Daley Pamela
Form 4/A
September 23, 2009

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Daley Pamela

(Last) (First) (Middle)

GENERAL ELECTRIC COMPANY, 3135 EASTON TURNPIKE

(Street)

FAIRFIELD, CT 06828

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GENERAL ELECTRIC CO [GE]

3. Date of Earliest Transaction (Month/Day/Year)
06/05/2009

4. If Amendment, Date Original Filed(Month/Day/Year)
06/08/2009

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 06/05/2009 | | F | | 1,678 (1) | D | $ 13.75 | 104,177 (2) | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

## Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Daley Pamela<br>GENERAL ELECTRIC COMPANY<br>3135 EASTON TURNPIKE<br>FAIRFIELD, CT 06828 | | | Senior Vice President | |

## Signatures

| | |
|---|---|
| Eliza Fraser on behalf of Pamela Daley | 09/23/2009 |
| **Signature of Reporting Person | Date |

## Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Table 1 item 4. Aggregate shares disposed increased to reflect additional tax liability.

**(2)** Disposal of shares from an additional tax liability decreased the number of securities beneficially owned.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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5.25% Series B debentures

2032 $64.90 2,384

6.25% Series C debentures

2033 $47.62 3,940

1.50% Series D debentures

2009 $40.11 976 $7,339

Old GM had unilaterally and irrevocably waived and relinquished the right to use common stock, and had committed to use cash to settle the principal amount of the debentures if: (1) holders chose to convert the debentures; or (2) Old GM was required by holders to repurchase the debentures. Old GM retained the right to use either cash or its common stock to settle any amount that may become due to debt holders in excess of the principal amount. In connection with the 363 Sale, MLC retained the contingent convertible debt.

At December 31, 2008 the number of shares on which the aggregate consideration to be delivered upon conversion would have been determined for the Series A, Series B, Series C and Series D debentures was 1 million, 40 million, 90 million and 25 million.

In connection with the issuance of the Series D debentures, Old GM purchased a capped call option for the Series D debentures in a private transaction, pursuant to which Old GM had the right to purchase 5 million of Old GM s shares from a third party. Exercise of the capped call option was expected to reduce the potential dilution with respect to Old GM s common stock upon conversion of the Series D debentures to the extent that the market value per share of Old GM s common stock did not exceed a specified cap, resulting in an effective conversion price of $45.71 per share. In connection with the 363 Sale, MLC retained both the Series D debentures which matured on June 1, 2009 and the capped call option.

In September 2008 Old GM entered into agreements with a qualified institutional holder of the Series D debentures. Pursuant to these agreements, Old GM issued an aggregate of 44 million shares of common stock in exchange for $498 million principal amount of the Series D debentures. In accordance with the agreements, the amount of common stock exchanged for the Series D debentures was based on the daily volume weighted-average price of Old GM s common stock on the New York Stock Exchange in the contractual three and four day pricing periods. Old GM entered into the agreements, in part, to reduce Old GM s debt and interest costs, increase Old GM s equity, and thereby, improve Old GM s liquidity. Old GM did not receive any cash proceeds from the exchange of the common stock for the Series D debentures, which were retired and cancelled. As a result of this exchange, Old GM recorded a settlement gain of $43 million.

Old GM adopted the provisions of ASC 470-20 in January 2009, with retrospective application to prior periods. Upon adoption of ASC 470-20, the effective interest rate on Old GM s outstanding contingent convertible debt ranged from 7.0% to 7.9%. Refer to Note 3 for additional information on the adoption of ASC 470-20.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At December 31, 2008 the net carrying amount of the conversion feature for all contingent convertible debt outstanding recorded in Capital surplus was $734 million. At December 31, 2008 the principal amount of each note exceeded the if-converted value.

The following table summarizes the components of contingent convertible debt outstanding (dollars in millions):

| | Predecessor December 31, 2008 |
|---|---|
| Principal | $ 7,941 |
| Unamortized discounts (a) | (602) |
| Outstanding balance | $ 7,339 |

(a) Discounts being amortized through the maturity dates or the initial put dates of the related debt, ranging from 2009 to 2018.

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

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Interest accrued or paid (a) | $ 176 | $ 427 | $ 429 |
| Amortization of discounts | 51 | 136 | 107 |
| Interest expense | $ 227 | $ 563 | $ 536 |

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

***U.S. Dollar Denominated Bonds***

U.S. dollar denominated bonds represented obligations having various annual coupons ranging from 6.75% to 9.45% and maturities ranging from 2011 to 2052. These bonds were unsecured. In connection with the 363 Sale, MLC retained the U.S. dollar denominated bonds.

***Foreign Currency Denominated Bonds***

Foreign currency denominated bonds were unsecured and included bonds denominated in Euros with annual coupons ranging from 7.25% to 8.375% and maturity dates ranging from 2013 to 2033. Also included within foreign currency denominated bonds were bonds denominated in British Pounds with annual coupons ranging from 8.375% to 8.875% and maturity dates ranging from 2015 to 2023. To mitigate the foreign currency exchange exposure created by these bonds, Old GM entered into cross currency swaps. The notional value of these swaps was $2.3

billion at December 31, 2008. In connection with the 363 Sale, MLC retained the foreign currency denominated bonds.

***Other Long-Term Debt***

Other long-term debt of $9.7 billion at December 31, 2008 was comprised of revolving credit agreements, a U.S. term loan, capital leases, municipal bonds, and other long-term obligations. In connection with the 363 Sale, we assumed certain capital lease obligations, municipal bonds, and other long-term obligations. MLC retained the remainder of the debt not assumed by us. Refer to Note 2 for additional information on other long-term debt we assumed in connection with the 363 Sale.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Revolving Credit Agreements***

In August 2007 Old GM entered into a revolving credit agreement that provided for borrowings of up to $1.0 billion. The facility expired in June 2009. Borrowings under this facility bore interest based on either the commercial paper rate or LIBOR. The borrowings were to be used for general corporate purposes, including working capital needs. Under the facility, borrowings were limited to an amount based on the value of underlying collateral, which was comprised of residual interests in trusts that own leased vehicles and issued asset-backed securities collateralized by the vehicles and the associated leases. The underlying collateral was held by bankruptcy-remote SPEs and pledged to a trustee for the benefit of the lender. The underlying collateral supported a borrowing base of $323 million at December 31, 2008. Old GM consolidated the bankruptcy-remote SPEs and trusts. At December 31, 2008 $310 million was outstanding under this agreement, leaving $13 million available.

