.4

Note 27. Subsequent Events**Acquisition of AmeriCredit Corp.**

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 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, specifically focusing on providing additional capabilities in leasing and sub-prime vehicle financing options.

We will record the fair value of assets acquired and liabilities assumed at October 1, 2010, the date we obtained control of GM Financial, and include its results of operations and cash flows in our consolidated financial statements from that date forward. GM Financial will be a separate reportable segment as defined by ASC 280, "Segment Reporting."

Because the date of the acquisition of GM Financial was subsequent to September 30, 2010, our condensed consolidated financial statements do not include any amounts for assets or liabilities to be acquired or reflect the results of operations or cash flows of GM Financial.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes certain pro forma financial information had the acquisition occurred as of the first day in the periods presented, utilizing a straight-line convention for GM Financial's information for the periods July 1, 2009 through July 9, 2009 and July 10, 2009 through September 30, 2009 and without consideration of historical transactions between the two companies, as it is impracticable to obtain such information (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Total net sales and revenue	\$ 34,433	\$ 99,807	\$ 25,519	\$ 1,678	\$ 48,098
Net income (loss) attributable to stockholders	\$ 2,213	\$ 4,966	\$ (835)	\$ 128,000	\$ 109,151

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.

New Secured Revolving Credit Facility

On October 27, 2010 we entered into a five-year, \$5.0 billion secured revolving credit facility, which includes a letter of credit sub-facility of up to \$500 million, with a syndicate of financial lenders. While we do not believe the proceeds of the secured revolving credit facility are required to fund operating activities, the facility is expected to provide additional liquidity and financing flexibility. Availability under the secured revolving credit facility is subject to borrowing base restrictions. Obligations under the secured revolving credit facility are secured by substantially all of our domestic assets including accounts receivable, inventory, property, plant and equipment, real estate, intercompany loans, intellectual property, trademarks, direct investments in Ally Financial, the equity interests in our direct domestic subsidiaries and are also secured by up to 65% of the voting equity interests in certain direct foreign subsidiaries, in each case, subject to certain exceptions. The collateral securing the secured revolving credit facility does not include, among other assets, cash, cash equivalents, marketable securities, as well as our investments in GM Financial, Delphi, China joint ventures and GM Daewoo.

Pro Forma Adjustment for Series A Preferred Stock Purchase

We have agreed to purchase 83.9 million shares of Series A Preferred Stock held by the UST at a price equal to 102 percent of their \$2.1 billion aggregate liquidation amount, conditional upon the completion of the common stock offering. We will record a \$677 million charge to Net income attributable to common stockholders for the difference between the carrying amount of the Series A Preferred Stock held by the UST of \$1.5 billion and the consideration paid of \$2.1 billion. The charge to Net income attributable to common stockholders has been included in the pro forma basic and diluted EPS for the three and nine months ended September 30, 2010. In the three months ended September 30, 2010 basic and diluted EPS has been reduced by \$0.46 and \$0.41 to \$0.85 and \$0.79. In the nine months ended September 30, 2010 basic and diluted EPS have been reduced by \$0.45 and \$0.43 to \$2.32 and \$2.19.

Upon the purchase of the Series A Preferred Stock held by the UST, the remaining Series A Preferred Stock, which is held by Canada Holdings and the New VEBA, will be reclassified to permanent equity at its current carrying amount of \$5.5 billion. The reclassification to permanent equity will occur as the holders of the Series A Preferred Stock will no longer own a majority of our common stock and therefore will no longer have the ability to exert control through the power to vote for the election of our directors or over other various matters, including compelling us to redeem the Series A Preferred Stock when it becomes callable by us on or after December 31, 2014.

The purchase and subsequent reclassification of the Series A Preferred Stock will reduce cash by \$2.1 billion, reduce temporary equity by \$7.0 billion, increase accumulated deficit by \$677 million, and increase preferred stock included in permanent equity by \$5.5 billion.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the event that we reach an agreement in the future to purchase the shares of Series A Preferred Stock held by Canada Holdings and the New VEBA, we would record a \$1.4 billion charge to Net income attributable to common shareholders related to the difference between the carrying amount of \$5.5 billion and the face amount of \$6.9 billion if purchased at a price equal to the liquidation amount of \$25 per share. The charge to Net income attributable to common shareholders would be larger if the consideration paid for the remaining Series A Preferred Stock is in excess of the liquidation amount of \$25 per share.

Other Actions

On October 26, 2010 we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion, which resulted in a gain of \$198 million that will be recorded during the three months ending December 31, 2010.

We also expect to contribute cash of \$4.0 billion and common stock valued at \$2.0 billion to the U.S. hourly and salaried pension plans after the completion of the common stock offering and Series B Preferred Stock offering. The stock contribution is contingent on Department of Labor approval, which we expect to receive in the near-term. The number of shares contributed will be determined based on the offering price of our common stock in the common stock offering. Currently, our intention is to contribute common stock to the U.S. hourly and salaried pension plans that will not initially qualify as plan assets due to certain transfer restrictions and for accounting purposes, these shares will be reflected as issued but not outstanding. When the transfer restrictions have been eliminated, our common stock issued to the U.S. hourly and salaried pension plans will qualify as plan assets and will then be considered issued and outstanding.

Under wholesale financing arrangements, our U.S. dealers typically borrow money from financial institutions to fund their vehicle purchases from us. Subject to completion of the common stock offering and Series B Preferred Stock offering, we expect to terminate a wholesale advance agreement which provides for accelerated receipt of payments made by Ally Financial on behalf of our U.S. dealers pursuant to Ally Financial's wholesale financing arrangements with dealers. Similar modifications will be made in Canada. The wholesale advance agreements cover the period for which vehicles are in transit between assembly plants and dealerships. Upon termination, we will no longer receive payments in advance of the date vehicles purchased by dealers are scheduled to be delivered, resulting in an increase of up to \$2.0 billion to our accounts receivable balance, depending on sales volumes and certain other factors in the near term, and the related costs under the arrangements will be eliminated.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying condensed consolidated financial statements and our Registration Statement on Form S-1, as filed with the Securities and Exchange Commission (SEC) on August 18, 2010, and amendments thereto (Form S-1).

Presentation and Estimates

Basis of Presentation

We analyze the results of our business through our three segments, namely General Motors North America (GMNA), General Motors International Operations (GMIO), and General Motors Europe (GME).

In the nine months ended September 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.

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.

On October 5, 2010 our Board of Directors recommended a three-for-one stock split on shares of our common stock, which was approved by our stockholders on November 1, 2010. The stock split was effected on November 1, 2010.

Each stockholder's percentage ownership in us and proportional voting power remained unchanged after the stock split. All applicable share, per share and related information for periods on or subsequent to July 10, 2009 have been adjusted retroactively to give effect to the three-for-one stock split.

On October 5, 2010, our Board of Directors recommended that we amend our Certificate of Incorporation to increase the number of shares of common stock that we are authorized to issue from 2,500,000,000 shares to 5,000,000,000 shares and to increase the number of preferred shares that we are authorized to issue from 1,000,000,000 shares to 2,000,000,000 shares. Our stockholders approved these amendments on November 1, 2010, and they were effected on November 1, 2010.

Use of Estimates in the Preparation of the Financial Statements

Our 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.

OVERVIEW

Our Company

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 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation (363 Sale) on July 10, 2009 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

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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 an agreement with the SEC Staff of the Securities and Exchange Commission (SEC) as described in no-action letter issued to Old GM by the SEC Staff on July 9, 2009 regarding our filing requirements and those of Motors Liquidation Company (MLC), the accompanying 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 (Predecessor). On July 10, 2009 in connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Corporation. MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities.

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 88 additional global manufacturing facilities. With a global network of over 21,000 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:

- 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.
- 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 collectively 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; 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%).
- 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 (Bankruptcy Code). As a result of the

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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 at December 31, 2009, we have a strong balance sheet, with available liquidity (cash, and cash equivalents and marketable securities) of \$33.5 billion and an outstanding debt balance of \$8.6 billion at September 30, 2010. Subsequently, we repaid \$2.8 billion of our then outstanding debt (together with accreted interest thereon) utilizing available liquidity and entered into a new five year \$5.0 billion secured revolving credit facility.

In recent quarters, we achieved profitability. Our results for the three months ended March 31, 2010, June 30, 2010 and September 30, 2010 included net income of \$1.2 billion, \$1.6 billion and \$2.2 billion. 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, for the period from July 10, 2009 to December 31, 2009.

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 21,000 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 expect to spend approximately \$12.0 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 had the number one market position with a share of 13.3% based on vehicle sales volume in 2009. We 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 140 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;
 - Eleven U.S. 2011 model year vehicles earned Consumers Digest "Best Buy" recognition;

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- 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 UAW Retiree Medical Benefits Trust (New VEBA) and manufacturing footprint reduction from 71 North American manufacturing facilities for Old GM at December 31, 2008 to 57 at September 30, 2010, and an expected 54 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 three months ended September 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reconciliation of Segment Results" for additional discussion) would have achieved breakeven at an implied 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. 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.* At September 30, 2010, we had available liquidity (cash, cash equivalents and marketable securities) of \$33.5 billion and outstanding debt of \$8.6 billion. Subsequently, we repaid \$2.8 billion of our then outstanding debt (together with accreted interest thereon) utilizing available liquidity and entered into a new five year \$5.0 billion secured credit facility. 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, a hypothetical valuation as of September 30, 2010 projects total contributions of \$0.6 billion to U.S. pension plans through 2013. (Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Other Long-Term Liabilities.") 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;

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- 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.

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, including:

- *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% 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 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 28 new vehicles between 2013 and 2014. These near-term launches include the new Chevrolet Volt, Cruze, Spark, Aveo and

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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 84 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. 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 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 vehicle 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.

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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.

Projected Fourth Quarter Results

With respect to the projected fourth quarter results for 2010, our independent registered public accounting firm has not compiled, examined, or performed any procedures with respect to this information, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, it.

We expect to generate positive EBIT in the fourth quarter of 2010, albeit at a significantly lower level than that of each of the first three quarters, due to the fourth quarter having a different production mix, new vehicles launch costs (in particular the Chevrolet Cruze and Volt) and higher engineering expenses for future products.

As the fourth quarter of 2010 is still in progress, any forecast of our operating results is inherently speculative, is subject to substantial uncertainty, and our actual results may differ materially from management's views. Refer to the section entitled "Risk Factors" for a discussion of risks that could affect our future operating results. Our views for the fourth quarter rely in large part upon assumptions and analyses we have developed.

As a result of the foregoing considerations and the other limitations of non-GAAP measures described elsewhere, investors are cautioned not to place undue reliance on this forecasted financial information. There are material limitations inherent in stating our views of our results for future periods. Refer to "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Old GM Bankruptcy and 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 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 (UST Loan Facility) 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.

In March 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 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.

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Old GM made further modifications to its plan in an attempt to satisfy the Auto Task Force's requirement that it 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.

Our Form S-1 provides 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 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 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 were separately disclosed in the consolidated statement of cash flows in our Form S-1 for the periods January 1, 2009 through July 9, 2009.

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

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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 Form S-1. These adjustments were final and no determinations of fair value were considered provisional.

Specific Management Initiatives

The execution of certain management initiatives is critical in 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 Corporation's (Delphi) global steering business (Nexteer) and four domestic facilities recently acquired from Delphi.

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 three and nine months ended September 30, 2010 GMNA produced 707,000 vehicles and 2.1 million vehicles. This represents an increase of 33.1% and 62.2% compared to 531,000 vehicles and 1.3 million vehicles we and Old GM produced in the three and nine months ended September 30, 2009.

Improve Vehicle Sales

GMNA dealers in the U.S. sold 558,000 vehicles and 1.6 million vehicles in the three and nine months ended September 30, 2010. This represents a decrease of 35,000 vehicles (or 5.8%) and an increase of 92,000 vehicles (or 5.9%) from our and Old GM's U.S. vehicle sales in the three and nine months ended September 30, 2009. This increase for the nine months ended September 30, 2010 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 557,000 vehicles and 1.6 million vehicles (or 99.9% and 99.3%) of our U.S. vehicle sales in the three and nine months ended September 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.

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. Certain dealers 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 September 30, 2010 the arbitration process had been fundamentally resolved. At September 30, 2010 there were approximately 5,000 vehicle dealers in the U.S. compared to approximately 5,600 at December 31, 2009.

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Repayment of Debt and Purchase of Preferred Stock

Repayment of UST Loans and Canadian Loan

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. On July 10, 2009 we entered into the UST Credit Agreement and assumed debt of \$7.1 billion (UST Loans), which Old GM incurred under the DIP Facility. On July 10, 2009 we also 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). One of our key priorities was to repay the outstanding balances from these loans prior to maturity. We also plan to use excess cash to repay debt and reduce our financial leverage.

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, General Motors of Canada Limited (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.

Purchase of Series A Preferred Stock from the UST

We plan to purchase 83.9 million shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock (Series A Preferred Stock) held by the UST at a price equal to 102% of their \$2.1 billion aggregate liquidation amount, conditional upon the completion of the common stock offering. We will record a \$677 million charge to Net income attributable to common stockholders for the difference between the carrying amount of the Series A Preferred Stock held by the UST of \$1.5 billion and the consideration paid of \$2.1 billion.

Upon the purchase of the Series A Preferred Stock held by the UST, the Series A Preferred Stock held by Canada Holdings and the New VEBA will be reclassified to permanent equity at its current carrying amount of \$5.5 billion as the remaining holders of our Series A Preferred Stock, Canada Holdings and the New VEBA, will no longer own a majority of our common stock and therefore will 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 or after December 31, 2014.

In the event that we reach an agreement in the future to purchase the shares of Series A Preferred Stock held by Canada Holdings and the New VEBA, we would record a \$1.4 billion charge to Net income attributable to common stockholders related to the difference between the carrying amount of \$5.5 billion and the face amount of \$6.9 billion if purchased at a price equal to the liquidation amount of \$25.00 per share. The charge to Net income attributable to common stockholders would be larger if the consideration paid for the remaining Series A Preferred Stock is in excess of the liquidation amount of \$25.00 per share.

Repayment of VEBA Notes

On July 10, 2009 we entered into the VEBA Note Agreement and issued the VEBA Notes in the principal amount of \$2.5 billion to the New VEBA. On October 26, 2010, we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion.

Brand Rationalization

We completed the sale of Saab Automobile AB (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.

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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. In September 2010 we committed up to a total of Euro 3.3 billion (equivalent to \$ 4.2 billion when committed) to fund Opel/Vauxhall's restructuring and ongoing cash requirements.

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 capacity reductions including headcount reductions and the closing of our Antwerp, Belgium facility.

The following provides an update of our restructuring activities related to our Opel/Vauxhall operations.

In the three and nine months ended September 30, 2010 GME recorded charges of \$28 million and \$80 million related to separation programs in the United Kingdom and Germany. In the nine months ended September 30, 2010 GME recorded net charges of \$61 million related to separation/layoff plans and an early retirement plan in Spain which will affect 1,200 employees.

In the three and nine months ended September 30, 2010 GME recorded charges of \$92 million and \$445 million related to a separation plan associated with the closure of the Antwerp, Belgium facility which affects 2,600 employees. 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). In addition, GME and employee representatives entered into a Memorandum of Understanding whereby both parties cooperated in a working group, which included the Flemish government, in order to find an outside investor to acquire and operate the facility. In October 2010 we announced that the search for an investor had been unsuccessful and the vehicle assembly operations in Antwerp, Belgium will cease at the end of 2010.

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 U.S. 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 United States to produce advanced technology vehicles and components for these vehicles. In October 2009 we submitted a consolidated application with respect to 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.

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, specifically focusing on providing additional capabilities in leasing and sub-prime vehicle financing options. We also plan to use GM Financial for targeted customer marketing initiatives to expand our vehicle sales.

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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 vehicle lending and a variety of local and regional financing sources around the world.

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. Sales and income of the joint ventures are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity income in the consolidated statement of operations.

SGM is a joint venture established by Shanghai Automotive Industry Corporation (SAIC) (51%) and us (49%) in 1997. SGM has interests in three other joint ventures in China — Shanghai GM (Shenyang) Norsom Motor Co., Ltd (SGM Norsom), Shanghai GM Dong Yue Motors Co., Ltd (SGM DY) and Shanghai GM Dong Yue Powertrain (SGM DYPT). These three joint ventures are jointly held by SGM (50%), SAIC (25%) and us (25%). The four joint ventures (SGM Group) are engaged in the production, import, and sale of a comprehensive range of products under the brands of Buick, Chevrolet, and Cadillac.

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.

The following table summarizes certain key operational and financial data for the SGM Group, which excludes SGMW and FAW-GM (dollars in millions):

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Total Wholesale Units	262,171	742,162	191,361	480,215
Market share	6.31%	5.58%	5.32%	4.95%
Total net sales and revenues	\$ 4,788	\$ 13,881	\$ 3,590	\$ 8,657
Net income	\$ 611	\$ 1,915	\$ 382	\$ 838
			September 30, 2010	December 31, 2009
Cash and cash equivalents			\$ 3,601	\$ 2,995
Debt			\$ 7	\$ 7

During the three and nine months ended September 30, 2010, SGM, SGMW and FAW-GM joint venture vehicle sales in China were 552,000 vehicles and 1.7 million vehicles. In the three and nine months ended September 30, 2010, SGM and SGMW, the largest of these three joint ventures, combined to provide Equity income, net of tax, to us of \$0.3 billion and \$1.1 billion.

In the three months ended September 30, 2010 we entered into an equity transfer agreement to purchase an additional 10% interest in SGMW from the Wuling Group for \$51 million in cash plus an agreement to provide technical services to the Wuling Group through 2013. The transaction is subject to regulatory approval in China. After completing this transaction, we will own 44% of the outstanding stock of SGMW.

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On November 3, 2010, we and SAIC entered into a non-binding Memorandum of Understanding (MOU) that would, if binding agreements are concluded by the parties, result in several strategic cooperation initiatives between us and SAIC. The initiatives covered by the MOU include:

- Cooperation in the development of new energy vehicles, such as appropriate electric vehicle architectures and battery electric vehicle technical development;
- Further expanding the role of Pan Asia Technical Automotive Center Co., Ltd (our China-based engineering and technical joint venture with SAIC) in vehicle development, new technology development and Participation in GM's global vehicle development process;
- Sharing an additional vehicle architecture and powertrain application with SAIC in an effort to help reduce development costs and benefit from economies of scale;
- Potential cooperation in providing access to a GM distribution network outside China for certain of SAIC's MG branded products;
- Technology and systems development training for SAIC's engineers; and
- Discussions to determine possible areas of cooperation in the development of future diesel engines.

The parties expect to reach definitive agreements regarding the MOU initiatives by December 31, 2010.

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 30,000 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 September 30, 2010 Nexteer had total assets of \$857 million, total liabilities of \$376 million, and recorded revenue of \$1.4 billion in the nine months ended September 30, 2010, of which \$765 million were sales to us and our affiliates. Nexteer did not qualify for held for sale classification at September 30, 2010. Once consummated, we do not expect the sale of Nexteer to have a material effect on our consolidated financial statements.

Contribution of Cash and Common Stock to U.S. Hourly and Salaried Pension Plans

In October 2010, we announced our intention to contribute \$6.0 billion to our U.S. hourly and salaried pension plans, consisting of \$4.0 billion of cash and \$2.0 billion of our common stock, following the completion the common stock offering and the Series B Mandatory Convertible Junior Preferred Stock (Series B Preferred Stock) offering. The common stock contribution is contingent on Department of Labor approval, which we expect to receive in the near-term. Based on the number of shares determined using an assumed public offering price per share of our common stock in the common stock offering of \$27.50, the midpoint of the range for the common stock offering, the anticipated common stock contribution would consist of 72.7 million shares of our common stock. Although we currently expect to make the cash and common stock contributions, we are not obligated to do so and cannot assure you that they will occur.

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New Secured Revolving Credit Facility

In October 2010, we entered into a new five year, \$5.0 billion secured revolving credit facility. While we do not believe the proceeds of the secured revolving credit facility are required to fund operating activities, the facility is expected to provide additional liquidity and financing flexibility. Refer to the section entitled “— Liquidity and Capital Resources — Recent Initiatives” for additional information about the secured revolving credit facility.

Benefit Plan Changes

U.S. Hourly Defined Benefit Pension Plan Remeasurement

In September 2010 the U.S. hourly defined benefit pension plan was amended to create a legally separate new defined benefit pension plan for the participants who are covered by the cash balance benefit formula. The underlying benefits offered to plan participants were unchanged. This plan amendment resulted in a remeasurement of the U.S. hourly defined benefit pension plan as of September 30, 2010. The remeasurement used a discount rate of 4.56%, increasing the projected benefit obligations (PBO) by \$5.8 billion. A discount rate of 5.49% was used at December 31, 2009. Additionally, higher than expected asset returns of \$3.4 billion partially offset the discount rate effect, and the remeasurement resulted in a net decrease to the funded status of the U.S. hourly defined benefit pension plan of \$2.4 billion.

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.

Venezuelan Exchange Regulations

Our Venezuelan subsidiaries changed their functional currency from Bolivar Fuerte (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 three months ended March 31, 2010. In the nine months ended September 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, like most Venezuelan importers, 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.

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Effect of Fresh-Start Reporting

The application of fresh-start reporting significantly affected certain assets, liabilities, and expenses. As a result, certain financial information in the nine months ended September 30, 2010 is not comparable to Old GM's financial information. Total net sales and revenue was not significantly affected by fresh-start reporting and facilitates a comparison to combined vehicle sales data. We have determined that the three months ended September 30, 2010 and the period July 10, 2009 through September 30, 2009 are comparable based on the immaterial results of Old GM for the period July 1, 2009 through July 9, 2009.

Because our and Old GM's financial information is not comparable for the nine months ended September 30, 2010 and the period January 1, 2009 through July 9, 2009, we are providing additional financial metrics for these periods presented in addition to disclosures concerning significant transactions and trends at September 30, 2010 and in these 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 gains and losses, 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	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Net sales and revenue	\$ 34,060	\$ 98,710	\$ 25,147	\$ 1,637	\$ 47,115
Costs and expenses					
Cost of sales	29,468	85,818	23,554	1,819	55,814
Selling, general and administrative expense	2,710	8,017	2,636	728	6,161
Other expenses, net	30	115	(40)	81	1,235
Total costs and expenses	<u>32,208</u>	<u>93,950</u>	<u>26,150</u>	<u>2,628</u>	<u>63,210</u>
Operating income (loss)	1,852	4,760	(1,003)	(991)	(16,095)
Equity in income of and disposition of interest in Ally Financial	—	—	—	—	1,380
Interest expense	(263)	(850)	(365)	(823)	(5,428)
Interest income and other non-operating income, net	258	802	454	19	852
Loss on extinguishment of debt	—	(1)	—	—	(1,088)
Reorganization gains, net	—	—	—	<u>129,312</u>	<u>128,155</u>
Income (loss) before income taxes and equity income	1,847	4,711	(914)	127,517	107,776
Income tax expense (benefit)	(25)	845	(139)	(607)	(1,166)
Equity income, net of tax	<u>351</u>	<u>1,165</u>	<u>204</u>	<u>15</u>	<u>61</u>
Net income (loss)	2,223	5,031	(571)	128,139	109,003
Less: Net income (loss) attributable to noncontrolling interests	<u>61</u>	<u>265</u>	<u>287</u>	<u>141</u>	<u>(115)</u>
Net income (loss) attributable to stockholders	2,162	4,766	(858)	127,998	109,118
Less: Cumulative dividends on preferred stock	<u>203</u>	<u>608</u>	<u>50</u>	<u>—</u>	<u>—</u>
Net income (loss) attributable to common stockholders	<u>\$ 1,959</u>	<u>\$ 4,158</u>	<u>\$ (908)</u>	<u>\$ 127,998</u>	<u>\$ 109,118</u>

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.

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

	Successor		Combined GM and Old GM	
	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
	September 30, 2010	September 30, 2010	September 30, 2009	September 30, 2009
Production Volume (a)				
GMNA	707	2,106	531	1,298
GMIO (b)(c)	1,111	3,418	910	2,433
GME	286	921	272	851
Worldwide	<u>2,104</u>	<u>6,445</u>	<u>1,713</u>	<u>4,582</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 246,000 vehicles and 735,000 vehicles and SGMW, FAW-GM joint venture production in China and SAIC GM Investment Ltd. (HKJV) joint venture production in India of 321,000 vehicles and 1.1 million vehicles in the three and nine months ended September 30, 2010 and combined GM and Old GM SGM joint venture production in China of 191,000 vehicles and 473,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture production in China of 290,000 vehicles and 817,000 vehicles in the three and nine months ended September 30, 2009.
- (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.

	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30, 2010		September 30, 2010		September 30, 2009		September 30, 2009	
	GM	GM as a % of Industry	GM	GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry
Vehicle Sales (a)(b)(c)(d)								
GMNA (e)	661	17.7%	1,941	18.1%	690	18.7%	1,847	18.9%
GMIO (f)(g)(h)	1,014	10.3%	3,041	10.2%	872	10.3%	2,389	10.2%
GME (f)	391	8.9%	1,238	8.7%	409	9.0%	1,290	9.1%
Worldwide (f)	<u>2,065</u>	<u>11.5%</u>	<u>6,220</u>	<u>11.4%</u>	<u>1,972</u>	<u>11.8%</u>	<u>5,526</u>	<u>11.6%</u>

- (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 262,000 vehicles and 713,000 vehicles and SGMW, FAW-GM joint venture vehicle sales in China and HKJV joint venture vehicle sales in India of 313,000 vehicles and 1.0 million vehicles in the three and nine months ended September 30, 2010 and combined GM and Old GM SGM joint venture vehicle sales in China of 195,000 vehicles and 473,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture vehicle sales in China of 271,000 vehicles and 763,000 vehicles in the three and nine months ended September 30, 2009. We do not record revenue from our joint ventures' vehicle sales.

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- (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.

Reconciliation of Consolidated and Segment Results

Management believes 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 between periods and 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.

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 EBIT to Net income (loss) attributable to stockholders for each of our operating segments (dollars in millions):

	Successor						Predecessor			
	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010		July 10, 2009 Through September 30, 2009		July 1, 2009 Through July 9, 2009		January 1, 2009 Through July 9, 2009	
	EBIT as a % of Operating Segments		EBIT as a % of Operating Segments		EBIT as a % of Operating Segments		EBIT as a % of Operating Segments		EBIT as a % of Operating Segments	
	Amount		Amount		Amount		Amount		Amount	
Operating segments										
GMNA (a)	\$2,125	96.1%	\$ 4,935	79.3%	\$(1,377)	150.0%	\$ (640)	63.4%	\$ (11,092)	74.6%
GMIO (a)	646	29.2%	2,484	39.9%	474	(51.6)%	(265)	26.3%	(964)	6.5%
GME (a)	(559)	(25.3)%	(1,196)	(19.2)%	(15)	1.6%	(104)	10.3%	(2,815)	18.9%
Total operating segments	2,212	100.0%	6,223	100.0%	(918)	100.0%	(1,009)	100.0%	(14,871)	100.0%
Corporate and eliminations (b)	63		(91)		177		129,213		128,068	
Earnings (loss) before interest and taxes	2,275		6,132		(741)		128,204		113,197	
Interest income	125		329		109		10		183	
Interest expense	263		850		365		823		5,428	
Income tax expense (benefit)	(25)		845		(139)		(607)		(1,166)	
Net income (loss) attributable to stockholders	<u>\$2,162</u>		<u>\$ 4,766</u>		<u>\$ (858)</u>		<u>\$127,998</u>		<u>\$109,118</u>	

- (a) Interest and income taxes are recorded centrally in Corporate; therefore, there are no reconciling items for our operating segments between Earnings (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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Three and Nine Months Ended September 30, 2010, July 10, 2009 Through September 30, 2009, July 1, 2009 Through July 9, 2009 and January 1, 2009 Through July 9, 2009
(Dollars in millions)

Total Net Sales and Revenue

	<u>Successor</u>	<u>Combined GM and Old GM</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Three Months Ended 2010 vs. 2009 Change</u>	
	<u>Three Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>	<u>July 10, 2009 Through September 30, 2009</u>	<u>July 1, 2009 Through July 9, 2009</u>	<u>Amount</u>	<u>%</u>
GMNA	\$ 21,493	\$ 14,578	\$ 14,151	\$ 427	\$ 6,915	47.4%
GMIO	8,702	6,938	6,395	543	1,764	25.4%
GME	5,657	5,844	5,238	606	(187)	(3.2)%
Total operating segments	35,852	27,360	25,784	1,576	8,492	31.0%
Corporate and eliminations	(1,792)	(576)	(637)	61	(1,216)	n.m.
Total net sales and revenue	<u>\$ 34,060</u>	<u>\$ 26,784</u>	<u>\$ 25,147</u>	<u>\$ 1,637</u>	<u>\$ 7,276</u>	<u>27.2%</u>

n.m. = not meaningful

In the three months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$7.3 billion (or 27.2%), primarily due to: (1) higher primarily wholesale volumes of \$4.5 billion in GMNA due to an improving economy and successful recent vehicle launches; (2) higher wholesale volumes of \$1.3 billion in GMIO primarily resulting from the global economic recovery, lower interest rates and availability of consumer credit to customers, and launches of new vehicles; (3) favorable pricing of \$1.1 billion in GMNA due to lower sales allowances; (4) favorable mix of \$0.4 billion in GMNA due to increased crossover and truck sales; (5) increased sales of \$0.3 billion in GMNA due to the acquisition of Nexteer and four domestic component manufacturing facilities; (6) increased revenues from OnStar of \$0.2 billion primarily due to increased volumes; (7) favorable pricing effect of \$0.2 billion in GMIO, driven by the hyperinflationary economy in Venezuela and strategic price increases due to strong market demand for our vehicles; (8) favorable vehicle mix of \$0.1 billion in GME due to increased sales of higher priced vehicles partially offset by the end of government subsidies for vehicle purchases in higher retail priced countries; and (9) favorable vehicle mix of \$0.1 billion in GMIO driven by launches of new vehicles and increased sales of high priced sports utility vehicles.

These increases were partially offset by: (1) net unfavorable effect of foreign currency translation and transaction losses of \$0.3 billion; and (2) lower wholesale volumes of \$0.1 billion in GME.

	<u>Successor</u>	<u>Combined GM and Old GM</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Nine Months Ended 2010 vs. 2009 Change</u>	
	<u>Nine Months Ended September 30, 2010</u>	<u>Nine Months Ended September 30, 2009</u>	<u>July 10, 2009 Through September 30, 2009</u>	<u>January 1, 2009 Through July 9, 2009</u>	<u>Amount</u>	<u>%</u>
GMNA	\$ 61,045	\$ 38,342	\$ 14,151	\$ 24,191	\$22,703	59.2%
GMIO	25,366	18,093	6,395	11,698	7,273	40.2%
GME	17,162	17,790	5,238	12,552	(628)	(3.5)%
Total operating segments	103,573	74,225	25,784	48,441	29,348	39.5%
Corporate and eliminations	(4,863)	(1,963)	(637)	(1,326)	(2,900)	(147.7)%
Total net sales and revenue	<u>\$ 98,710</u>	<u>\$ 72,262</u>	<u>\$ 25,147</u>	<u>\$ 47,115</u>	<u>\$26,448</u>	<u>36.6%</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

In the nine months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$26.4 billion (or 36.6%), primarily due to: (1) higher primarily wholesale volumes of \$16.5 billion in GMNA due to an improving economy and successful recent vehicle launches; (2) higher wholesale volumes of \$4.0 billion in GMIO primarily resulting from the market recovery and launches of new vehicles; (3) favorable pricing of \$2.8 billion in GMNA due to lower sales allowances, partially offset by less favorable adjustments in the U.S. to the accrual for U.S. residual support programs for leased vehicles of \$0.3 billion; (4) favorable mix of \$1.6 billion in GMNA due to increased crossover and truck sales; (5) increased sales of \$1.0 billion in GMNA due to the acquisition of Nexteer and four domestic component manufacturing facilities; (6) net favorable effect of foreign currency translation and transaction gains of \$0.9 billion; (7) derivative losses of \$0.7 billion that Old GM recorded in the nine months ended September 30, 2009; (8) favorable vehicle mix of \$0.6 billion in GMIO driven by launches of the new vehicles and increased sales of higher priced sport utility vehicles; (9) favorable pricing effect of \$0.6 billion in GMIO, primarily in Venezuela of \$0.3 billion driven by the hyperinflationary economy and strategic price increases of \$0.3 billion due to strong demand for our vehicles; and (10) favorable vehicle pricing of \$0.2 billion in GME due to higher pricing on new vehicle launches.