Old GM had a $4.5 billion standby revolving credit facility with a syndicate of banks, which was paid in full on June 30, 2009. At December 31, 2008 $4.5 billion was outstanding under this credit facility, with availability of $5 million. In addition to the outstanding amount at December 31, 2008 there were $10 million of letters of credit issued under the credit facility. Borrowings were limited to an amount based on the value of the underlying collateral, which was comprised of certain North American accounts receivable; certain inventory of Old GM, Saturn Corporation, and GMCL; certain facilities; property and equipment of GMCL; and a pledge of 65% of the stock of the holding company for Old GM s indirect subsidiary GM de Mexico. The carrying amount of these assets was $5.6 billion at December 31, 2008. The collateral also secured $155 million of certain lines of credit, automatic clearinghouse and overdraft arrangements and letters of credit provided by the same secured lenders. At December 31, 2008 in addition to the $10 million letters of credit issued under the revolving credit facility, $81 million was utilized to secure other facilities.

***Interest Rate Risk Management***

To achieve the desired balance between fixed and variable rate debt, Old GM entered into interest rate swaps. The notional amount of pay variable swap agreements at December 31, 2008 was $4.5 billion.

Additionally, Old GM entered into interest rate swaps and cap agreements at bankruptcy-remote subsidiaries. The notional amount of such agreements at December 31, 2008 was $469 million pay floating and the fixed interest rates ranged from 4.5% to 5.7%.

At December 31, 2008 long-term debt included obligations of $24.7 billion with fixed interest rates and obligations of $4.9 billion with variable interest rates (primarily LIBOR), after interest rate swap agreements.

***Other***

Contractual interest expense not accrued or recorded on pre-petition debt totaled $200 million in the period January 1, 2009 through July 9, 2009 (includes contractual interest expense related to contingent convertible debt of $44 million).

Old GM had other financing arrangements consisting principally of obligations in connection with sale-leaseback transactions, derivative contracts and other lease obligations (including off-balance sheet arrangements). In view of the 2006 restatement of Old GM s prior financial statements, Old GM evaluated the effect of the restatement under these agreements, including its legal rights (such as its ability to cure) with respect to any claims that could be asserted. Based on Old GM s review, it was believed that amounts subject to possible claims of acceleration, termination or other remedies were not likely to exceed $3.6 billion (primarily comprised of off-balance sheet arrangements and derivative contracts) although no assurances can be given as to the likelihood, nature or amount of any claims that may be asserted. Based on this review, Old GM reclassified $187 million of these obligations from long-term debt to short-term debt at December 31, 2008.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 19. Pensions and Other Postretirement Benefits**

**Employee Pension and Other Postretirement Benefit Plans**

***Defined Benefit Pension Plans***

Defined benefit pension plans covering eligible U.S. (hired prior to October 15, 2007) and Canadian hourly employees generally provide benefits of negotiated, stated amounts for each year of service and supplemental benefits for employees who retire with 30 years of service before normal retirement age. Non-skilled trades hourly employees hired after October 15, 2007 participate in a defined benefit cash balance plan. The benefits provided by the defined benefit pension plans covering eligible U.S. (hired prior to January 1, 2001) and Canadian salaried employees and salaried employees in certain other non-U.S. locations are generally based on years of service and compensation history. There is also an unfunded nonqualified pension plan covering certain U.S. executives for service prior to January 1, 2007 and it is based on an excess plan for service after that date. Refer to the subsequent section Significant Plan Amendments, Benefit Modifications and Related Events concerning changes to defined benefit pension plans for certain U.S. and Canadian hourly and salaried employees.

***Defined Contribution Plans***

The Savings-Stock Purchase Plan (S-SPP) is a defined contribution retirement savings plan for eligible U.S. salaried employees. The S-SPP provides discretionary matching contributions up to certain predefined limits based upon eligible base salary. The matching contribution for the S-SPP was suspended by Old GM in November 2008 and reinstated by us in October 2009. A benefit contribution equal to 1.0% of eligible base salary for U.S. salaried employees with a service commencement date in or after January 1993 was discontinued effective in January 2010. A retirement contribution to the S-SPP equal to 4.0% of eligible base salary is provided for eligible U.S. salaried employees with a service commencement date in or after January 2001. Contributions are also made to certain non-U.S. defined contribution plans. There is also an unfunded nonqualified defined contribution savings plan covering certain U.S. executives that is based on contributions in excess of qualified plan limits.

U. S. hourly employees hired on or after October 15, 2007 are not eligible for postretirement health care. Such employees receive a $1.00 per compensated hour contribution into their personal saving plan account. The contributions are not significant.

The following table summarizes significant contributions to defined contribution plans (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| S-SPP | $ 39 | $ 12 | $ 128 | $ 82 |
| Non-U.S. defined contribution plans | 61 | 58 | 169 | 153 |
| Total contributions | $ 100 | $ 70 | $ 297 | $ 235 |

***Other Postretirement Benefit Plans***

Certain hourly and salaried defined benefit plans provide postretirement medical, dental, legal service and life insurance to eligible U.S. and Canadian retirees and their eligible dependents. Refer to the subsequent section Significant Plan Amendments, Benefit Modifications and

Related Events concerning changes to postretirement benefit plans for certain U.S. and Canadian hourly and salaried employees. Certain other non-U.S. subsidiaries have postretirement benefit plans, although most non-U.S. employees are covered by government sponsored or administered programs.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Significant Plan Amendments, Benefit Modifications and Related Events**

**2009**

The following tables summarize the significant 2009 defined benefit plan interim remeasurements, the related changes in accumulated postretirement benefit obligations (APBO), projected benefit obligations (PBO) and the associated curtailments, settlements and termination benefits recorded in our earnings in the period July 10, 2009 through December 31, 2009 and the earnings of Old GM in the period January 1, 2009 through July 9, 2009, which are subsequently discussed (dollars in millions):

| | | Successor | | | | | |
|---|---|---|---|---|---|---|---|
| Event and Remeasurement | | Change in Discount Rate | | Increase (Decrease) Since the Most Recent Remeasurement Date(c) | Gain (Loss) | | |
| Date When Applicable | Affected Plans | From | To | PBO/APBO | Curtailments | Settlements | Termination Benefits and Other |
| 2009 Special Attrition Programs (a) | U.S. hourly defined benefit pension plan | | | $ 58 | $ | $ | $ (58) |
| Global salaried workforce reductions (a) | U.S. salaried defined benefit pension plan | | | 175 | | | (175) |
| 2009 Revised UAW Settlement Agreement December 31 | UAW hourly retiree medical plan | | | (22,654)* | | (2,571) | |
| IUE-CWA and USW Settlement Agreement November 1 (b) | U.S. hourly defined benefit pension plan | 5.58% | 5.26% | 1,897 | | | |
| | Non-UAW hourly retiree health care plan | 6.21% | 5.00% | 360 | | | |
| | U.S. hourly life plan | 5.41% | 5.56% | 53 | | | |
| Delphi Benefit Guarantee Agreements August 1 (b) | U.S. hourly defined benefit pension plan | 5.83% | 5.58% | 2,548 | | | |
| Total | | | | $ (17,563) | $ | $ (2,571) | $ (233) |

* Amount originally reported as $(22,236) in our 2009 Form 10-K. The column total has been corrected accordingly. Refer to Note 3.

(a) Reflects the effect on PBO. There was no remeasurement.

(b) Includes reclassification of contingent liability to benefit plan obligation.

(c) The increase/decrease includes the effect of the event, the gain or loss from remeasurement, net periodic benefit cost and benefit payments.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | | Predecessor | | | | | |
|---|---|---|---|---|---|---|---|
| | | Change in Discount Rate | | Increase (Decrease) Since the Most Recent Remeasurement Date | Gain (Loss) | | |
| **Event and Remeasurement Date When Applicable** | **Affected Plans** | **From** | **To** | **PBO/APBO** | **Curtailments** | **Settlements** | **Termination Benefits and Other** |
| 2009 Special Attrition Programs June 30 | U.S. hourly defined benefit pension plan | 6.15% | 6.25% | $ 7 | $ (1,390) | $ | $ (12) |
| Global salaried workforce reductions June 1 | U.S. salaried defined benefit pension plan | 6.50% | 6.50% | 24 | (327) | | |
| Global salaried workforce reductions March 1 | Canadian salaried defined benefit pension plan | 6.75% | 6.25% | 15 | (20) | | |
| U.S. salaried benefits changes February 1 | U.S. salaried retiree life insurance plan | 7.25% | 7.15% | (420) | | | |
| U.S. salaried benefits changes June 1 | U.S. salaried retiree health care program | 6.80% | 6.80% | (265) | | | |
| 2009 CAW Agreement June 1 | Canadian hourly defined benefit pension plan | 6.75% | 5.65% | 340 | | | (26) |
| 2009 CAW Agreement June 1 | CAW hourly retiree healthcare plan and CAW retiree life plan | 7.00% | 5.80% | (143) | 93 | | |
| Total | | | | $ (442) | $ (1,644) | $ | $ (38) |

***2009 Special Attrition Programs***

In February and June 2009 Old GM announced the 2009 Special Attrition Programs for eligible UAW-represented employees, offering cash and other incentives for individuals who elected to retire or voluntarily terminate employment. In the period January 1, 2009 through July 9, 2009 Old GM recorded postemployment benefit charges for 13,000 employees. Refer to Note 24 for additional information on the postemployment benefit charges.

Old GM remeasured the U.S. hourly defined benefit pension plan in June 2009 based on the 7,800 irrevocable acceptances through that date as these acceptances to the 2009 Special Attrition Programs yielded a significant reduction in the expected future years of service of active participants. An additional 180 employees accepted the terms of the 2009 Special Attrition Programs in the period July 1, 2009 through July 9, 2009.

In the period July 10, 2009 through December 31, 2009 5,000 employees accepted the terms of the 2009 Special Attrition Programs. We recorded special termination benefit charges for 1,000 of those employees based upon their elections. Plan remeasurement was not required because the July 10, 2009 plan assumptions included the effects of special attrition programs.

***Global Salaried Workforce Reductions***

In February and June 2009 Old GM announced its intention to reduce global salaried headcount. In March 2009 Old GM remeasured the Canadian salaried defined benefit pension plan as part of this initiative based upon an estimated significant reduction in the expected future years of service of active participants. In June 2009 Old GM remeasured the U.S. salaried defined benefit pension plan based upon an estimated significant reduction in the expected future years of service of active participants.

The U.S. salaried employee reductions related to this initiative were to be accomplished primarily through the 2009 Salaried Window Program or through a severance program funded from operating cash flows. These programs were involuntary programs

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

subject to management approval where employees were permitted to express interest in retirement or separation, for which the charges for the 2009 Salaried Window Program were recorded as special termination benefits funded from the U.S. salaried defined benefit pension plan and other applicable retirement benefit plans. The cost associated with the total targeted headcount reductions expected under the programs was determined to be probable and estimable and severance charges of $250 million were recorded in the period January 1, 2009 through July 9, 2009. Refer to Note 24 for additional information on the severance accrual.

In the period July 10, 2009 through December 31, 2009 1,500 salaried employees irrevocably accepted the terms of the 2009 Salaried Window Program. We reduced the severance accrual previously recorded by Old GM by $64 million and recorded special termination benefits.

A net reduction of 9,000 salaried employees was achieved globally, excluding 2,000 salaried employees acquired with our acquisition of Nexteer and four domestic facilities. Global salaried headcount decreased from 73,000 salaried employees at December 31, 2008 to 66,000 at December 31, 2009, including a reduction of 5,500 U.S. salaried employees. Refer to Note 5 for additional information on the acquisition of Nexteer and four domestic facilities.