These increases were partially offset by: (1) lower wholesale volumes in GME of \$0.5 billion; and (2) lower volumes of rental car activity and subsequent repurchases sold at auction of \$0.3 billion in GME.

Cost of Sales

	Successor				Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
	Cost of sales	\$ 29,468	86.5%	\$ 23,554	93.7%	\$ 5,914
Gross margin	\$ 4,592	13.5%	\$ 1,593	6.3%	\$ 2,999	188.3%

In the three months ended September 30, 2010 Cost of sales increased compared to the period July 10, 2009 through September 30, 2009 by \$5.9 billion (or 25.1%), primarily due to: (1) higher volumes of \$3.6 billion due to an improving economy and successful recent vehicle launches, primarily in GMNA of \$2.8 billion; (2) higher material costs of \$0.9 billion associated with the production of trucks, large cars and crossover vehicles which have higher cost content across all regions; (3) the net reduction of foreign currency transaction gains of \$0.3 billion; and (4) increased restructuring charges of \$0.1 billion in GME, primarily related to separation programs announced in Belgium, Spain, Germany and the United Kingdom. This increase also reflected the benefit of lower Cost of sales in 2009 in GMNA and GME of \$0.7 billion and \$0.5 billion due to the sell through of inventory acquired from Old GM at July 10, 2009. As required under U.S. GAAP, the acquired inventory was recorded at fair value as of the acquisition date using a market participant approach, which for work in process and finished goods inventory considered the estimated selling price of the inventory less the costs a market participant would incur to complete, sell and dispose of the inventory, which may be different than our costs, and the profit margin required for its completion and disposal effort.

These increases were partially offset by: (1) a net reduction of \$0.1 billion in GMNA due to 2009 hourly and salary separation program charges and favorable adjustments related to the Supplemental Unemployment Benefit (SUB) and Transition Support Program (TSP); and (2) the net reduction of foreign currency translation losses of \$0.6 billion.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 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	\$ 85,818	86.9%	\$ 1,819	111.1%	\$ 55,814	118.5%
Gross margin	\$ 12,892	13.1%	\$ (182)	(11.1)%	\$ (8,699)	(18.5)%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM

In the nine months ended September 30, 2010 Cost of sales included: (1) restructuring charges of \$0.7 billion to restructure our European operations, primarily for separation programs announced in Belgium, Spain, Germany and the United Kingdom; (2) charges of \$0.2 billion for a recall campaign on windshield fluid heaters in GMNA; and (3) net foreign currency translation losses of \$0.2 billion; partially offset by (4) favorable adjustments of \$0.2 billion to restructuring reserves in GMNA primarily due to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple U.S. production sites.

Old GM

In the period January 1, 2009 through July 9, 2009 Cost of sales included: (1) incremental depreciation charges of \$2.8 billion, primarily in GMNA and GME; (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 as a result of the 2009 Special Attrition Programs and salaried workforce reductions; (3) separation program charges and Canadian restructuring activities of \$1.1 billion; (4) 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, Old GM's job security provision in the collective bargaining agreement with the UAW to continue paying idled employees certain wages and benefits; (5) foreign currency translation and remeasurement losses of \$0.7 billion, primarily in GMNA due to the strengthening of the Canadian Dollar against the U.S. Dollar; and (6) charges of \$0.1 billion related to obligations associated with various Delphi agreements.

In the period January 1, 2009 through July 9, 2009 negative gross margin reflected sales volumes at historically low levels and Cost of sales, including costs that are fixed in nature, exceeding Total net sales and revenue.

Selling, General and Administrative Expense

	Successor				Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
Selling, general and administrative expense	\$ 2,710	8.0%	\$ 2,636	10.5%	\$ 74	2.8%

In the three months ended September 30, 2010 Selling, general and administrative expense increased compared to the period July 10, 2009 through September 30, 2009 by \$74 million (or 2.8%) due to: (1) an increase in advertising and sales promotion expenses of \$0.2 billion, primarily in GMNA for promotional campaigns to support the launch of new vehicles; partially offset by (2) a decrease in selling and marketing expenses of \$0.2 billion due to non-recurring charges of \$0.2 billion recorded in the period July 10, 2009 through September 30, 2009 for dealer wind-down costs for our Saturn dealers after plans to sell the Saturn brand and dealerships network were terminated.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 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	\$ 8,017	8.1%	\$ 728	44.5%	\$ 6,161	13.1%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM

In the nine months ended September 30, 2010 Selling, general and administrative expense included: (1) administrative expenses of \$3.2 billion; (2) advertising and sales promotion expenses of \$3.4 billion to support media campaigns for our products, including expenses in GMNA of \$2.2 billion, in GMIO of \$0.6 billion, and in GME of \$0.6 billion; and (3) selling and marketing expenses of \$1.0 billion related to our dealerships.

Old GM

In the period January 1, 2009 through July 9, 2009 Selling, general and administrative expense included: (1) charges of \$0.5 billion recorded for dealer wind-down costs in GMNA; and (2) 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 salary workforce reductions. This was partially offset by the positive effects of various cost savings initiatives, the cancellation of certain sales and promotion contracts as a result of the Chapter 11 Proceedings in the U.S. and overall reductions in advertising and marketing budgets.

Other Expenses, net

	Successor				Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
Other expenses, net	\$ 30	0.1%	\$ (40)	(0.2)%	\$ 70	175.0%

In the three months ended September 30, 2010 Other expenses, net increased compared to the period July 10, 2009 through September 30, 2009 by \$70 million (or 175.0%) primarily due to gains of \$60 million recorded in GME in 2009 for changes in liabilities related to Saab.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
Other expenses, net	\$ 115	0.1%	\$ 81	4.9%	\$ 1,235	2.6%

GM

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

Old GM

In the period January 1, 2009 through July 9, 2009 Other expenses, net was primarily comprised of: (1) charges of \$0.8 billion in GME, primarily related to the deconsolidation of Saab; (2) charges of \$0.2 billion related to Delphi; and (3) depreciation expense of \$0.1 billion related to the portfolio of automotive retail leases.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
Interest Expense

	Successor				Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
Interest expense	\$ (263)	0.8%	\$ (365)	1.5%	\$ 102	27.9%

In the three months ended September 30, 2010 Interest expense decreased compared to the period July 10, 2009 through September 30, 2009 by \$102 million (or 27.9%) due to a decrease in debt balances, primarily resulting from the full repayments of the UST Loans and Canadian Loan of \$7.0 billion in April 2010.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
Interest expense	\$ (850)	0.9%	\$ (823)	50.3%	\$ (5,428)	11.5%

GM

In the nine months ended September 30, 2010 Interest expense included: (1) interest expense on GMIO debt of \$0.3 billion; (2) interest expense on GMNA debt of \$0.2 billion; (3) VEBA Notes interest expense and premium amortization of \$0.2 billion; and (4) interest expense on the UST Loans of \$0.1 billion.

Old GM

In the period July 1, 2009 through July 9, 2009 Old GM recorded amortization of discounts primarily related to the DIP Facility of \$0.6 billion.

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 \$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.

Interest Income and Other Non-Operating Income, net

	Successor				Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
Interest income and other non-operating income, net	\$ 258	0.8%	\$ 454	1.8%	\$ (196)	(43.2)%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

In the three months ended September 30, 2010 Interest income and other non-operating income, net decreased compared to the period July 10, 2009 through September 30, 2009 by \$0.2 billion (or 43.2%), primarily due to: (1) a decrease in derivative gains of \$0.1 billion primarily related to the appreciation of the Korean Won against the U.S. Dollar and the Euro; and (2) expenses of \$70 million recorded to increase the accrual for our contingently issuable shares based on an updated estimate of the fair value of our common stock.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue	January 1, 2009 Through July 9, 2009	Percentage of Total net sales and revenue
Interest income and other non-operating income, net	\$ 802	0.8%	\$ 19	1.2%	\$ 852	1.8%

GM

In the nine months ended September 30, 2010 Interest income and other non-operating income, net primarily included interest income of \$0.3 billion on cash deposits and marketable securities, gain on the sale of Saab of \$0.1 billion, rental income of \$0.1 billion, Ally Financial exclusivity fee of \$0.1 billion and dividend income of \$0.1 billion.

Old GM

In the period January 1, 2009 through July 9, 2009 Interest income and other non-operating income, net primarily included: (1) interest income of \$183 million earned from investments; (2) gains on derivatives of \$164 million related to the return of warrants issued to the UST; (3) gains on foreign currency exchange derivatives of \$91 million; (4) dividends on the investment in GMAC Preferred Membership Interests of \$79 million; (5) net rental income of \$78 million in GMNA; (6) royalty income of \$59 million in GMNA; and (7) exclusivity fee income of \$52 million in GMNA.

Loss on Extinguishment of Debt

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Loss on extinguishment of debt	\$ —	\$ (1)	\$ —	\$ —	\$ (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 (as defined in Note 7 to the condensed consolidated financial statements) 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 \$1.5 billion U.S. term loan in March 2009.

Reorganization Gains, net

	Predecessor	
	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Reorganization gains, net	\$ 129,312	\$ 128,155

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Old GM

In the period January 1, 2009 through July 9, 2009 Reorganization gains, net included the change in net assets resulting from the application of fresh-start reporting of \$33.8 billion, the fair value of Series A Preferred stock, common shares and warrants issued in the 363 Sale of \$20.5 billion, the gain on conversion of debt of \$37.5 billion, and the gain from the settlement of net liabilities retained by MLC.

Income Tax Expense (Benefit)

In interim periods, income tax expense is comprised of two key elements: (1) the amount necessary to appropriately state the year-to-date estimated tax expense of entities included in our effective tax rate calculation, which is calculated as the difference between the amount currently estimated for the year to date period and the amount previously recorded in prior interim periods; and (2) the tax effect of unusual or infrequent items that occur in the period.

	Successor		Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	Amount	%
Income tax expense (benefit)	\$ (25)	\$ (139)	\$ 114	82.0%

In the three months ended September 30, 2010 income tax benefit decreased compared to the period July 10, 2009 through September 30, 2009 by \$0.1 billion (or 82.0%) primarily due to: (1) income tax expense related to entities included in our effective tax rate calculation, including a reduction in the benefit from intra period income tax allocation relating to the remeasurement of our pension plans of \$0.2 billion; partially offset by (2) net income tax benefit from changes in unusual or infrequent items of \$0.1 billion, none of which had a significant effect on tax expense, either individually or in the aggregate. In the three months ended September 30, 2010 and the period July 10, 2009 through September 30, 2009, we recorded income tax expense to Other comprehensive income and allocated income tax benefit to operations.

	Successor	Predecessor	
	Nine Months Ended September 30, 2010	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Income tax expense (benefit)	\$ 845	\$ (607)	\$ (1,166)

GM

In the nine months ended September 30, 2010 income tax expense of \$0.8 billion resulted primarily from tax expense attributable to entities included in our effective tax rate calculation. Aside from a taxable foreign currency gain in Venezuela, unusual or infrequent items did not have a significant effect on tax expense, either individually or in the aggregate. The recorded effective tax rate is substantially below the applicable statutory tax rate, primarily due to income earned in jurisdictions for which a full valuation allowance is recorded.

Old GM

In the period July 1, 2009 through July 9, 2009 income tax benefit of \$0.6 billion primarily resulted from the reversal of valuation allowances of \$0.7 billion related to Reorganization gains, net.

In the period January 1, 2009 through July 9, 2009 income tax benefit of \$1.2 billion 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, partially offset by income tax attributable to entities included in our effective tax rate calculation.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
Equity Income, net of tax

	Successor			Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change		
	Three Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 10, 2009 Through September 30, 2009	Percentage of Total net sales and revenue	Amount	%
SGM and SGMW	\$ 336	1.0%	\$ 195	0.8%	\$ 141	72.3%
Other equity interests	15	—%	9	—%	6	66.7%
Total equity income, net of tax	<u>\$ 351</u>	1.0%	<u>\$ 204</u>	0.8%	<u>\$ 147</u>	72.1%

In the three months ended September 30, 2010 Equity income, net of tax increased compared to the period July 10, 2009 through September 30, 2009 by \$0.1 billion or (72.1%), primarily due to higher income at SGM of \$0.1 billion.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010	Percentage of Total net sales and revenue	July 1, 2009 Through July 9, 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	\$ 1,071	1.1%	\$ 8	0.5%	\$ 298	0.6%
Other equity interests	94	0.1%	7	0.4%	(237)	(0.5)%
Total equity income, net of tax	<u>\$ 1,165</u>	1.2%	<u>\$ 15</u>	0.9%	<u>\$ 61</u>	0.1%

GM

In the nine months ended September 30, 2010 Equity income, net of tax included: (1) equity income of \$1.1 billion related to our China joint ventures, primarily SGM and SGMW; and (2) equity income of \$0.1 billion related to New Delphi (as defined in Note 4 to the condensed consolidated financial statements).

Old GM

In the period January 1, 2009 through July 9, 2009 Equity income, net of tax included: (1) increased sales volume at SGM; (2) charges of \$0.2 billion related to Old GM's investment in New United Motor Manufacturing, Inc. (NUMMI); and (3) equity losses of \$65 million and \$38 million related to NUMMI and CAMI Automotive, Inc. (CAMI), primarily due to lower volumes.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

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

	September 30, 2010	Successor December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 27,466	\$ 22,679
Marketable securities	6,010	134
Total cash, cash equivalents and marketable securities	33,476	22,813
Restricted cash and marketable securities	1,323	13,917
Accounts and notes receivable (net of allowance of \$279 and \$250)	8,725	7,518
Inventories	13,044	10,107
Assets held for sale	—	388
Equipment on operating leases, net	2,942	2,727
Other current assets and deferred income taxes	2,074	1,777
Total current assets	61,584	59,247
Non-Current Assets		
Equity in net assets of nonconsolidated affiliates	8,691	7,936
Assets held for sale	—	530
Property, net	19,116	18,687
Goodwill	30,556	30,672
Intangible assets, net	12,454	14,547
Other assets	4,837	4,676
Total non-current assets	75,654	77,048
Total Assets	\$ 137,238	\$ 136,295
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$ 22,137	\$ 18,725
Short-term debt and current portion of long-term debt (including debt at GM Daewoo of \$1,072 at September 30, 2010)	5,621	10,221
Liabilities held for sale	—	355
Accrued expenses (including derivative liabilities at GM Daewoo of \$217 at September 30, 2010)	24,811	23,134
Total current liabilities	52,569	52,435
Non-Current Liabilities		
Long-term debt (including debt at GM Daewoo of \$798 at September 30, 2010)	2,945	5,562
Liabilities held for sale	—	270
Postretirement benefits other than pensions	8,721	8,708
Pensions	28,965	27,086
Other liabilities and deferred income taxes	13,322	13,279
Total non-current liabilities	53,953	54,905
Total Liabilities	106,522	107,340
Commitments and contingencies		
Preferred stock, \$0.01 par value, (2,000,000,000 shares authorized, 360,000,000 shares issued and outstanding (each with a \$25.00 liquidation preference) at September 30, 2010 and December 31, 2009)	6,998	6,998
Equity		
Common stock, \$0.01 par value, (5,000,000,000 shares authorized, 1,500,000,000 shares issued and outstanding at September 30, 2010 and December 31, 2009)	15	15
Capital surplus (principally additional paid-in capital)	24,041	24,040
Accumulated deficit	(236)	(4,394)
Accumulated other comprehensive income (loss)	(1,073)	1,588
Total stockholders' equity	22,747	21,249
Noncontrolling interests	971	708
Total equity	23,718	21,957
Total Liabilities and Equity	\$ 137,238	\$ 136,295

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Current Assets

At September 30, 2010 Marketable securities of \$6.0 billion increased by \$5.9 billion due to investments in securities with maturities exceeding 90 days.

At September 30, 2010 Restricted cash and marketable securities of \$1.3 billion decreased by \$12.6 billion (or 90.5%), 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 September 30, 2010 Accounts and notes receivable of \$8.7 billion increased by \$1.2 billion (or 16.1%), primarily due to higher sales volumes in all regions compared to December 31, 2009.

At September 30, 2010 Inventories of \$13.0 billion increased by \$2.9 billion (or 29.1%), primarily due to: (1) increased production resulting from higher demand for our products and new product launches; and (2) higher inventory levels at September 30, 2010 compared to low levels at December 31, 2009 of \$5.9 billion that resulted from the year-end shut-down in certain locations.

At September 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 September 30, 2010 Equipment on operating leases, net of \$2.9 billion increased by \$0.2 billion (or 7.9%) 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 131,000 vehicles at September 30, 2010); partially offset by (2) a decrease of \$0.3 billion due to the continued liquidation of our portfolio of automotive retail leases.

At September 30, 2010 Other current assets and deferred income taxes of \$2.1 billion increased by \$0.3 billion (or 16.7%), primarily due to an increase in current deferred income taxes of \$0.6 billion due mostly to the reclassification of VEBA Notes, from non-current to current in the three months ended June 30, 2010, partially offset by a reduction in taxes other than income taxes of \$0.2 billion.

Non-Current Assets

At September 30, 2010 Equity in net assets of nonconsolidated affiliates of \$8.7 billion increased by \$0.8 billion (or 9.5%) due to: (1) equity income of \$1.2 billion in the nine months ended September 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, primarily related to our China joint ventures; (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 September 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 September 30, 2010 Property, net of \$19.1 billion increased by \$0.4 billion (or 2.3%), primarily due to capital expenditures of \$3.1 billion, partially offset by depreciation of \$2.8 billion and foreign currency translation of \$0.1 billion.

At September 30, 2010 Intangible assets, net of \$12.5 billion decreased by \$2.1 billion (or 14.4%), primarily due to amortization of \$2.0 billion and foreign currency translation of \$0.1 billion.

Current Liabilities

At September 30, 2010 Accounts payable of \$22.1 billion increased by \$3.4 billion (or 18.2%) primarily due to higher payables for materials due to increased production volumes.

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At September 30, 2010 Short-term debt and current portion of long-term debt of \$5.6 billion decreased by \$4.6 billion (or 45.0%), primarily due to our full repayments of the UST Loans and Canadian Loan of \$7.0 billion and net paydowns on other obligations of \$0.6 billion. This was partially offset by an increase of \$3.0 billion due to the classification of our VEBA Notes as short-term at September 30, 2010.

At September 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 September 30, 2010 Accrued expenses of \$24.8 billion increased by \$1.7 billion (or 7.2%), primarily due to: (1) an increase in GMNA due to higher customer deposits related to the increased number of vehicles leased to U.S. daily rental car companies of \$0.9 billion; and (2) other miscellaneous accruals of \$0.7 billion.

Non-Current Liabilities

At September 30, 2010 Long-term debt of \$2.9 billion decreased by \$2.6 billion (or 47.1%), primarily due to the reclassification of our VEBA Notes from long-term to short-term, which were \$2.8 billion at December 31, 2009, partially offset by additional net borrowings and foreign currency translation.

At September 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.

At September 30, 2010 our Pensions obligation of \$29.0 billion increased by \$1.9 billion (or 6.9%), primarily due to pension plan remeasurements of \$2.8 billion, partially offset by net contributions and benefit payments of \$0.6 billion and the favorable effect of foreign currency translation of \$0.2 billion.

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

Our segment information reflects the information provided to and reviewed by our chief operating decision maker to assess performance and allocate resources. We manage our operations on a geographic basis through our three geographically-based segments: GMNA, GME and GMIO. Our segments typically share assets and vehicle platforms in the manufacturing process, including related engineering. Production and capacity planning is performed on a regional or global basis. While not all vehicles within a segment are individually profitable on a fully loaded cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. These factors together with the integrated nature of our manufacturing operations, the existence of broad-based trade agreements within certain geographical regions, and the need to meet regulatory requirements, such as Corporate Average Fuel Economy (CAFE) regulations within certain geographic regions, drives our need to manage our business operations on a geographic basis and not on an individual brand or vehicle basis. Accordingly, the focus of our operational discussion is at the geographic-based segment level.

Segment Results of Operations

GM North America
(Dollars in millions)

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Total net sales and revenue	\$ 21,493	\$ 61,045	\$ 14,151	\$ 427	\$ 24,191
Earnings (loss) before interest and income taxes	\$ 2,125	\$ 4,935	\$ (1,377)	\$ (640)	\$ (11,092)

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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):

	Successor		Combined GM and Old GM	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Production Volume (a)				
Cars	215	737	206	493
Trucks	492	1,369	325	805
Total	<u>707</u>	<u>2,106</u>	<u>531</u>	<u>1,298</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.

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	GM	GM as a % of Industry	GM	GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry
Vehicle Sales (a)(b)(c)(d)(e)								
Total GMNA	661	17.7%	1,941	18.1%	690	18.7%	1,847	18.9%
Total U.S.	558	18.3%	1,639	18.7%	593	19.4%	1,547	19.5%
U.S. Cars	204	13.9%	629	14.6%	270	16.5%	673	16.5%
U.S. Trucks	354	22.4%	1,010	22.6%	322	22.8%	874	22.6%
Canada	65	15.3%	189	15.4%	67	16.2%	201	17.6%
Mexico	35	17.5%	108	18.4%	30	16.6%	94	17.3%

	GM		Combined GM and Old GM	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
GMNA Vehicle Deliveries by Brand (a)(b)(c)(d)(e)				
Buick	47	123	27	79
Cadillac	42	112	26	77
Chevrolet	469	1,393	456	1,178
GMC	99	290	79	224
Other — Opel	—	1	—	1
Core Brands	<u>658</u>	<u>1,918</u>	<u>588</u>	<u>1,558</u>
HUMMER	1	4	2	10
Pontiac	2	11	78	205
Saab	—	1	2	8
Saturn	—	7	20	68
Other Brands	<u>2</u>	<u>22</u>	<u>102</u>	<u>290</u>
GMNA Total	<u>661</u>	<u>1,941</u>	<u>690</u>	<u>1,847</u>

(a) Vehicle sales primarily represent sales to the ultimate customer.

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- (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 the time of delivery to the daily rental car companies.

Three and Nine Months Ended September 30, 2010, July 10, 2009 Through September 30, 2009, July 1, 2009 Through July 9, 2009 and January 1, 2009 Through July 9, 2009

(Dollars in millions)

Total Net Sales and Revenue

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2010</u>	<u>Combined GM</u> <u>and Old GM</u> <u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2009</u>	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>September 30,</u> <u>2009</u>	<u>Predecessor</u> <u>July 1, 2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Three Months Ended</u> <u>2010 vs. 2009 Change</u>	
					<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 21,493	\$ 14,578	\$ 14,151	\$ 427	\$ 6,915	47.4%

In the three months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$6.9 billion (or 47.4%), primarily due to: (1) higher primarily wholesale volumes of \$4.5 billion representing 184,000 vehicles (or 33.3%) due to an improving economy and successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX; (2) favorable price of \$1.1 billion due to lower sales allowances; (3) favorable mix of \$0.4 billion due to increased crossover and truck sales; (4) increased sales of \$0.3 billion due to the acquisition of Nexteer and four domestic component manufacturing facilities; and (5) increased revenues from OnStar of \$0.2 billion primarily due to increased volumes.

Total Net Sales and Revenue

	<u>Successor</u> <u>Nine Months</u> <u>Ended</u> <u>September 30,</u> <u>2010</u>	<u>Combined GM</u> <u>and Old GM</u> <u>Nine Months</u> <u>Ended</u> <u>September 30,</u> <u>2009</u>	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>September 30,</u> <u>2009</u>	<u>Predecessor</u> <u>January 1,</u> <u>2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Nine Months Ended</u> <u>2010 vs. 2009 Change</u>	
					<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 61,045	\$ 38,342	\$ 14,151	\$ 24,191	\$ 22,703	59.2%

In the nine months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$22.7 billion (or 59.2%), primarily due to: (1) higher primarily wholesale volumes of \$16.5 billion representing 733,000 vehicles (or 51.6%) due to an improving economy and successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX; (2) favorable pricing of \$2.8 billion due to lower sales allowances partially offset by less favorable adjustments in the U.S. to the accrual for U.S. residual support programs for leased vehicles of \$0.3 billion (favorable of \$0.6 billion in 2010 compared to favorable of \$0.9 billion in 2009); (3) favorable mix of \$1.6 billion due to increased crossover and truck sales; (4) increased sales of \$1.0 billion due to the acquisition of Nexteer and four domestic component manufacturing facilities; and (5) the favorable net foreign currency remeasurement effect of \$0.6 billion primarily driven by the strengthening of the Canadian Dollar against the U.S. Dollar.

Earnings (Loss) Before Interest and Income Taxes

The most significant factors which influence GMNA's profitability are industry volume (primarily U.S. seasonally adjusted annual rate (SAAR)) and market share. While not as significant as industry volume and market share, another factor affecting GMNA profitability is the relative mix of vehicles (cars, trucks, crossovers) sold. Contribution margin is a key indicator of product

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profitability. Contribution margin is defined as revenue less material cost, freight, and policy and warranty expense. Vehicles with higher selling prices generally have higher contribution margins. Trucks currently have a contribution margin of approximately 140% of our portfolio on a weighted average basis. Crossover vehicles' contribution margins are in line with the overall portfolio on a weighted average basis, and cars are approximately 60% of the portfolio on a weighted average basis. As such, a sudden shift in consumer preference from trucks to cars would have an unfavorable effect on GMNA's EBIT and breakeven point. For example, a shift in demand such that industry market share for trucks deteriorated 10 percentage points and industry market share for cars increased by 10 percentage points, holding other variables constant, would have increased GMNA's breakeven point for the three months ended September 30, 2010, as measured in terms of U.S. industry volume SAAR, by approximately 200,000 vehicles. For the three months ended September 30, 2010 our U.S. car market share was 13.9% based on vehicle sales volume and our U.S. truck market share was 22.4% based on vehicle sales volume. We continue to strive to achieve a product portfolio with more balanced contribution margins and less susceptibility to shifts in consumer demand.

	Successor		Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	Amount	%
Earnings (loss) before interest and income taxes	\$ 2,125	\$ (1,377)	\$ 3,502	n.m.

n.m. = not meaningful

In the three months ended September 30, 2010 results increased compared to the period July 10, 2009 through September 30, 2009 by \$3.5 billion (or 254.3%), due to: (1) higher primarily wholesale volumes of \$1.3 billion due to an improving economy and successful recent vehicle launches such as the Chevrolet Equinox, GMC Terrain, Buick LaCrosse and Cadillac SRX; (2) favorable pricing of \$1.1 billion due to lower sales allowances; (3) a reduction in foreign currency remeasurement losses of \$0.6 billion partially offset by foreign currency transaction losses of \$0.1 billion primarily driven by the strengthening of the Canadian Dollar against the U.S. Dollar; (4) charges of \$0.2 billion in 2009 related to dealer wind-down costs for our Saturn dealers after plans to sell the Saturn brand and dealerships network were terminated; (5) elimination of ongoing UAW retiree healthcare employee benefit expense of \$0.2 billion due to the transfer of the Hourly OPEB Health Plan to the UAW VEBA; (6) favorable adjustments of \$0.1 billion to restructuring reserves primarily due to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple U.S. production sites; (7) increase of \$0.1 billion due to the acquisition of Nexteer and four domestic component manufacturing facilities; (8) increase of \$0.1 billion from OnStar primarily due to increased volumes; and (9) favorable mix of \$0.1 billion due to increased crossover and truck sales; partially offset by (9) the effect on cost of sales of \$0.7 billion related to inventory acquired from Old GM as further described below and impairment charges related to product-specific tooling assets of \$0.1 billion.

The 2009 results reflect the benefit of \$0.7 billion lower cost of sales due to the sell through of inventory acquired from Old GM at July 10, 2009. As required under U.S. GAAP, the acquired inventory was recorded at fair value as of the acquisition date using a market participant approach, which for work in process and finished goods inventory considered the estimated selling price of the inventory less the costs a market participant would incur to complete, sell and dispose of the inventory, which may be different than our costs, and the profit margin required for its completion and disposal effort.

	Successor	Predecessor	
	Nine Months Ended September 30, 2010	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Earnings (loss) before interest and income taxes	\$ 4,935	\$ (640)	\$ (11,092)

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GM

In the nine months ended September 30, 2010 results reflected operating income of \$4.7 billion on primarily wholesale volumes of 2.2 million vehicles and include: (1) favorable adjustments of \$0.2 billion to restructuring reserves primarily due to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple U.S. production sites; (2) advertising and sales promotion expenses of \$2.2 billion primarily to support media campaigns for our products; (3) administrative expenses of \$1.4 billion; (4) selling and marketing expenses of \$0.5 billion related to our dealerships; (5) foreign currency remeasurement losses of \$0.2 billion and foreign currency transaction losses of \$0.1 billion driven by the strengthening of the Canadian Dollar against the U.S. Dollar; (6) charges of \$0.2 billion for a recall campaign on windshield fluid heaters; and (7) impairment charges related to product-specific tooling assets of \$0.2 billion.

Old GM

In the period January 1, 2009 through July 9, 2009 results included: (1) incremental depreciation charges of \$2.1 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 plans as a result of the 2009 Special Attrition Programs and salaried workforce reductions; (3) U.S. hourly and salary separation program charges and Canadian restructuring activities of \$1.1 billion; (4) foreign currency remeasurement losses of \$0.7 billion driven by the general strengthening of the Canadian Dollar against the U.S. Dollar; (5) charges of \$0.5 billion incurred for dealer wind-down costs; (6) 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; (7) charges of \$0.4 billion primarily for impairments for special tooling and product related machinery and equipment; (8) charges of \$0.3 billion related to obligations associated with various Delphi agreements; and (9) 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.

GM International Operations
(Dollars in millions)

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Total net sales and revenue	\$ 8,702	\$ 25,366	\$ 6,395	\$ 543	\$ 11,698
Earnings (loss) before interest and income taxes	\$ 646	\$ 2,484	\$ 474	\$ (265)	\$ (964)

Production and Vehicle Sales Volume

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

	Successor		Combined GM and Old GM	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Production Volume (a)(b)(c)	1,111	3,418	910	2,433

- (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 246,000 vehicles and 735,000 vehicles and SGMW, FAW-GM joint venture production in China and HKJV joint venture production in India of 321,000 vehicles and 1.1 million vehicles in the three and nine months ended September 30, 2010 and combined GM and Old GM SGM joint venture production in China of 191,000 vehicles and 473,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture production in China of 290,000 vehicles and 817,000 vehicles in the three and nine months ended September 30, 2009.

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- (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.

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010		Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	GM	GM as a % of Industry	GM	GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry	Combined GM and Old GM	Combined GM and Old GM as a % of Industry
Vehicle Sales (a)(b)(c)(d)								
Total GMIO	1,014	10.3%	3,041	10.2%	872	10.3%	2,389	10.2%
Vehicle sales — consolidated entities								
Brazil	169	18.3%	471	18.8%	168	19.8%	439	19.1%
Australia	33	13.0%	101	13.0%	30	13.2%	87	12.7%
Argentina	29	16.1%	85	16.4%	21	15.7%	64	15.3%
South Korea (e)	30	7.9%	88	7.8%	31	8.5%	76	7.5%
Middle East Operations	29	10.4%	85	10.0%	30	11.5%	86	11.0%
Colombia	24	35.5%	60	34.3%	16	33.2%	49	36.9%
Egypt	19	29.6%	52	27.5%	15	26.1%	38	25.6%
Venezuela	15	42.0%	39	41.7%	5	19.3%	40	37.6%
Vehicle sales — primarily joint ventures (f)								
China (g)	567	13.6%	1,776	13.4%	478	13.3%	1,293	13.3%
India	24	3.0%	84	3.7%	18	3.1%	46	2.8%

- (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.
- (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 84,000 vehicles and 250,000 vehicles in the three and nine months ended September 30, 2010. 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 88,000 vehicles and 273,000 vehicles in the three and nine months ended September 30, 2009.
- (f) Includes SGM joint venture vehicle sales in China of 262,000 vehicles and 713,000 vehicles and SGMW, FAW-GM joint venture vehicle sales in China and HKJV joint venture vehicle sales in India of 313,000 vehicles and 1.0 million vehicles in the three and nine months ended September 30, 2010 and combined GM and Old GM SGM joint venture vehicle sales in China of 195,000 vehicles and 473,000 vehicles and combined GM and Old GM SGMW and FAW-GM joint venture vehicle sales in China of 271,000 vehicles and 763,000 vehicles in the three and nine months ended September 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.