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

In February 2009 Old GM reduced salaried retiree life benefits for U.S. salaried employees and remeasured its U.S. salaried retiree life insurance plan. In June 2009 Old GM approved and communicated negative plan amendments associated with the U.S. salaried retiree health care program including reduced coverage and increases to cost sharing. The plan was remeasured in June 2009.

In June 2009 Old GM communicated additional changes in benefits for retired salaried employees including an acceleration and further reduction in retiree life insurance, elimination of the supplemental executive life insurance benefit, and reduction in the supplemental executive retirement plan. These plan changes were contingent on completion of the 363 Sale and the effects of these amendments were included in the fresh start remeasurements.

***2009 Revised UAW Settlement Agreement***

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

- The Implementation Date changed from January 1, 2010 to the later of December 31, 2009 or the emergence from bankruptcy, which occurred on July 10, 2009;

- The timing of payments to the New VEBA changed as subsequently discussed;

- The form of consideration changed as subsequently discussed;

- The contribution of employer securities changed such that they were contributed directly to the New VEBA in connection with the 363 Sale on July 10, 2009;

Certain coverages will be eliminated and certain cost sharing provisions will increase; and

The flat monthly special lifetime pension benefit that was scheduled to commence on January 1, 2010 was eliminated.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

There was no change to the timing of our existing internal Voluntary Employee Benefit Association (VEBA) asset transfer to the New VEBA in that the internal VEBA asset transfer occurred within 10 business days after December 31, 2009 in accordance with the terms of both the 2008 UAW Settlement Agreement and the 2009 Revised UAW Settlement Agreement.

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

- VEBA Notes of $2.5 billion and accrued interest, at an implied interest rate of 9.0% per annum, are scheduled to be repaid in three equal installments of $1.4 billion in July of 2013, 2015 and 2017;
- 260 million shares of our Series A Preferred Stock that accrues cumulative dividends at 9.0% per annum;
- 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 certain individuals that elected to participate in the 2009 Special Attrition Programs; and
- The existing internal VEBA assets.

The modifications to the UAW Settlement Agreement and the new payment terms resulted in a reorganization gain of $7.7 billion. Refer to Note 2 for additional information on the reorganization gain.

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

From July 10, 2009 to December 31, 2009 we recorded net periodic postretirement healthcare cost, including service cost for UAW hourly retiree medical plan participants working toward eligibility. After December 31, 2009 no service cost will be recorded for active UAW participants who continue to work toward eligibility in the New Plan.

At December 31, 2009 we accounted for the termination of our UAW hourly retiree medical plan and Mitigation Plan, under which we agreed that an independent VEBA would be formed to pay certain healthcare costs of UAW hourly retirees and their beneficiaries, as a settlement. The resulting settlement loss of $2.6 billion recorded on December 31, 2009 represented the difference between the sum of the accrued OPEB liability of $10.6 billion and the existing internal VEBA assets of $12.6 billion, and $25.8 billion representing the fair value of the consideration transferred at December 31, 2009, including the contribution of the existing internal VEBA assets. Upon the settlement of the UAW hourly retiree medical plan at December 31, 2009 the VEBA Notes, Series A Preferred Stock, common stock, and warrants contributed to the New VEBA were recorded at fair value and classified as outstanding debt and equity instruments.

Prior to December 31, 2009 the 260 million shares of Series A Preferred Stock issued to the New VEBA were not considered outstanding for accounting purposes due to the terms of the 2009 Revised UAW Settlement Agreement. As a result, $105 million of the $146 million of dividends paid on September 15, 2009 and $147 million of the $203 million of dividends paid on December 15, 2009 were recorded as a reduction of Postretirement benefits other than pensions.

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

In September 2009 we entered into a settlement agreement with MLC, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers Communication Workers of America (IUE-CWA), and the United Steel, Paper and Forestry,

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW). Under the settlement agreement, the IUE-CWA and the USW agreed to withdraw and release all claims against us and MLC relating to retiree healthcare benefits and basic life insurance benefits. In exchange, the IUE-CWA, the USW and any additional union that agrees to the terms of the settlement agreement will be granted an allowed pre-petition unsecured claim in MLC s Chapter 11 proceedings in the amount of $1.0 billion with respect to retiree health and life insurance benefits for the post-age-65 retirees, post-age-65 surviving spouses and under-age-65 medicare eligible retirees or surviving spouses disqualified for retiree health care benefits from us under the settlement agreement. For participants remaining eligible for health care, certain coverages were eliminated and cost sharing will increase. These modifications became effective upon completion of the 363 Sale and resulted in a reorganization gain of $2.7 billion. Refer to Note 2 for additional information on the reorganization gain.

The settlement agreement was expressly conditioned upon and did not become effective until approved by the Bankruptcy Court in MLC s Chapter 11 proceedings, which occurred in November 2009. Several additional unions representing MLC hourly retirees joined the IUE-CWA and USW settlement agreement with respect to healthcare and life insurance. We remeasured the U.S. hourly defined benefit pension plan, non-UAW hourly retiree health care plan and the U.S. hourly life plan in November 2009 to reflect the terms and acceptances of the IUE-CWA and USW Settlement Agreement. The remeasurement of these plans resulted in a decrease in our related accrual and an offsetting increase in the PBO or APBO of the benefit plan.

***2009 CAW Agreement***

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

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

As a result of the termination of the employees from the former Oshawa, Ontario truck facility, the CAW hourly retiree healthcare plan and the CAW retiree life plan were remeasured in June 2009 and a curtailment gain associated with the CAW hourly retiree healthcare plan was also recorded in the three months ended June 30, 2009.