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Three and Nine Months Ended September 30, 2010, July 10, 2009 Through September 30, 2009, July 1, 2009 Through July 9, 2009 and January 1, 2009 Through July 9, 2009
(Dollars in millions)

Total Net Sales and Revenue

	Successor	Combined GM and Old GM	Successor	Predecessor	Three Months Ended 2010 vs. 2009 Change	
	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	Amount	%
Total net sales and revenue	\$ 8,702	\$ 6,938	\$ 6,395	\$ 543	\$ 1,764	25.4%

In the three months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$1.8 billion (or 25.4%) primarily due to: (1) higher wholesale volumes of \$1.3 billion representing 115,000 vehicles (or 27.8%). The primary driver was the global economic recovery as well as lower interest rates and availability of consumer credit to customers, together with the effect of launches of the Chevrolet Cruze, Chevrolet Spark and the Buick LaCrosse throughout the region. Wholesale volumes increased primarily from the market recovery in GM Daewoo by 32,000 vehicles or (29.2%), by 10,000 vehicles (or 51.7%) in Argentina, by 10,000 vehicles (or 40.1%) in the Middle East, by 8,000 vehicles (or 54.9%), in Colombia and by 10,000 vehicles (or 180.6%) in Venezuela; (2) favorable net foreign currency translation effect of \$0.2 billion, primarily driven by the strengthening of major currencies in 2010 against the U.S. Dollar such as the Korean Won, Australian Dollar and Brazilian Real, partially offset by devaluation of the Venezuelan Bolivar; (3) favorable vehicle mix of \$0.1 billion driven by launches of the Chevrolet Cruze, Chevrolet Spark and the Buick LaCrosse and increased sales of high priced sports utility vehicles; and (4) favorable pricing effect of \$0.2 billion in GMIO, primarily in Venezuela of \$0.1 billion driven by the hyperinflationary economy and strategic price increases of \$0.1 billion in countries such as Argentina due to strong market demand for our vehicles.

We do not record revenue from our joint venture operations in China and India as their revenue is not consolidated in our financial results.

	Successor	Combined GM and Old GM	Successor	Predecessor	Nine Months Ended 2010 vs. 2009 Change	
	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	July 10, 2009 Through September 30, 2009	January 1, 2009 Through July 9, 2009	Amount	%
Total net sales and revenue	\$ 25,366	\$ 18,093	\$ 6,395	\$ 11,698	\$ 7,273	40.2%

In the nine months ended September 30, 2010 Total net sales and revenue increased compared to the corresponding period in 2009 by \$7.3 billion (or 40.2%) primarily due to: (1) higher wholesale volumes of \$4.0 billion representing 315,000 vehicles (or 26.1%). Wholesale volumes increased primarily from the market recovery in GM Daewoo by 68,000 vehicles or (19.9%), by 26,000 vehicles (or 50.1%) in Argentina, by 43,000 vehicles (or 9.8%) in Brazil, by 26,000 vehicles (or 31.4%) in the Middle East and by 21,000 vehicles (or 25.4%) in Australia together with the effect of launches of the Chevrolet Cruze, Chevrolet Spark and the Buick LaCrosse throughout the region; (2) favorable net foreign currency translation effect of \$1.2 billion, primarily driven by the strengthening of major currencies in 2010 against the U.S. Dollar such as the Korean Won, Australian Dollar and Brazilian Real, partially offset by devaluation of the Venezuelan Bolivar; (3) derivative losses of \$0.9 billion that GMIO recorded in 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; (4) favorable vehicle mix of \$0.6 billion driven by launches of the Chevrolet Cruze, Chevrolet Spark and the Buick LaCrosse and increased sales of higher priced sports utility vehicles; and (5) the favorable pricing effect of \$0.6 billion in GMIO, primarily in Venezuela of \$0.3 billion driven by the hyperinflationary economy and strategic price increase of \$0.3 billion in countries such as Brazil and Argentina due to strong market demand for our vehicles.

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Earnings (Loss) Before Interest and Income Taxes

	Successor		Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change	
	Three Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	Amount	%
	Earnings (loss) before interest and income taxes	\$ 646	\$ 474	\$ 172

In the three months ended September 30, 2010 results increased compared to the period July 10, 2009 through September 30, 2009 by \$0.2 billion (or 36.3%) primarily due to: (1) improved operating results at Argentina, Australia, South Africa and the Middle East of \$0.2 billion; and (2) increased Equity income, net of tax, of \$0.1 billion from the operating results of our China joint ventures; partially offset by (3) decreased income attributable to noncontrolling interests at GM Daewoo of \$0.1 billion due to the increase in our ownership from 50.9% to 70.1% and a decline in GM Daewoo's income.

	Successor		Predecessor	
	Nine Months Ended September 30, 2010		July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
	Earnings (loss) before interest and income taxes	\$ 2,484		\$ (265)

GM

In the nine months ended September 30, 2010 results reflected operating income of \$1.5 billion on wholesale volume of 1.5 million vehicles and include: (1) administrative expenses of \$1.1 billion; (2) advertising and sales promotion expenses of \$0.6 billion primarily to support media campaigns for our products; (3) selling and marketing expenses of \$0.2 billion related to our dealerships; and (4) favorable foreign currency transaction gain, net of \$0.1 billion primarily due to favorable foreign currency exchanges that were processed by CADIVI. EBIT also included: (1) Equity income, net of tax, of \$1.1 billion from the operating results of our China joint ventures; (2) the noncontrolling interest attributable to minority shareholders of GM Daewoo of \$0.2 billion; and (3) favorable change in fair value of \$0.1 billion from derivatives driven by stronger Korean Won versus the U.S. Dollar.

Old GM

In the period January 1, 2009 through July 9, 2009 results included: (1) loss on derivative instruments of \$0.8 billion at GM Daewoo, (2) foreign currency transaction loss of \$0.5 billion primarily due to foreign currency exchanges that were processed outside the CADIVI process in Venezuela, partially offset by (3) favorable equity income, net of tax of \$0.3 billion from the operating results of our China joint ventures.

GM Europe

(Dollars in millions)

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
	Total net sales and revenue	\$ 5,657	\$ 17,162	\$ 5,238	\$ 606
Earnings (loss) before interest and income taxes	\$ (559)	\$ (1,196)	\$ (15)	\$ (104)	\$ (2,815)

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Production and Vehicle Sales Volume

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

	<u>Successor</u>		<u>Combined GM and Old GM</u>	
	<u>Three Months Ended September 30, 2010</u>	<u>Nine Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>	<u>Nine Months Ended September 30, 2009</u>
Production Volume (a)	286	921	272	851

(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>Three Months Ended September 30, 2010</u>		<u>Nine Months Ended September 30, 2010</u>		<u>Three Months Ended September 30, 2009</u>		<u>Nine Months Ended September 30, 2009</u>	
	<u>GM</u>	<u>GM as a % of Industry</u>	<u>GM</u>	<u>GM as a % of Industry</u>	<u>Combined GM and Old GM</u>	<u>Combined GM and Old GM as a % of Industry</u>	<u>Combined GM and Old GM</u>	<u>Combined GM and Old GM as a % of Industry</u>
Vehicle Sales (a)(b)(c)(d)(e)								
Total GME	391	8.9%	1,238	8.7%	409	9.0%	1,290	9.1%
United Kingdom	76	12.6%	233	12.7%	78	12.0%	228	13.5%
Germany	66	8.5%	195	8.2%	93	9.4%	304	9.6%
Italy	34	8.3%	130	7.7%	42	8.0%	144	8.2%
Spain	17	8.3%	80	9.0%	25	9.1%	66	8.7%
Russia	40	7.3%	107	7.9%	30	8.3%	114	9.9%
France	23	4.3%	87	4.4%	29	5.0%	84	4.4%

(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 84,000 vehicles and 250,000 vehicles in the three and nine months ended September 30, 2010. Combined GM and Old GM sales of GM Daewoo produced Chevrolet brand products included in vehicle sales and market share data was 88,000 vehicles and 273,000 vehicles in the three and nine months ended September 30, 2009.

(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 the time of delivery to the daily rental car companies.

Three and Nine Months Ended September 30, 2010, July 10, 2009 Through September 30, 2009, July 1, 2009 Through July 9, 2009 and January 1, 2009 Through July 9, 2009
(Dollars in millions)

Total Net Sales and Revenue

	<u>Successor</u>	<u>Combined GM and Old GM</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Three Months Ended 2010 vs. 2009 Change</u>	
	<u>Three Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>	<u>July 10, 2009 Through September 30, 2009</u>	<u>July 1, 2009 Through July 9, 2009</u>	<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 5,657	\$ 5,844	\$ 5,238	\$ 606	\$ (187)	(3.2)%

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In the three months ended September 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.2 billion (or 3.2%) primarily due to: (1) unfavorable net foreign currency translation of \$0.4 billion, driven primarily by the weakening of the Euro and British Pound against the U.S. Dollar; (2) lower wholesale volumes of \$0.1 billion representing 6,000 vehicles (or 2.0%). Wholesale volumes decreased by 25,000 vehicles (or 32.1%) in Germany, by 5,000 vehicles (or 27.0%) in Spain, and by 5,000 vehicles (or 74.4%) in Greece. These wholesale volume decreases were partially offset as wholesale volumes increased by 8,000 vehicles (or 129.5%) in Russia, by 6,000 vehicles (or 100.0%) in the United States primarily related to the Buick Regal and by 15,000 vehicles in various other European countries; partially offset by (3) favorable vehicle mix of \$0.1 billion due to increased sales of higher priced vehicles partially offset by the end of government subsidies for vehicle purchases in higher retail priced countries; and (4) increased powertrain sales to external customers of \$0.1 billion.

	<u>Successor</u>	<u>Combined GM and Old GM</u>	<u>Successor</u> <u>July 10, 2009</u> <u>Through</u> <u>September 30,</u> <u>2009</u>	<u>Predecessor</u> <u>January 1,</u> <u>2009</u> <u>Through</u> <u>July 9, 2009</u>	<u>Nine Months Ended</u> <u>2010 vs. 2009 Change</u>	
	<u>Nine Months</u> <u>Ended</u> <u>September 30, 2010</u>	<u>Nine Months</u> <u>Ended</u> <u>September 30, 2009</u>			<u>Amount</u>	<u>%</u>
Total net sales and revenue	\$ 17,162	\$ 17,790	\$ 5,238	\$ 12,552	\$ (628)	(3.5)%

In the nine months ended September 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.6 billion (or 3.5%) primarily due to: (1) lower wholesale volumes of \$0.5 billion representing 26,000 vehicles (or 2.8%). Wholesale volumes decreased by 111,000 vehicles (or 40.4%) in Germany due to the end of government subsidies and by 4,000 vehicles (or 29.6%) in Greece. These wholesale volume decreases were partially offset as wholesale volumes increased by 15,000 vehicles (or 32.7%) in Spain, by 11,000 vehicles (or 12.4%) in France, by 9,000 vehicles (or 9.2%) in Italy, by 8,000 vehicles (or 109.0%) in Portugal, by 6,000 vehicles (or 27.9%) in the Netherlands, by 14,000 vehicles in the United States primarily related to the Buick Regal and by 26,000 vehicles in various other European countries; (2) unfavorable net foreign currency translation of \$0.3 billion, driven primarily by the weakening of the Euro and British Pound against the U.S. Dollar; (3) lower volumes of rental car activity and subsequent repurchases sold at auction of \$0.3 billion; partially offset by (4) favorable vehicle pricing of \$0.2 billion due to higher pricing on new vehicle launches; (5) increased powertrain sales to external customers of \$0.2 billion; and (6) favorable vehicle mix of \$0.1 billion due to increased sales of higher priced vehicles partially offset by the end of government subsidies for vehicle purchases in higher retail priced countries.

Earnings (Loss) Before Interest and Income Taxes

	<u>Successor</u>		<u>Three Months Ended</u> <u>September 30, 2010</u> <u>vs. Period July 10, 2009</u> <u>Through</u> <u>September 30, 2009</u> <u>Change</u>	
	<u>Three Months</u> <u>Ended</u> <u>September 30,</u> <u>2010</u>	<u>July 10, 2009</u> <u>Through</u> <u>September 30,</u> <u>2009</u>	<u>Amount</u>	<u>%</u>
Earnings (loss) before interest and income taxes	\$ (559)	\$ (15)	\$ (544)	n.m.

n.m. = not meaningful

In the three months ended September 30, 2010 results decreased compared to the period July 10, 2009 through September 30, 2009 by \$0.5 billion as a result of: (1) the effect on cost of sales of \$0.5 billion related to inventory acquired from Old GM as further described below; and (2) increased restructuring charges of \$0.1 billion primarily related to separation programs announced in Belgium, Spain, Germany, and the United Kingdom.

The 2009 results reflect the benefit of \$0.5 billion lower cost of sales due to the sell through of inventory acquired from Old GM at July 10, 2009. As required under U.S. GAAP, the acquired inventory was recorded at fair value as of the acquisition date using a

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market participant approach, which for work in process and finished goods inventory considered the estimated selling price of the inventory less the costs a market participant would incur to complete, sell and dispose of the inventory, which may be different than our costs, and the profit margin required for its completion and disposal effort.

	Successor		Predecessor			
	Nine Months Ended September 30, 2010		July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009		
Earnings (loss) before interest and income taxes	\$	(1,196)	\$	(104)	\$	(2,815)

GM

In the nine months ended September 30, 2010 results reflected operating loss of \$1.3 billion on wholesale volume of 910,000 vehicles and include:

- (1) restructuring charges of \$0.7 billion primarily related to separation programs announced in Belgium, Spain, Germany and the United Kingdom; (2) advertising and sales promotion expenses of \$0.6 billion primarily related to support media campaigns for our products; (3) administrative expense of \$0.4 billion; and (4) selling and marketing expenses of \$0.3 billion related to our dealerships.

Old GM

In the period January 1, 2009 through July 9, 2009 results included: (1) Other expenses, net of \$0.8 billion primarily representing charges related to the deconsolidation of Saab, which filed for reorganization protection under the laws of Sweden in February 2009; (2) incremental depreciation charges of \$0.7 billion related to restructuring activities; (3) impairment charges of \$0.2 billion related to product specific tooling assets; and (4) operating losses of \$0.2 billion related to Saab.

Corporate Results of Operations
(Dollars in millions)

	Successor			Predecessor						
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009					
Total net sales and revenue	\$	45	\$	142	\$	87	\$	7	\$	328
Income attributable to stockholders	\$	(31)	\$	(1,408)	\$	93	\$	128,969	\$	123,887

Three and Nine Months Ended September 30, 2010, July 10, 2009 Through September 30, 2009, July 1, 2009 Through July 9, 2009 and January 1, 2009 Through July 9, 2009
(Dollars in millions)

Total Net Sales and Revenue

	Successor		Combined GM and Old GM	Successor		Predecessor					
	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Three Months Ended September 30, 2009	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	Three Months Ended 2010 vs. 2009 Change					
						Amount	%				
Total net sales and revenue	\$	45	\$	94	\$	87	\$	7	\$	(49)	(52.1)%

In the three months ended September 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.1 billion (or 52.1%) primarily due to decreased lease financing revenue related to the liquidation of the portfolio of automotive retail leases. Average outstanding automotive retail leases on-hand for GM and combined GM and Old GM were 1,000 and 52,000 for the three months ended September 30, 2010 and 2009.

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	<u>Successor</u> Nine Months Ended September 30, 2010	<u>Combined GM and Old GM</u> Nine Months Ended September 30, 2009	<u>Successor</u> July 10, 2009 Through September 30, 2009	<u>Predecessor</u> January 1, 2009 Through July 9, 2009	<u>Nine Months Ended 2010 vs. 2009 Change</u>	
					Amount	%
Total net sales and revenue	\$ 142	\$ 415	\$ 87	\$ 328	\$ (273)	(65.8)%

In the nine months ended September 30, 2010 Total net sales and revenue decreased compared to the corresponding period in 2009 by \$0.3 billion (or 65.8%) 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 combined GM and Old GM were 9,000 and 87,000 for the nine months ended September 30, 2010 and 2009.

Income (Loss) Attributable to Stockholders

	<u>Successor</u>		<u>Three Months Ended September 30, 2010 vs. Period July 10, 2009 Through September 30, 2009 Change</u>	
	Three Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	Amount	%
Income (loss) attributable to stockholders	\$ (31)	\$ 93	\$ (124)	(133.3)%

In the three months ended September 30, 2010 results decreased compared to the period July 10, 2009 through September 30, 2009 by \$0.1 billion (or 133.3%), due to: (1) a decrease in the Income tax benefit of \$0.1 billion primarily resulting from income tax expense related to entities included in our effective tax rate calculation; (2) a decrease in foreign currency transaction gains of \$0.2 billion recorded in 2009 on funds received from EDC; offset by (3) a decrease in Interest expense of \$0.1 billion due to a decrease in the debt balance primarily resulting from the \$7.0 billion full repayment of the UST Loans and Canadian Loan in April 2010; and (4) a decrease in Selling, general, and administrative expense of \$0.1 billion primarily related to additional costs incurred in 2009 associated with legal and professional services related to the Chapter 11 Proceedings.

	<u>Successor</u>	<u>Predecessor</u>	
	Nine Months Ended September 30, 2010	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Income (loss) attributable to stockholders	\$ (1,408)	\$ 128,969	\$ 123,887

GM

In the nine months ended September 30, 2010 results included: (1) Income tax expense of \$0.8 billion primarily related to \$0.8 billion of tax expense attributable to entities included in our effective tax rate calculation; (2) Interest expense of \$0.9 billion related to GMIO debt of \$0.3 billion, GMNA debt of \$0.2 billion, VEBA Notes interest expense and premium amortization of \$0.2 billion and interest expense on the UST Loans of \$0.1 billion; partially offset by (3) interest income of \$0.3 billion primarily related to investments held in GMIO.

Old GM

In the period July 1, 2009 through July 9, 2009 results included centrally recorded Reorganization gains, net of \$129.3 billion which is more fully discussed in Note 2 to the condensed consolidated financial statements, and amortization of discounts primarily related to the DIP Facility of \$0.6 billion.

In the period January 1, 2009 through July 9, 2009 results included: (1) centrally recorded Reorganization gains, net of \$128.2 billion which is more fully discussed in Note 2 to the condensed consolidated financial statements; (2) 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

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Interests in Ally Financial, which 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; (3) amortization of discounts related to the UST Loan, EDC Loan and DIP Facilities of \$3.7 billion; (4) interest expense of \$0.8 billion on unsecured debt balances; (5) interest expense of \$0.4 billion on the UST Loan Facility; (6) interest expense of \$0.2 billion on GMIO debt; (7) 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 into shares of Ally Financial's Class B Common Membership Interests; partially offset by (8) a gain on extinguishment of debt of \$0.9 billion related to an amendment to Old GM's U.S. term loan.

Liquidity and Capital Resources

We believe that our current level of cash, marketable securities and availability under our new secured revolving credit facility 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 GM Daewoo's revolving credit facility and other debt payments; (5) the purchase of a portion of our Series A Preferred Stock; and (6) certain South American income and indirect tax-related administrative and legal proceedings may require that we deposit funds in escrow or make payments, such amounts may range from \$785 million to \$970 million.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Risk Factors" sections of our Form S-1 and this report, 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 and capital positions, including reducing our financial leverage through the repayment of debt, contributions to our pension plans and other liquidity actions.

In August 2010 we filed a Form S-1 for an initial public offering of shares in our common stock as well as shares of our Series B Preferred Stock. We amended the Form S-1 through additional filings in September, October and November 2010. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders in our public offering.

In the nine-months ended September 30, 2010 we made net investments of \$5.9 billion in highly liquid marketable securities instruments with maturities between 90 days and 365 days. Previously, these funds would have been 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 and capital structure initiatives.

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 September 2010 we committed up to a total of Euro 3.3 billion (equivalent to \$4.2 billion when committed) to fund Opel/Vauxhall's restructuring and ongoing cash requirements. This funding includes cumulative lending commitments combined into a Euro 2.6 billion facility and equity commitments of Euro 700 million.

In October 2010 we completed our acquisition of AmeriCredit, an independent automobile finance company, for cash of approximately \$3.5 billion and AmeriCredit was renamed 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, specifically focusing on providing additional capabilities in leasing and sub-prime vehicle financing options. We funded the transaction using cash on hand.

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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 March and April 2010 we repaid the remaining amounts owed under the UST Loans of \$5.7 billion and Canadian Loan of \$1.3 billion. Additionally, in April 2010 GM Daewoo repaid a portion of its revolving credit facility in the amount of \$225 million. In July 2010 our Russian subsidiary repaid a loan facility of \$150 million to cure a technical default. In October 2010 we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion. Following repayment, all covenants and compliance requirements with respect to the VEBA Notes no longer apply to us.

As described more fully below in the section entitled “New Secured Revolving Credit Facility”, in October 2010, through a wholly-owned direct subsidiary, we entered into a five-year, \$5.0 billion secured revolving credit facility. While we do not believe the proceeds of the secured revolving credit facility are required to fund operating activities, the facility is expected to provide additional liquidity and financing flexibility.

We plan to implement the following actions which will affect our liquidity:

- We plan to purchase 83.9 million shares of our Series A Preferred Stock, which accrue cumulative dividends at a 9% annual rate, from the UST for a purchase price equal to 102% of their \$2.1 billion aggregate liquidation amount pursuant to an agreement that we entered into with the UST in October 2010, conditional on the completion of the common stock offering. We intend to purchase the Series A Preferred Stock on the first dividend payment date for the Series A Preferred Stock after the completion of the public offering.
- We expect to make a voluntary contribution to the U.S. hourly and salaried defined benefit pension plans of \$4.0 billion of cash and \$2.0 billion of our common stock after the completion of the public offering. The common stock contribution is contingent upon approval from the Department of Labor, which we expect to receive in the near-term.

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 September 30, 2010 available liquidity was \$33.5 billion, not including funds available under credit facilities of \$1.3 billion or in the Canadian Health Care Trust (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 manage our global liquidity using cash and highly liquid marketable securities in the U.S., cash held at our international treasury centers and available liquidity at consolidated overseas subsidiaries. The following table summarizes global liquidity (dollars in millions):

	Successor	
	September 30, 2010	December 31, 2009
Cash and cash equivalents	\$ 27,466	\$ 22,679
Marketable securities	6,010	134
Available liquidity	33,476	22,813
Available under credit facilities	1,319	618
Total available liquidity	34,795	23,431
UST and HCT escrow accounts (a)	978	13,430
Total liquidity including UST and HCT escrow accounts	\$ 35,773	\$ 36,861

(a) Classified as Restricted cash and marketable securities. Refer to Note 12 to the condensed consolidated financial statements. The remaining funds held in the UST Escrow account were released in April 2010 following the repayment of the UST Loans and Canadian Loan.

Total available liquidity increased by \$11.4 billion in the nine months ended September 30, 2010 primarily due to positive cash flows of \$8.3 billion from operating activities, \$10.0 billion from investing activities excluding net marketable securities acquisitions and a \$0.7 billion increase in amounts available under credit facilities, which were partially offset by negative cash flows of \$7.9 billion from financing activities.

New Secured Revolving Credit Facility

In October 2010, through a wholly-owned, direct subsidiary (the “borrower”), we entered into a five year, \$5.0 billion secured revolving credit facility, which includes a letter of credit sub-facility of up to \$500 million, with Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers, Citibank, N.A., as the administrative agent, and Bank of America, N.A., as the syndication agent, and a syndicate of lenders.

While we do not believe the proceeds of the secured revolving credit facility are required to fund operating activities, the facility is expected to provide additional liquidity and financing flexibility. Availability under the secured revolving credit facility is subject to borrowing base restrictions.

We and certain of the borrower’s domestic subsidiaries guaranteed the borrower’s obligations under the secured revolving credit facility. In addition, obligations under the secured revolving credit facility are secured by substantially all of the borrower’s and the subsidiary guarantors’ domestic assets, including accounts receivable, inventory, property, plant, and equipment, real estate, intercompany loans, intellectual property, trademarks and direct investments in Ally Financial and are also secured by the equity interests of the direct, “first-tier” domestic subsidiaries of the borrower and of the subsidiary guarantors, and up to 65% of the voting equity interests in certain direct, “first-tier” foreign subsidiaries of the borrower and of the subsidiary guarantors, in each case, subject to certain exceptions. The collateral securing the secured revolving credit facility does not include, among other assets, cash, cash equivalents, marketable securities, as well as our investment in GM Financial, our investment in New Delphi and our equity interests in our Chinese joint ventures and in GM Daewoo and in the direct or indirect owners of such equity interests.

Depending on certain terms and conditions in the secured revolving credit facility, including compliance with the borrowing base requirements and certain other covenants, the borrower will be able to add one or more *pari passu* first lien loan facilities. The borrower will also have the ability to secure up to \$2.0 billion of certain obligations of the borrower and its subsidiaries that the borrower may designate from time to time as additional *pari passu* first lien obligations. Second-lien debt is generally allowed but second lien debt maturing prior to the final maturity date of the secured revolving credit facility is limited to \$3.0 billion in outstanding obligations.

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Interest rates on obligations under the secured revolving credit facility are based on prevailing per annum interest rates for Eurodollar loans or an alternative base rate plus an applicable margin, in each case, based upon the credit rating assigned to the debt evidenced by the secured revolving credit facility.

The secured revolving credit facility contains representations, warranties and covenants customary for facilities of this nature, including negative covenants restricting the borrower and the subsidiary guarantors from incurring liens, consummating mergers or sales of assets and incurring secured indebtedness, and restricting the borrower from making restricted payments, in each case, subject to exceptions and limitations. In addition, the secured revolving credit facility contains minimum liquidity covenants, which require the borrower to maintain at least \$4.0 billion in consolidated global liquidity and at least \$2.0 billion in consolidated U.S. liquidity.

Events of default under the secured revolving credit facility include events of default customary for facilities of this nature (including customary notice and/or grace periods, as applicable) such as:

- The failure to pay principal at the stated maturity, interest or any other amounts owed under the secured revolving credit agreement or related documents;
- The failure of certain of the borrower's representations or warranties to be correct in all material respects;
- The failure to perform any term, covenant or agreement in the secured revolving credit agreement or related documents;
- The existence of certain judgments that are not vacated, discharged, stayed or bonded;
- Certain cross defaults or cross accelerations with certain other debt;
- Certain defaults under the Employee Retirement Income Security Act of 1974, as amended (ERISA);
- A change of control;
- Certain bankruptcy events; and
- The invalidation of the guarantees.

While the occurrence and continuance of an event of default will restrict our ability to borrow under the secured revolving credit facility, the lenders will not be permitted to exercise rights or remedies against the collateral unless the obligations under secured revolving credit facility have been accelerated.

The secured revolving credit facility contemplates up-front fees, arrangement fees, and ongoing commitment and other fees customary for facilities of this nature.

Other Credit Facilities

We make use of credit facilities as a mechanism to provide additional flexibility in managing our global liquidity. These credit facilities are typically held at the subsidiary level and are geographically dispersed across all regions. The following tables summarize our committed, uncommitted and major credit facilities (dollars in millions):

	Total Credit Facilities		Successor	Amounts Available under Credit Facilities	
	September 30, 2010	December 31, 2009		September 30, 2010	December 31, 2009
Committed	\$ 2,114	\$ 1,712	\$ 497	\$ 223	
Uncommitted	992	842	822	395	
Total	\$ 3,106	\$ 2,554	\$ 1,319	\$ 618	

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Major Credit Facilities	Total Credit Facilities		Successor	Amounts Available under Credit Facilities	
	September 30, 2010	December 31, 2009		September 30, 2010	December 31, 2009
GM Daewoo	\$ 1,205	\$ 1,179		\$ 219	\$ —
Brazil	917	425		461	77
GM Hong Kong	200	200		170	200
Other (a)	784	750		469	341
Total	\$ 3,106	\$ 2,554		\$ 1,319	\$ 618

(a) Consists of credit facilities available primarily at our foreign subsidiaries that are not individually significant.

At September 30, 2010 we had committed credit facilities of \$2.1 billion, under which we had borrowed \$1.6 billion leaving \$497 million available. Of these committed credit facilities GM Daewoo held KRW 1.4 trillion (equivalent to \$1.2 billion) and other entities held \$909 million. In addition, at September 30, 2010 we had uncommitted credit facilities of \$992 million, under which we had borrowed \$170 million leaving \$822 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.

Our largest credit facility at September 30, 2010 was GM Daewoo's \$1.2 billion revolving credit facility, which was established in October 2002 with a syndicate of banks. We expect to convert any remaining amounts outstanding to a term loan during the three months ending December 31, 2010. The loan will be required to be paid in four equal annual installments by October 2014. Borrowings under this facility bear interest based on the Korean Won denominated 91 day certificate of deposit rate. The average interest rate on outstanding amounts under this facility at September 30, 2010 was 5.5%. 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 nine months ended September 30, 2010 GM Daewoo repaid \$225 million of its \$1.2 billion revolving credit facility. At September 30, 2010 the credit facility had an outstanding balance of \$986 million leaving \$219 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 September 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. We expect GM Hong Kong to obtain access to a \$200 million revolving facility, secured by the same collateral, which would become available in late 2010. In addition, we have \$378 million of capacity on a \$394 million secured term facility available to certain of our subsidiaries in Thailand over 2010 and 2011. The additional GM Hong Kong facility and the Thailand secured facility are excluded from the tables above as certain preconditions must be satisfied prior to drawing additional funds. The facilities were entered into to fund growth opportunities within GMIO and meet potential cyclical cash needs.

Restricted Cash and Marketable Securities

Pursuant to an agreement between GMCL, EDC and an escrow agent we had \$1.0 billion remaining in an escrow account at September 30, 2010 to fund certain of GMCL's healthcare obligations pending the satisfaction of certain preconditions which have not yet been met.

Cash Flow

Operating Activities

In the nine months ended September 30, 2010 we had positive cash flows from operating activities of \$8.3 billion primarily due to: (1) Net income of \$5.0 billion, which included non-cash charges of \$5.3 billion resulting from depreciation, impairment and amortization expense (including amortization of debt issuance costs and discounts); (2) a change in income tax related balances of

GENERAL MOTORS COMPANY AND SUBSIDIARIES

\$0.5 billion; partially offset by (3) unfavorable changes in working capital of \$1.3 billion; and (4) contributions to pension and OPEB plans of \$1.3 billion. The unfavorable changes in working capital were related to increases in accounts receivables and inventories, partially offset by an increase in accounts payable.

In the period July 10, 2009 through September 30, 2009 we had positive cash flow from operating activities of \$3.0 billion primarily due to: (1) favorable managed working capital in the amount of \$6.4 billion driven mainly by the effect of increased sales and production activities on payables and the timing of certain supplier payments; (2) Net income of \$1.4 billion excluding depreciation and amortization; (3) a gain of \$0.5 billion on foreign currency transactions; partially offset by (4) contributions primarily for Canadian hourly and salaried defined benefit pension plans of \$4.0 billion; and (5) decreases in accrued and other liabilities of \$1.4 billion.

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.

Investing Activities

In the nine months ended September 30, 2010 we had positive cash flows from investing activities of \$4.1 billion primarily due to: (1) a reduction in restricted cash and marketable securities of \$12.7 billion primarily related to withdrawals from the UST Credit Agreement escrow account; (2) liquidations of operating leases of \$0.3 billion; and (3) an increase in cash of \$0.1 billion from the consolidation of General Motors Egypt (GM Egypt); partially offset by (4) net investments in marketable securities with maturities greater than 90 days of \$5.9 billion; and (5) capital expenditures of \$3.1 billion.

In the period July 10, 2009 through September 30, 2009 we had negative cash flow from investing activities of \$0.3 billion, which primarily related to: (1) capital expenditures of \$0.9 billion; partially offset by (2) \$0.3 billion related to the liquidation of operating leases; (3) \$0.2 billion increase in cash due to the reconsolidation of Saab; and (4) distributions received on our Ally Financial investments of \$0.1 billion.

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.

Financing Activities

In the nine months ended September 30, 2010 we had negative cash flows from financing activities of \$7.9 billion primarily due to: (1) repayments on the UST Loans and Canadian Loan of \$5.7 billion and \$1.3 billion; (2) preferred dividend payments of \$0.6 billion; (3) payments on a program announced in March 2009 to provide financial assistance to automotive suppliers (Receivables Program) of \$0.2 billion; and (4) payments on other debt of \$0.8 billion; partially offset by proceeds from other debt of \$0.7 billion.

In the period July 10, 2009 through September 30, 2009 we had positive cash flow from financing activities of \$3.4 billion which primarily related to: (1) funding of \$4.0 billion from EDC which was converted to our equity; (2) net proceeds of \$0.3 billion from the revolving bridge facility with the German federal government and certain German states (German Facility); partially offset by (3) a \$0.3 billion net decrease in other debt; (4) \$0.3 billion net decrease in short-term debt; and (5) a \$0.4 billion payment on UST Loans related to the U.S. government warranty program.