In June 2009 GMCL and the CAW agreed to the terms of an independent HCT to provide retiree health care benefits to certain active and retired employees. The HCT will be implemented when certain preconditions are achieved, including certain changes to the Canadian Income Tax Act. The preconditions have not been achieved and the HCT is not yet implemented at December 31, 2009. Under the terms of the HCT agreement, GMCL is obligated to make a payment of CAD $1.0 billion on the HCT implementation date which it will fund out of its CAD $1.0 billion escrow funds, adjusted for the net difference between the amount of retiree monthly contributions received during the period December 31, 2009 through the HCT implementation date less the cost of benefits paid for claims incurred by covered employees during this period. GMCL will provide a CAD $800 million note payable to the HCT on the HCT implementation date which will accrue interest at an annual rate of 7.0% with five equal annual installments of CAD $256 million due December 31 of 2014 through 2018. Concurrent with the implementation of the HCT, GMCL will be legally released from all obligations associated with the cost of providing retiree health care benefits to CAW active and retired employees bound by the class action process, and we will account for the related termination of CAW hourly retiree healthcare benefits as a settlement, based upon the difference between the fair value of the notes and cash contributed and the health care plan obligation at the settlement date.

***Delphi***

In July 2009 we and Delphi entered into an agreement with the PBGC regarding the settlement of the PBGC s claims from the termination of the Delphi pension plans. As part of that agreement, we maintained the obligation to provide the difference between

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements. We had a legal obligation to provide this benefit to eligible UAW plan participants at July 10, 2009. We remeasured the U.S. hourly defined benefit pension plan in August 2009 for eligible UAW plan participants, which coincided with Delphi s transfer of its pension plan obligations to the PBGC. We did not agree to provide this benefit to eligible Delphi IUE-CWA and USW retirees until the IUE-CWA and USW Settlement Agreement was approved by the Bankruptcy Court in MLC s Chapter 11 proceedings, which occurred in November 2009; however a contingent liability had been recorded. We remeasured the U.S. hourly defined benefit pension plan in November 2009 for eligible IUE-CWA and USW plan participants that coincided with the approval of the IUE-CWA and USW Settlement Agreement by the Bankruptcy Court. The remeasurements of the U.S. hourly defined benefit pension plan resulted in a $1.4 billion increase in the plan PBO to the U.S. hourly defined benefit pension plan and an offsetting decrease principally related to our Delphi related accrual. Refer to Note 21 for additional information on the Delphi Benefit Guarantee Agreements.

**2008**

The following table summarizes Old GM s significant 2008 defined benefit plan interim remeasurements, the related changes in obligations and the associated curtailments, settlements and termination benefits, as applicable, recorded in earnings in the year ended 2008, which are subsequently discussed:

| | | Predecessor | | | | | |
|---|---|---|---|---|---|---|---|
| Event and Remeasurement | | Change in Discount Rate | | Increase (Decrease) Since the Most Recent Remeasurement Date | Gain (Loss) | | |
| Date When Applicable | Affected Plans | From | To | PBO/APBO | Curtailments | Settlements | Termination Benefits and Other |
| 2008 UAW Settlement Agreement September 1 | UAW hourly retiree medical plan | | | $ (13,135) | $ 6,326 | $ | $ |
| | Mitigation Plan | | | (137) | (1,424) | | |
| | U.S. hourly defined benefit pension plan | 6.45% | 6.70% | 563 | | | |
| 2008 Special Attrition Programs May 31 | U.S. hourly defined benefit pension plan | 6.30% | 6.45% | 842 | (2,441) | | (800) |
| | Various OPEB plans | | | | 104 | | (68) |
| 2008 CAW Agreement and facility idlings May 31 | Canadian hourly and salaried defined benefit pension plans | 5.75% | 6.00% | 262 | (177) | | (37) |
| Salaried retiree benefit plan changes July 1 | U.S. salaried retiree medical plan | 6.40% | 6.75% | (3,993) | | (1,706) | |
| | U.S. salaried defined benefit pension plan | 6.45% | 6.60% | 3,159 | | | |
| Delphi-GM Settlement Agreement September 30 | Various U.S. hourly retiree medical plans | 6.40% | 6.85% | 1,236 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| U.S. hourly defined benefit pension plan | 6.70% | 7.10% | 1,070 | | | |
| Total | | | $ (10,133) | $ 2,388 | $ (1,706) | $ (905) |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In addition to the events listed previously, a number of events related to benefit plans occurred that did not result in interim remeasurements including:

IUE-CWA agreements related to the closure of the Moraine, Ohio facility resulted in increased cost of $255 million for pension benefit enhancements and a $257 million curtailment gain as a result of accelerating substantially all of the IUE-CWA retiree healthcare plan s negative prior service cost.

Salaried workforce reduction resulted in special termination benefit charges of $311 million as a result of 3,700 employees accepting the 2008 Salaried Window Program, which was a voluntary early retirement program extended to certain U.S. salaried employees.

***2008 UAW Settlement Agreement***

In February 2008 Old GM entered into the 2008 UAW Settlement Agreement which provided that responsibility for providing retiree healthcare would permanently shift from Old GM to the New Plan funded by the New VEBA as of the Implementation Date. The 2008 UAW Settlement Agreement became effective in September 2008 with an implementation date of January 1, 2010. As a result of the 2008 UAW Settlement Agreement, Old GM s obligation to provide retiree healthcare coverage for UAW retirees and beneficiaries was to terminate at January 1, 2010. The obligation for retiree medical claims incurred on or after this date would be the responsibility of the New Plan and New VEBA. This agreement was revised in 2009 as discussed previously in the section 2009 Revised UAW Settlement Agreement.

The U.S. hourly defined benefit pension plan was amended as part of the 2008 UAW Settlement Agreement to reflect a flat monthly special lifetime benefit to be paid to plan participants commencing January 1, 2010 to help offset the retiree s increased costs of monthly contributions and other cost sharing increases required under the terms of the New VEBA. Effective with the 363 Sale, the additional pension flat monthly lifetime benefit was eliminated and was recorded as a component of the Reorganization gain, net upon our application of fresh-start reporting.