GENERAL MOTORS COMPANY AND SUBSIDIARIES*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 EDC Loan Facility of \$2.4 billion; (4) proceeds from the German Facility of \$1.0 billion; (5) proceeds from other 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.

Net Liquid Assets

Management believes the use of net liquid assets provides meaningful supplemental information regarding our liquidity. Accordingly, we believe net liquid assets 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 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 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 is used as a supplement to U.S. GAAP measures.

The following table summarizes net liquid assets (dollars in millions):

	Successor	
	September 30, 2010	December 31, 2009
Cash and cash equivalents	\$ 27,466	\$ 22,679
Marketable securities	6,010	134
UST and HCT escrow accounts	978	13,430
Total liquid assets	34,454	36,243
Short-term debt and current portion of long-term debt	(5,621)	(10,221)
Long-term debt	(2,945)	(5,562)
Net liquid assets	25,888	\$ 20,460
Effect of planned Series A purchase (a)	(2,140)	
Net liquid assets, adjusted for effect of planned Series A purchase	\$ 23,748	

(a) As discussed above in the section "Recent Initiatives," we plan to purchase 83.9 million shares of Series A Preferred Stock held by the UST at a price equal to 102% of their \$2.1 billion aggregate liquidation amount, conditional upon the completion of the common stock offering.

Total liquid assets of \$34.5 billion exceeded our debt balances by \$25.9 billion at September 30, 2010. This represented an increase of \$5.4 billion in the net liquid assets in the nine months ended September 30, 2010. The change was due to an increase of \$4.8 billion in Cash and cash equivalents (as previously discussed), an increase of \$5.9 billion in Marketable securities and a decrease of \$7.2 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES***Other Liquidity Issues******Receivables Program***

In connection with the 363 Sale, we assumed the obligation of the Receivables Program. 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.

Ally In-Transit Financing

Under wholesale financing arrangements, our U.S. dealers typically borrow money from financial institutions to fund their vehicle purchases from us. Subject to completion of the common stock offering and Series B Preferred Stock offering, we expect to terminate a wholesale advance agreement which provides for accelerated receipt of payments made by Ally Financial on behalf of our U.S. dealers pursuant to Ally Financial's wholesale financing arrangements with dealers. Similar modifications will be made in Canada. The wholesale advance agreements cover the period for which vehicles are in transit between assembly plants and dealerships. Upon termination, we will no longer receive payments in advance of the date vehicles purchased by dealers are scheduled to be delivered, resulting in an increase of up to \$2.0 billion to our accounts receivable balance, depending on sales volumes and certain other factors in the near term, and the related costs under the arrangements will be eliminated.

Loan Commitments

We have extended loan commitments to certain affiliated companies and critical business partners. These commitments can be triggered under certain conditions and expire in the years ranging from 2010 to 2014. At September 30, 2010 we had a total commitment of \$711 million outstanding with \$11 million loaned.

Status of Credit Ratings

We have been assigned initial ratings by four independent credit rating agencies: Dominion Bond Rating Services (DBRS), Fitch Ratings (Fitch), Moody's Investor Service (Moody's), and Standard & Poor's (S&P). The ratings indicate the agencies' assessment of a company's creditworthiness such as its ability to timely pay principal and interest on debt securities, dividends on preferred securities and other contractual obligations. Lower credit ratings generally represent higher borrowing costs and reduced access to capital markets for a company. The agencies' ratings are based on information provided by us as well as from other sources. The agencies consider a number of business and financial factors when determining ratings including, but not limited to, our competitive position, sustainability of our profits and cash flows, our balance sheet and liquidity profile and our ability to meet obligations under adverse economic scenarios.

DBRS, Moody's, Fitch, and S&P currently rate our corporate credit at non-investment grade. The following table summarizes our credit ratings at November 1, 2010:

<u>Rating Agency</u>	<u>Corporate</u>	<u>Secured Revolving Credit Facility</u>	<u>Senior Unsecured</u>	<u>Outlook</u>
DBRS	BB	BBB (low)	N/A	Stable
Fitch	BB-	BB+	N/A	Stable
Moody's	Ba2	Baa3	N/A	Stable
S&P	BB-	BB+	N/A	Stable

Rating actions taken by each of the credit rating agencies from October 6, 2010 through November 1, 2010 were as follows:

DBRS: October 2010 — Assigned an initial Corporate rating of BB and a rating of BBB (low) to our secured revolving credit facility.

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Fitch: October 2010 — Assigned an initial Corporate rating of BB- and a rating of BB+ to our secured revolving credit facility.

Moody's: October 2010 — Assigned an initial Corporate rating of Ba2 and assigned a rating of Baa3 to our secured revolving credit facility.

S&P: October 2010 — Assigned an initial Corporate rating of BB- and a rating of BB+ to our secured revolving credit facility.

The initial ratings assigned by the agencies are an important step towards our objective to attain an investment grade credit rating over the long term by maintaining a strong balance sheet and reducing financial leverage.

Non-Cash Charges (Gains)

The following table summarizes significant non-cash charges (gains) (dollars in millions):

	Successor			Predecessor	
	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	July 10, 2009 Through September 30, 2009	July 1, 2009 Through July 9, 2009	January 1, 2009 Through July 9, 2009
Impairment charges related to equipment on operating leases	\$ 17	\$ 32	\$ 12	\$ 1	\$ 63
Impairment charges related to long-lived assets	146	194	1	—	566
Loss (gain) on extinguishment of debt	—	—	—	—	(906)
Loss on extinguishment of UST Ally Financial Loan	—	—	—	—	1,994
Gain on conversion of UST Ally Financial Loan	—	—	—	—	(2,477)
Reorganization gains, net	—	—	—	(129,312)	(128,563)
Valuation allowances against deferred tax assets	—	—	—	(751)	(751)
Total significant non-cash charges (gains)	<u>\$ 163</u>	<u>\$ 226</u>	<u>\$ 13</u>	<u>\$(130,062)</u>	<u>\$(130,074)</u>

Defined Benefit Pension Plan Contributions

We expect to make a voluntary contribution to the U.S. hourly and salaried defined benefit pension plans of \$4.0 billion of cash and \$2.0 billion of our common stock after the completion of the public offering. The common stock contribution is contingent upon approval from the Department of Labor, which we expect to receive in the near-term.

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 \$641 million at September 30, 2010.

Our current agreement with Ally Financial requires the repurchase of Ally Financial financed inventory invoiced to dealers after September 1, 2009, 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 ends in August 2011 for vehicles invoiced through August 2010 and ends in August 2012 for vehicles invoiced through August 2011.

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 \$16.8 billion at September 30, 2010. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the

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extent vehicles are able to be resold to another dealer or at auction. The fair value of the guarantee was \$30 million at September 30, 2010, which considers the likelihood of dealers terminating and estimated loss exposure for the ultimate disposition of vehicles.

Refer to Notes 17 and 23 to the condensed consolidated financial statements for additional information on guarantees we have provided.

Contractual Obligations and Other Long-Term Liabilities

On October 26, 2010, we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Notes of \$2.8 billion, which resulted in a gain of \$0.2 billion that will be recorded during the three months ending December 31, 2010.

Other than the repayment of the VEBA Notes and related interest, there have been no significant changes in minimum commitments under contractual obligations since June 30, 2010. Refer to Item 2 in our Quarterly Report on Form 10-Q for the period ended June 30, 2010.

Required Pension Funding Obligations

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 is October 1, 2010. 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 September 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 September 30, 2010, using the 3-Segment rate at May 31, 2010 and assuming the September 30, 2010 Full Yield Curve funding interest rate for all future valuations projects contributions of \$3.9 billion and \$5.4 billion in 2014 and 2015 and additional contributions may be required thereafter. Contributions of \$0.5 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 September 30, 2010 using the 3-Segment rate at May 31, 2010 and assuming the September 30, 2010 3-Segment funding interest rate for all future valuations projects contributions of \$0.6 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 8.40% 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 7.40% instead of 8.40% (holding all other factors constant), the contributions in 2014 and 2015 would be \$4.1 billion and \$5.7 billion. The contributions in 2012 and 2013 would be \$0.8 billion and \$0.2 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 \$1.8 billion and \$0.9 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 \$3.1 billion in 2012, and \$1.8 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 \$2.1 billion and \$5.4 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 \$0.6 billion and \$4.5 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

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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.

Required Pension Funding Obligation Assuming Voluntary Contributions of \$6.0 Billion

After the completion of the common stock offering and Series B Preferred Stock offering, we intend to contribute \$6.0 billion to our U.S. qualified plans consisting of cash of \$4.0 billion and \$2.0 billion of our common stock. We are currently awaiting the Department of Labor's approval, which we expect to receive in the near-term, and which is required for our common stock contribution to qualify as a plan asset for funding purposes under ERISA. We assume that the approval is received in the funding projections which follow as the stock contribution is contingent on this review.

As discussed above, we do not have any required contributions due to our U.S. qualified plans in 2010 and we have the option to select a funding interest rate based on the Full Yield Curve method or the 3-Segment method. A hypothetical funding valuation at September 30, 2010, using the 3-Segment rate at May 31, 2010 and assuming the September 30, 2010 Full Yield Curve funding interest rate for all future valuations projects contributions of \$2.4 billion in 2015 and additional contributions may be required thereafter.

Alternatively, a hypothetical funding valuation at September 30, 2010 using the 3-Segment rate at May 31, 2010 and assuming the September 30, 2010 3-Segment funding interest rate for all future valuations projects no contributions would be required through 2015.

In both cases, we have assumed that \$6.0 billion is contributed to the pension plans as of September 30, 2010 and the pension plans earn the expected return of 8.4% 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 7.40% instead of 8.40% (holding all other factors constant), contributions of \$3.3 billion would be required in 2015. Under the first funding scenario presented above, if the funding interest rates were to decrease by 50 basis points (holding all other factors constant), contributions would be \$1.6 billion and \$5.5 billion in 2014 and 2015. If the funding interest rates were to increase by 50 basis points, no contributions would be required through 2015, although additional contributions may be required thereafter. 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 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 2009 Old GM adopted ASC 820-10, "Fair Value Measurements and Disclosures," for nonfinancial assets and nonfinancial liabilities. Refer to Note 21 to the condensed consolidated financial statements for additional information regarding fair value measurements of nonfinancial assets and nonfinancial liabilities. Refer to Note 19 to the condensed consolidated financial statements for additional information regarding fair value measurements of financial assets and financial liabilities.

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.

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Level 3 Assets and Liabilities

At September 30, 2010 we used Level 3 inputs to measure net liabilities of \$207 million (or 0.2%) of our total liabilities. These net liabilities included \$31 million (or 0.1%) of the total assets, and \$238 million (or 96.7%) of the total liabilities (of which \$222 million were derivative liabilities) that we measured at fair value.

At September 30, 2010 net liabilities of \$207 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 September 30, 2010 we included a non-performance risk adjustment of \$3 million in the fair value measurement of these derivatives which reflects a discount of 1.4% 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 three months ended September 30, 2010 assets and liabilities measured using Level 3 inputs decreased \$155 million from a net liability of \$362 million to a net liability of \$207 million primarily due to unrealized and realized gains on and the settlement of derivatives. In the nine months ended September 30, 2010 assets and liabilities measured using Level 3 inputs decreased \$465 million from a net liability of \$672 million to a net liability of \$207 million primarily due to unrealized and realized gains on and 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. These net liabilities included \$33 million (or 0.1%) of the total assets, 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, 2009 we also included a non-performance risk adjustment of \$47 million in the fair value measurement of these derivatives which reflects a discount of 6.5% to the fair value before considering our credit risk.

For periods presented after June 1, 2009 nonperformance risk for Old GM was not observable through the credit default swap market as a result of its Chapter 11 Proceedings. 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 period January 1, 2009 through July 9, 2009.

In the period January 1, 2009 through July 9, 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 the period January 1, 2009 through July 9, 2009.

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 in the three and nine months ended September 30, 2010 and the periods July 10, 2009 through September 30, 2009, July 1, 2009 through July 9, 2009 and January 1, 2009 through July 9, 2009.

Dividends

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. 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, our new secured revolving credit facility contains certain restrictions on our ability to pay dividends, other than dividends payable solely in our shares of our capital 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.

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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.

On March 15, 2010, June 15, 2010 and September 15, 2010, we paid dividends of \$203 million, \$202 million and \$203 million on our Series A Preferred Stock for the periods December 15, 2009 to March 14, 2010, March 15, 2010 to June 14, 2010 and June 15, 2010 to September 14, 2010 following approval by our Board of Directors.

Employees

At September 30, 2010 we employed 209,000 employees. The following table summarizes employment by region (in thousands):

	<u>September 30, 2010</u>	<u>Successor December 31, 2009</u>
GMNA (a)	106	103
GMIO (b)	62	62
GME (c)	41	50
Total Worldwide	<u>209</u>	<u>215</u>
United States — Salaried	26	26
United States — Hourly	53	51

- (a) We acquired GM Financial effective October 1, 2010. At September 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 September 30, 2010.
- (b) GMIO includes 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.

Critical Accounting Estimates

The condensed consolidated 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. The critical accounting estimates that affect the condensed consolidated financial statements and the judgments and assumptions used are consistent with those described in the MD&A section in our Form S-1.

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. Updates to our critical accounting estimates related to events occurring subsequent to the filing of our Form S-1 are discussed below.

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 our consolidated financial statements in our Form S-1 and in Note 15 to the condensed consolidated financial statements, certain of the pension plans were remeasured at various dates in the periods January 1, 2010 through September 30, 2010, July 10, 2009 through December 31, 2009, January 1, 2009 through July 9, 2009 and in the years ended December 31, 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

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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 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.

The benefit obligation for pension plans in Canada, the United Kingdom and Germany comprise 92% of the non-U.S. pension projected 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 September 30, 2010, interest rates on high quality corporate bonds have decreased and this is reflected in the remeasurement of the U.S. hourly defined benefit pension plan on September 30, 2010, which resulted in a discount rate decrease of 93 basis points, increasing the PBO by \$5.8 billion. If other U.S. defined benefit pension plans were remeasured, it would result in a similar decrease in discount rate and a proportional increase in PBO holding all other factors (e.g., actuarial assumptions) constant. However, the effect of the PBO increase on funded status would have been partially offset by higher than expected asset return. Under U.S. GAAP, we are not obligated to remeasure all of the pension plans at September 30, 2010. The following tables, present a 25 basis point discount rate sensitivity analysis for our U.S. pension plans.

	<u>25 basis point increase</u>	<u>25 basis point decrease</u>
U.S. Plans Remeasured at September 30, 2010		
Effect on Annual Pension Expense (in millions)	\$ 78	\$ (83)
Effect on September 30, 2010 PBO (in billions)	\$ (1.7)	\$ 1.7
U.S. Plans Not Remeasured at September 30, 2010 (a)		
Effect on Annual Pension Expense (in millions)	\$ 23	\$ (24)
Effect on December 31, 2009 PBO (in billions)	\$ (0.8)	\$ 0.8

(a) Based on December 31, 2009 remeasurements, represents 33% of total U.S. Plans PBO.

It is not possible for us to predict what the economic environment will be at our next scheduled remeasurement at December 31, 2010 or any earlier date that may be used for an interim remeasurement of our 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 September 30, 2010.

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Interest rates have declined since December 31, 2009, in most non-U.S. countries in which we have pension plans. If all non-U.S. plans were remeasured at September 30, 2010, we believe that the weighted average discount rate would be approximately 50 basis points lower than the rate used to measure the plans at the last remeasurement date. The following table presents a 25 basis point discount rate sensitivity analysis for non-U.S. plans.

	25 basis point increase	25 basis point decrease
Non-U.S. Plans (a)		
Effect on Annual Pension Expense (in millions)	\$ (6)	\$ 11
Effect on December 31, 2009 PBO (in billions)	\$ (0.6)	\$ 0.7

(a) 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.

The following table summarizes rates used to determine net pension expense:

	Successor		Predecessor		
	January 1, 2010 Through September 30, 2010 (a)	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	5.23%	5.82%	6.23%	5.77%	4.97%

(a) No remeasurement except for pension plans in the United Kingdom, Belgium, Germany, and Australia. The September 30, 2010 remeasurement of the U.S. hourly defined benefit pension plan had no effect on net pension expense in the nine months ended September 30, 2010.