***2008 Special Attrition Programs***

In February 2008 Old GM entered into agreements with the UAW and the IUE-CWA regarding special attrition programs which were intended to further reduce the number of hourly employees. The 2008 UAW Special Attrition Program offered to 74,000 UAW-represented employees was comprised of wage and benefit packages for normal and early voluntary retirements or buyouts or pre-retirement leaves. In addition to their vested pension benefits, those employees who were retirement eligible received a lump sum payment that was funded from the U.S. hourly defined benefit pension plan, the amount of which depended upon their job classification. For those employees not retirement eligible, other buyout options were offered and funded from operating cashflow. The terms of the 2008 IUE-CWA Special Attrition Program, which was offered to 2,300 IUE-CWA represented employees, were similar to those offered under the 2008 UAW Special Attrition Program.

***2008 CAW Agreement and Facility Idlings***

In May 2008 Old GM entered into the 2008 CAW Agreement which resulted in increased pension benefits. Old GM subsequently announced its plan to cease production at the Oshawa, Ontario truck facility, which triggered a curtailment of Old GM s Canadian hourly and salaried defined benefit pension plans.

Prior to the 2008 CAW Agreement, Old GM amortized prior service cost related to its Canadian hourly defined benefit pension plan over the remaining service period for active employees, previously estimated to be 10 years. In conjunction with entering into the 2008 CAW Agreement, Old GM evaluated the 2008 CAW Agreement and the relationship with the CAW and determined that the contractual life of the labor agreements is a more appropriate reflection of the period of future economic benefit received from pension plan amendments negotiated as part of the collectively bargained agreement. This change accelerated the recognition of prior

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service cost to three years, resulting in additional net periodic pension expense of $334 million recorded in Cost of sales in the year ended 2008 related to pension increases in Canada from prior collectively bargained agreements.

***Salaried Retiree Benefit Plan Changes***

In July 2008 Old GM amended its U.S. salaried retiree medical and defined benefit pension plans to eliminate healthcare coverage for U.S. salaried retirees over age 65, effective January 2009. Upon reaching age 65, affected retirees and surviving spouses were to receive a pension increase of $300 per month to partially offset the retiree s increased cost of Medicare and supplemental healthcare coverage. For participants who were under the age of 65, the future elimination of healthcare benefits upon turning age 65 and the increased pension benefits provided resulted in a negative plan amendment to the U.S. salaried retiree medical plan and a positive plan amendment to the U.S. salaried defined benefit pension plan, both of which will be amortized over seven years, which represents the average remaining years to full eligibility for U.S. salaried retiree medical plan participants.

***Delphi-GM Settlement Agreements***

Old GM and Delphi reached agreements in the three months ended September 30, 2008 with each of Delphi s unions regarding the plan to freeze the benefits related to the Delphi s hourly rate employee pension plan (Delphi HRP); the cessation by Delphi of OPEB for Delphi hourly union-represented employees and retirees; and transfers of certain assets and obligations from the Delphi HRP to Old GM s U.S. hourly defined benefit pension plan. As a result of assuming Delphi s OPEB obligation, Old GM reclassified liabilities of $2.8 billion from its Delphi related accrual to its U.S. OPEB obligation. Old GM remeasured certain of its OPEB plans in September 2008 to include Delphi hourly union-represented employees, the effects of other announced facility idlings in the U.S., as well as changes in certain actuarial assumptions.

The transfer of certain assets and obligations from the Delphi HRP to Old GM s U.S. hourly defined benefit pension plan resulted in a decrease in Old GM s Delphi related accrual and an offsetting increase in the PBO of $2.8 billion. Old GM remeasured its U.S. hourly defined benefit pension plan in September 2008 to include: (1) assets and liabilities of certain employees transferred in accordance with the Delphi Settlement Agreement; (2) its obligation under the Delphi Benefit Guarantee Agreement to provide up to seven years of credited service to covered employees; (3) the effects of other announced facility idlings in the U.S.; and (4) changes in certain actuarial assumptions including a discount rate increase.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables summarize the change in benefit obligations and related plan assets (dollars in millions):

| | Successor | | | |
|---|---|---|---|---|
| | U.S. Plans Pension Benefits | Non-U.S. Plans Pension Benefits(a) | U.S. Plans Other Benefits | Non-U.S. Plans Other Benefits |
| | July 10, 2009 Through December 31, 2009 | | | |
| **Change in benefit obligations** | | | | |
| Beginning benefit obligation | $ 98,012 | $ 21,392 | $ 27,639 | $ 3,420 |
| Service cost | 216 | 157 | 62 | 17 |
| Interest cost | 2,578 | 602 | 886 | 94 |
| Plan participants contributions | | 4 | 172 | |
| Amendments | (13) | (9) | 1 | (89) |
| Actuarial (gains) losses | 3,102 | 1,592 | 1,732 | 64 |
| Benefits paid | (3,938) | (714) | (1,700) | (70) |
| Medicare Part D receipts | | | 84 | |
| IUE-CWA & USW related liability transfer | | | 514 | |
| Foreign currency translation adjustments | | 1,469 | | 376 |
| Delphi benefit guarantee and other | 1,365 | | | |
| UAW retiree medical plan settlement | | | (25,822) | |
| Curtailments, settlements, and other (b) | 249 | (119) | 2,220 | (15) |
| Ending benefit obligation | 101,571 | 24,374 | 5,788 | 3,797 |
| **Change in plan assets** | | | | |
| Beginning fair value of plan assets | 78,493 | 8,616 | 10,702 | |
| Actual return on plan assets | 9,914 | 1,201 | 1,909 | |
| Employer contributions | 31 | 4,287 | 1,528 | 70 |
| Plan participants contributions | | 4 | 172 | |
| Benefits paid | (3,938) | (714) | (1,700) | (70) |
| UAW hourly retiree medical plan asset settlement | | | (12,586) | |
| Foreign currency translation adjustments | | 765 | | |
| Other | | (132) | 6 | |
| Ending fair value of plan assets | 84,500 | 14,027 | 31 | |
| Ending funded status | $ (17,071) | $ (10,347) | $ (5,757) | $ (3,797) |
| **Amounts recorded in the consolidated balance sheet are comprised of:** | | | | |
| Noncurrent asset | $ | $ 98 | $ | $ |
| Current liability | (93) | (337) | (685) | (161) |
| Noncurrent liability | (16,978) | (10,108) | (5,072) | (3,636) |
| Net amount recorded | $ (17,071) | $ (10,347) | $ (5,757) | $ (3,797) |

| | | | | |
|---|---|---|---|---|
| **Amounts recorded in Accumulated other comprehensive Income (loss) are comprised of:** | | | | |
| Net actuarial loss (gain) | $ (3,803) | $ 833 | $ 212 | $ 65 |
| Net prior service cost (credit) | (13) | (9) | (1) | (89) |
| Total recorded in Accumulated other comprehensive income (loss) | $ (3,816) | $ 824 | $ 211 | $ (24) |

(a) Table does not include other non-U.S. employee benefit arrangements with a total PBO of $76 million at December 31, 2009.

(b) U.S. other benefits includes the $2.6 billion settlement loss resulting from the termination of the UAW hourly retiree medical plan and Mitigation Plan.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Predecessor | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | U.S. Plans Pension Benefits | | Non-U.S. Plans Pension Benefits(a) | | U.S. Plans Other Benefits | | Non-U.S. Plans Other Benefits | |
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| **Change in benefit obligations** | | | | | | | | |
| Beginning benefit obligation | $ 98,135 | $ 85,277 | $ 19,995 | $ 23,753 | $ 39,960 | $ 59,703 | $ 2,930 | $ 4,310 |
| Service cost | 243 | 527 | 155 | 410 | 69 | 241 | 12 | 32 |
| Interest cost | 3,077 | 5,493 | 596 | 1,269 | 1,615 | 3,519 | 102 | 225 |
| Plan participants contributions | | | 8 | 29 | 169 | 401 | | |
| Amendments | (8) | 1,218 | (584) | 218 | (705) | (1,108) | (482) | (185) |
| Actuarial (gains) losses | (260) | 5,684 | 959 | (965) | 77 | (18,918) | 436 | (443) |
| Benefits paid | (5,319) | (8,862) | (769) | (1,390) | (2,115) | (4,759) | (90) | (175) |
| Medicare Part D receipts | | | | | 150 | 240 | | |
| Foreign currency translation adjustments | | | 856 | (3,981) | | | 159 | (833) |
| Delphi obligation transfer | | 2,753 | | | | 2,654 | | |
| Curtailments, settlements, and other | 1,559 | 6,045 | (76) | 652 | 8 | (2,013) | (15) | (1) |
| Ending benefit obligation | 97,427 | 98,135 | 21,140 | 19,995 | 39,228 | 39,960 | 3,052 | 2,930 |
| Effect of application of fresh-start reporting | 585 | | 252 | | (11,589) | | 368 | |
| Ending benefit obligation including effect of application of fresh-start reporting | 98,012 | 98,135 | 21,392 | 19,995 | 27,639 | 39,960 | 3,420 | 2,930 |
| **Change in plan assets** | | | | | | | | |
| Beginning fair value of plan assets | 84,545 | 104,070 | 8,086 | 13,308 | 9,969 | 16,303 | | |
| Actual return on plan assets | (203) | (11,350) | 227 | (2,863) | 444 | (4,978) | | |
| Employer contributions | 57 | 90 | 529 | 977 | 1,947 | 3,002 | 90 | 175 |
| Plan participants contributions | | | 8 | 29 | 169 | 401 | | |
| Benefits paid | (5,319) | (8,862) | (769) | (1,390) | (2,115) | (4,759) | (90) | (175) |
| Foreign currency translation adjustments | | | 516 | (2,342) | | | | |
| Delphi plan asset transfer | | 572 | | | | | | |
| Other | 41 | 25 | (197) | 367 | (10) | | | |
| Ending fair value of plan assets | 79,121 | 84,545 | 8,400 | 8,086 | 10,404 | 9,969 | | |
| Effect of application of fresh-start reporting | (628) | | 216 | | 298 | | | |
| Ending fair value of plan assets including effect of application of fresh-start reporting | 78,493 | 84,545 | 8,616 | 8,086 | 10,702 | 9,969 | | |
| Ending funded status | (18,306) | (13,590) | (12,740) | (11,909) | (28,824) | (29,991) | (3,052) | (2,930) |
| Effect of application of fresh-start reporting | (1,213) | | (36) | | 11,887 | | (368) | |
| Ending funded status including effect of application of fresh-start reporting | $ (19,519) | $ (13,590) | $ (12,776) | $ (11,909) | $ (16,937) | $ (29,991) | $ (3,420) | $ (2,930) |
| **Amounts recorded in the consolidated balance sheet are comprised of:** | | | | | | | | |
| Noncurrent assets | $ | $ | $ 97 | $ 109 | $ | $ | $ | $ |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Current liability | (74) | (108) | (339) | (322) | (1,809) | (3,848) | (147) | (154) |
| Noncurrent liability | (19,445) | (13,482) | (12,534) | (11,696) | $ (15,128) | (26,143) | (3,273) | (2,776) |
| Net amount recorded | $ (19,519) | $ (13,590) | $ (12,776) | $ (11,909) | $ (16,937) | $ (29,991) | $ (3,420) | $ (2,930) |
| **Amounts recorded in Accumulated other comprehensive income (loss) are comprised of:** | | | | | | | | |
| Net actuarial loss | $ 38,007 | $ 34,940 | $ 7,387 | $ 6,188 | $ 1,631 | $ 1,651 | $ 1,005 | $ 569 |
| Net prior service cost (credit) | 1,644 | 2,277 | (754) | (170) | (5,028) | (5,305) | (860) | (519) |
| Transition obligation | | | 7 | 7 | | | | |
| Total recorded in Accumulated other comprehensive income (loss) | $ 39,651 | $ 37,217 | $ 6,640 | $ 6,025 | $ (3,397) | $ (3,654) | $ 145 | $ 50 |
| Effect of application of fresh-start reporting | (39,651) | | (6,640) | | 3,397 | | (145) | |
| Total recorded in Accumulated other comprehensive income (loss) | $ | $ 37,217 | $ | $ 6,025 | $ | $ (3,654) | $ | $ 50 |