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 pension plans (dollars in billions):

	Successor		Predecessor
	September 30, 2010	December 31, 2009	December 31, 2008
Unamortized actuarial (gain) loss	\$ (0.2)	\$ (3.0)	\$ 41.1

The unamortized actuarial gain of \$0.2 billion at September 30, 2010, reflects the December 31, 2009 amount updated for accounting activity in the nine months ended September 30, 2010, arising primarily from the remeasurements in the non-U.S. pension plans resulting in a \$0.4 billion loss and remeasurement of the U.S. hourly defined benefit pension plan resulting in a \$2.4 billion loss.

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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 nine months ended September 30, 2010 as all of the plans were not remeasured.

Based on the last full set of pension plan remeasurements that was completed at 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; while a decrease to the EROA of 25 basis points 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, while a decrease to the EROA of 25 basis points will increase pension expense by \$32 million.

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 nine months ended September 30, 2010, the periods July 10, 2009 through December 31, 2009, January 1, 2009 through July 9, 2009, and in the years ended December 31, 2008 and 2007 and the pension obligations at September 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 September 30, 2010, 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>	Annual Effect on Pension Expense	Effect on September 30, 2010 PBO
One percentage point increase in benefit units	+\$96 million	+\$292 million
One percentage point decrease in benefit units	-\$94 million	-\$283 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 NAV per share 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.

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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 consolidated financial statements in our Form S-1 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 healthcare 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 on the U.S. plans.

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 obligations.

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Due to the significant events discussed in Note 19 to our consolidated financial statements in our Form S-1, 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 December 31, 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.

From December 31, 2009 to September 30, 2010, interest rates on high quality corporate bonds have declined in the U.S. and Canada. We believe that a discount rate calculated at September 30, 2010 using the methods described previously for OPEB plans would be approximately 85 basis points lower for U.S. OPEB plans and 50 basis points lower for Canadian OPEB plans than the rates used to measure the plans at December 31, 2009, the date of the last remeasurements. As a result, funded status would decrease if the plans were remeasured at September 30, 2010, holding all other factors constant (e.g., actuarial assumptions). Under U.S. GAAP, we are not obligated to remeasure the plans at September 30, 2010.

The following table summarizes the estimated effect of a 25 basis point change in discount rate:

	Change in Assumption	
	25 basis point increase	25 basis point decrease
U.S. Plans		
Effect on Annual OPEB Expense (in millions)	\$ 5	\$ (3)
Effect on December 31, 2009 APBO (in billions)	\$ (0.1)	\$ 0.1
Non-U.S. Plans		
Effect on Annual OPEB Expense (in millions)	\$ 1	\$ (1)
Effect on December 31, 2009 APBO (in billions)	\$ (0.1)	\$ 0.1

It is not possible for us to predict what the economic environment will be at our next scheduled remeasurement at December 31, 2010 or any earlier date that may be used for an interim remeasurement of the 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 September 30, 2010.

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 September 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%

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The following table summarizes the healthcare cost trend rates used in the last remeasurement of the accumulated postretirement benefit obligations (APBO) at December 31:

<u>Assumed Healthcare Trend Rates</u>	<u>Successor</u>		<u>Predecessor</u>	
	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>U.S. Plans (a)</u>	<u>Non U.S. Plans (b)</u>	<u>U.S. Plans</u>	<u>Non U.S. Plans</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 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.

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:

<u>Change in Assumption</u>	<u>U.S. Plans (a)</u>		<u>Non-U.S. Plans (b)</u>	
	<u>Effect on 2010</u>	<u>Effect on</u>	<u>Effect on 2010</u>	<u>Effect on</u>
	<u>Aggregate</u>	<u>December 31, 2009</u>	<u>Aggregate</u>	<u>December 31, 2009</u>
	<u>Service</u>	<u>APBO</u>	<u>Service</u>	<u>APBO</u>
	<u>and Interest</u>		<u>and Interest</u>	
	<u>Cost</u>		<u>Cost</u>	
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.

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. Because of the integrated nature of our manufacturing operations and the sharing of vehicle platforms among brands, assets and other resources are shared extensively within GMNA and GME and financial information by brand or country is not discrete below the operating segment level. Therefore, GMNA and GME do not contain reporting units below the operating segment level. However, GMIO is less integrated given the lack of regional trade pacts and other unique geographical differences and thus contains separate reporting units below the operating segment level.

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, 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.

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At September 30, 2010 and December 31, 2009 we had goodwill of \$30.6 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, "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. 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-triggered 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 that 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 would 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. Future goodwill impairments could also occur should we reorganize our internal reporting structure in a manner that changes the composition of one or more of our reporting units. Upon such an event, goodwill would be reassigned to the affected reporting units using a relative-fair-value allocation approach and not based on the amount of goodwill that was originally attributable to fair value-to-U.S. GAAP differences that gave rise to goodwill.

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 at 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 consolidated financial statements in our Form S-1, 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.

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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):

<u>Change in Assumption</u>	<u>Effect on Fair Value of GME Reporting Unit at June 30, 2010</u>
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 the condensed consolidated 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 of our reporting units and 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 consolidated financial statements in our Form S-1 for additional information on goodwill impairments.

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

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historic operating results remain relevant as they are reflective of the industry and the effect of economic conditions. The fundamental businesses and inherent 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 consolidated financial statements in our Form S-1 for additional information on the recording of valuation allowances.

Accounting Standards Not Yet Adopted

Refer to Note 3 to the condensed consolidated financial statements.

Forward-Looking Statements

In this report and in reports we subsequently file with the SEC on Forms 10-K and 10-Q and file or furnish on Form 8-K, and in related comments by our management, we use words like “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 to identify forward-looking statements that represent our current judgment about possible future events. All statements in this report, 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.

In making these statements we rely on 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 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 report under the caption “Risk Factors” and elsewhere, including below. These factors, which may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8-K, include among others 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;

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- 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 our new secured revolving credit facility;
- 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;
- 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.

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We caution readers not to place undue reliance on forward-looking statements. 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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our exposure to market risk since June 30, 2010. Refer to Item 3 in our Quarterly Report on Form 10-Q for the period ended June 30, 2010.

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Item 4. 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 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 September 30, 2010. Based on this evaluation, our CEO and CFO concluded that, at that date, the disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were not effective at a reasonable assurance level because of a material weakness in internal control over financial reporting at GM at December 31, 2009 as reported in our Form S-1 that continues to exist.

Material Weakness, Remediation, and Changes in Internal Controls

The material weakness relates to controls that were not effective over the period-end financial reporting process. This ineffective process resulted in a significant number and magnitude of out-of-period adjustments to the consolidated financial statements. Specifically, controls have not been 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 that were recorded related to account reconciliations not being performed effectively. Such a material weakness in the period-end financial reporting process has a pervasive effect on the reliability of financial reporting and could result in a company not being able to meet its regulatory filing deadlines. If not remediated, it is reasonably possible that our condensed consolidated financial statements could contain a material misstatement or that we could miss a filing deadline in the future.

We believe that the remediation activities completed at December 31, 2009 and discussed in our Form S-1 would have been sufficient to allow us to conclude that the previously identified material weakness no longer existed at December 31, 2009. However, due to the complexity of fresh-start adjustments resulting from the Chapter 11 Proceedings and the related 363 Sale in 2009 and the number of accounting periods open at one time, management did not have clear visibility into the operational effectiveness of newly remediated controls within the period-end financial reporting process. In some cases, management was not able to sufficiently test the operating effectiveness of certain remediated controls in 2009 and to conclude that the controls related to the period-end financial reporting process were operating effectively. During the nine months ended September 30, 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 opportunities 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.

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Corporate Accounting and other key departments had their resources augmented by utilizing external resources and performing additional closing procedures in 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 the condensed consolidated financial statements of the Company at and for the three and nine months ended September 30, 2010, fairly present in all material respects, the financial condition and results of operations in conformity with U.S. GAAP.

Other than as previously described, there have not been any other changes in internal control over financial reporting in the nine months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

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PART II

Item 1. 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 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 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.

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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. 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. In October 2010, the parties reached a tentative settlement to resolve the issues in this case.

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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 *Nimishababen 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

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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

Commencing on or about September 29, 2010, current and former hourly employees of GM Daewoo, our majority-owned affiliate in the Republic of Korea, filed four 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.

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Item 1A. Risk Factors

We face a number of significant risks and uncertainties in connection with our operations. Our business, results of operations and financial condition could be materially adversely affected by these risk factors.

While we described each risk separately, some of these risks are interrelated and certain risks could trigger the applicability of other risks.

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

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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 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.

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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 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 competitors may be able to benefit from the cost savings offered by industry consolidation or alliances.

Designing, manufacturing and selling vehicles is capital intensive and 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. If our competitors consolidate or enter into other strategic agreements such as alliances, they may be able to take better advantage of these economies of scale. We believe that competitors may be able to benefit from the cost savings offered by consolidation or alliances, which could adversely affect our competitiveness with respect to those competitors. In addition, competitors could use consolidation or alliances as a means of enhancing their competitiveness or liquidity position, which could also materially adversely affect our business.

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 \$12.0 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, at September 30, 2010 we have debt maturities and capital lease obligations of \$4.0 billion through 2014, after giving effect to the repayment in full of the outstanding amount (including accreted interest) of the VEBA Notes of \$2.8 billion on October 26, 2010. We plan to make a \$6.0 billion voluntary contribution to U. S. pension plans in 2010, consisting of cash of \$4.0 billion and \$2.0 billion of our common stock. These voluntary contributions are contingent upon completion of the common stock offering and Series B Preferred Stock offering. The stock contribution is contingent on approval from the Department of Labor that the stock will qualify as a plan asset for funding purposes. These contributions are expected to satisfy our mandatory funding through 2014. In the event we do not make this voluntary contribution, our potential funding requirements are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Other Long-Term Liabilities". We also expect to spend \$785 million to \$970 million to fund various escrow deposits or make payments in connection

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with certain South American income and indirect 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. In addition to the foregoing liquidity needs, we also have minimum liquidity covenants in our new secured revolving credit facility, which require us to maintain at least \$4.0 billion in consolidated global liquidity and at least \$2.0 billion in consolidated U.S. liquidity. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for a further discussion of these liquidity requirements.

If our liquidity levels approach the minimum liquidity levels necessary to support our normal business operations, we may be forced to raise additional capital on terms 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 we possess 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 5,000 as of September 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.

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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 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 the audited consolidated financial statements contained in the Form S-1, 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 September 30, 2010, interest rates on high quality corporate bonds decreased. The U.S. hourly defined benefit pension plan was remeasured as of September 30, 2010. We believe that a discount rate calculated for the remaining U. S. defined benefit pension plans at September 30, 2010 would be approximately 90 to 100 basis points lower than the rates used to measure these 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 September 30, 2010, holding all other factors (e.g., actuarial assumptions and asset returns) constant. Refer to "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 September 30, 2010.

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The next U.S. pension funding valuation date based on the requirements of the Pension Protection Act (PPA) of 2006 is October 1, 2010, and this valuation has not been completed. We plan to make a \$6.0 billion voluntary contribution to U. S. pension plans in 2010, consisting of cash of \$4.0 billion and \$2.0 billion of our common stock. These voluntary contributions are contingent upon completion of the common stock offering and the Series B Preferred Stock offering. The stock contribution is contingent on approval from the Department of Labor that the stock will qualify as a plan asset for funding purposes. Assuming that this \$6.0 billion contribution is made, a hypothetical funding valuation at September 30, 2010, projects a required contribution of \$2.4 billion in 2015, and additional contributions may be required thereafter. In the event we do not make this voluntary contribution our potential funding requirements are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Other Long-Term Liabilities.”

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.

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

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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.

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.

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The UST (or its designee) owns a controlling interest in us, and its interests may differ from those of our other stockholders.

The UST currently beneficially owns a majority of our common stock on a fully diluted basis. 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 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.

Our new secured revolving credit facility as well as 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 new secured revolving credit facility contains representations, warranties and covenants customary for facilities of its nature, including negative covenants restricting the borrower from incurring liens, consummating mergers or sales of assets and incurring secured indebtedness, and restricting us from making certain payments, in each case, subject to exceptions and limitations. Availability under the secured revolving credit facility is subject to borrowing base limitations. In addition, the secured revolving credit facility contains minimum liquidity covenants, which require the borrower to maintain at least \$4.0 billion in consolidated global liquidity and at least \$2.0 billion in consolidated U.S. liquidity.

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 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. 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.

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 ninety percent of the projected manufacturing level (projected manufacturing level for this purpose being 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

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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. This covenant survives our repayment of the UST 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.

UST invested capital totals \$49.5 billion, representing the cumulative amount of cash received by Old GM from the UST under the UST Loan Agreement and the DIP Facility, excluding \$361 million which the UST loaned to Old GM under the warranty program and which was repaid on July 10, 2009. This balance also does not include amounts advanced under the UST GMAC Loan as the UST exercised its option to convert this loan into GMAC Preferred Membership Interests previously held by Old GM in May 2009. At September 30, 2010, the UST had received cumulative proceeds of \$7.4 billion from debt repayments, interest payments and Series A Preferred Stock dividends. The UST's invested capital less proceeds received totals \$42.1 billion.

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.

Compliance with the covenants contained in our new secured revolving credit facility as well as the surviving provisions of 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. Furthermore, monitoring and certifying our compliance with the surviving provisions of the UST Credit Agreement and the Canadian Loan Agreement requires a high level of expense and management attention on a continuing basis.

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 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, in November 2010 we began producing 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.

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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 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.

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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 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

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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.

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 our new secured revolving credit facility 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

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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 “Managements’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Other Liquidity Issues—Technical Defaults and Covenant Violations” and to Note 13 to the condensed consolidated financial statements included herein 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;

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- 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.

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.

Our views on the fourth quarter rely in large part upon assumptions and analyses we developed. If these assumptions and analyses prove to be incorrect, actual results could vary significantly from our views. If our actual results are lower than our anticipated results it could have an adverse effect on our stock price.

Our views on the fourth quarter rely in large part upon assumptions and analyses that we developed based on our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we consider appropriate under the circumstances. Whether actual future results and developments will be consistent with our expectations as set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Projected Fourth Quarter Results” depends on a number of factors, including but not limited to:

- The effect of changes in consumer demand on our product mix;
- Our ability to realize production efficiencies and control costs, particularly as it relates to engineering and marketing expenses;
- Consumers’ confidence in our products and our ability to continue to attract customers, particularly for our new products, including cars and crossover vehicles;
- The 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 ability of our foreign operations to successfully restructure;
- The effect of foreign currency exchange rates on our revenue and expenses;
- Shortages of and increases or volatility in the price of oil;
- Our ability to maintain quality control over our vehicles and avoid material vehicle recalls; and
- The overall strength and stability of general economic conditions and of the automotive industry, both in the United States and in global markets.

Views on future financial performance are necessarily speculative, and it is likely that one or more of the assumptions that are the basis of these financial forecasts will not come to fruition. Accordingly, we believe that our actual financial condition and results of operations could differ, perhaps materially, from what we describe in “Management’s Discussion and Analysis of Financial Condition

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and Results of Operations—Projected Fourth Quarter Results.” Consequently, there can be no assurance that the results or developments predicted will occur. The failure of any such results or developments to materialize as anticipated or the occurrence of unanticipated events or uncertainties could materially adversely affect our stock price.

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 September 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Name</u>	
31.1	Section 302 Certification of the Chief Executive Officer	Filed Herewith
31.2	Section 302 Certification of the Chief Financial Officer	Filed Herewith
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith

* * * * *

GENERAL MOTORS COMPANY AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GENERAL MOTORS COMPANY
(Registrant)

By: /s/ NICK S. CYPRUS
(Nick S. Cyprus, Vice President, Controller and
Chief Accounting Officer)

Date: November 10, 2010

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EXHIBIT INDEX

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CERTIFICATION

I, Daniel F. Akerson, certify that:

1. I have reviewed this quarterly report for the period ended September 30, 2010 on Form 10-Q of General Motors Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DANIEL F. AKERSON

Daniel F. Akerson
Chief Executive Officer

Date: November 10, 2010

CERTIFICATION

I, Christopher P. Liddell, certify that:

1. I have reviewed this quarterly report for the period ended September 30, 2010 on Form 10-Q of General Motors Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHRISTOPHER P. LIDDELL

Christopher P. Liddell
Vice Chairman and Chief Financial Officer

Date: November 10, 2010

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of General Motors Company (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel F. Akerson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DANIEL F. AKERSON

Daniel F. Akerson

Chief Executive Officer

Date: November 10, 2010

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of General Motors Company (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher P. Liddell, Vice Chairman and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHRISTOPHER P. LIDDELL

Christopher P. Liddell

Vice Chairman and Chief Financial Officer

Date: November 10, 2010