(a) The table does not include other non-U.S. employee benefit arrangements with a total PBO of $94 million and $95 million at July 9, 2009 and December 31, 2008.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the period July 10, 2009 through December 31, 2009 we experienced actual return on plan assets on our U.S. pension plan assets of $9.9 billion compared to expected returns of $3.0 billion that were recognized as a component of our net pension expense during this period. As a result of the U.S. hourly and salaried defined benefit pension plan interim remeasurements, a portion of the effect of the actual plan asset gains was recognized in the market-related value of plan assets during the remainder of the period subsequent to the interim remeasurements. The market related value of plan assets used in the calculation of expected return on pension plan assets at December 31, 2009 is $2.8 billion lower than the actual fair value of plan assets for U.S. pension plans and $294 million lower than the actual fair value of plan assets for non-U.S. pension plans. Therefore, the effect of the improvement in the financial markets will not fully affect net pension expense in the year ended 2010. Refer to Note 4 for additional information on the market-related value of plan assets methodology utilized.

The following table summarizes the total accumulated benefit obligations (ABO), the ABO and fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the PBO and fair value of plan assets for defined benefit pension plans with PBO in excess of plan assets (dollars in millions):

| | Successor December 31, 2009 | | Predecessor December 31, 2008 | |
|---|---|---|---|---|
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| ABO | $ 101,397 | $ 23,615 | $ 98,003 | $ 19,547 |
| Plans with ABO in excess of plan assets | | | | |
| ABO | $ 101,397 | $ 22,708 | $ 98,003 | $ 19,229 |
| Fair value of plan assets | $ 84,500 | $ 12,721 | $ 84,545 | $ 7,648 |
| Plans with PBO in excess of plan assets | | | | |
| PBO | $ 101,571 | $ 23,453 | $ 98,135 | $ 19,664 |
| Fair value of plan assets | $ 84,500 | $ 13,008 | $ 84,545 | $ 7,649 |

The following tables summarize the components of net periodic pension and OPEB expense from continuing operations along with the assumptions used to determine benefit obligations (dollars in millions):

| | Successor | | | |
|---|---|---|---|---|
| | U.S. Plans Pension Benefits | Non-U.S. Plans Pension Benefits | U.S. Other Benefits | Non-U.S. Plans Other Benefits |
| | July 10, 2009 Through December 31, 2009 | | | |
| **Components of expense** | | | | |
| Service cost (a) | $ 254 | $ 157 | $ 62 | $ 17 |
| Interest cost | 2,578 | 602 | 886 | 94 |
| Expected return on plan assets | (3,047) | (438) | (432) | |
| Amortization of prior service cost (credit) | | | | (1) |
| Curtailments, settlements, and other losses | 249 | 9 | 2,580 | |
| Net periodic pension and OPEB expense | $ 34 | $ 330 | $ 3,096 | $ 110 |
| **Weighted-average assumptions used to determine benefit obligations at December 31 (b)** | | | | |
| Discount rate | 5.52% | 5.31% | 5.57% | 5.22% |
| Rate of compensation increase | 3.94% | 3.27% | 1.48% | 4.45% |

| | | | | |
|---|---|---|---|---|
| **Weighted-average assumptions used to determine net expense for period ended December 31 (c)** | | | | |
| Discount rate | 5.63% | 5.82% | 6.81% | 5.47% |
| Expected return on plan assets | 8.50% | 7.97% | 8.50% | |
| Rate of compensation increase | 3.94% | 3.23% | 1.48% | 4.45% |

(a) U. S. pension plan service cost includes plan administrative expenses of $38 million.

(b) Determined at the end of the period.

(c) Determined at the beginning of the period and updated for remeasurements. Appropriate discount rates were used to measure the effects of curtailments and plan amendments on various plans.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | **Predecessor** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **U.S. Plans Pension Benefits** | | | **Non-U.S. Plans Pension Benefits** | | | **U.S. Plans Other Benefits** | | | **Non-U.S. Other Benefits** | | |
| | **January 1, 2009 Through July 9, 2009** | **Year Ended December 31, 2008** | **Year Ended December 31, 2007** | **January 1, 2009 Through July 9, 2009** | **Year Ended December 31, 2008** | **Year Ended December 31, 2007** | **January 1, 2009 Through July 9, 2009** | **Year Ended December 31, 2008** | **Year Ended December 31, 2007** | **January 1, 2009 Through July 9, 2009** | **Year Ended December 31, 2008** | **Year Ended December 31, 2007** |
| **Components of expense** | | | | | | | | | | | | |
| Service cost | $ 243 | $ 527 | $ 627 | $ 155 | $ 410 | $ 486 | $ 69 | $ 241 | $ 370 | $ 12 | $ 32 | $ 45 |
| Interest cost | 3,077 | 5,493 | 4,931 | 596 | 1,269 | 1,143 | 1,615 | 3,519 | 3,609 | 102 | 225 | 199 |
| Expected return on plan assets | (3,810) | (8,043) | (7,983) | (364) | (969) | (984) | (444) | (1,281) | (1,400) | | | |
| Amortization of prior service cost (credit) | 429 | 1,077 | 2,167 | (12) | 407 | 32 | (1,051) | (1,918) | (1,830) | (63) | (86) | (86) |
| Amortization of transition obligation | | | | 2 | 6 | 8 | | | | | | |
| Recognized net actuarial loss | 715 | 317 | 764 | 193 | 275 | 407 | 32 | 508 | 1,352 | 23 | 110 | 122 |
| Curtailments, settlements, and other losses (gains) | 1,720 | 3,823 | 75 | 97 | 270 | 156 | 21 | (3,476) | (213) | (123) | 11 | (17) |
| Divestiture of Allison (a) | | | (30) | | | | | | 211 | | | |
| Net periodic pension and OPEB (income) expense | $ 2,374 | $ 3,194 | $ 551 | $ 667 | $ 1,668 | $ 1,248 | $ 242 | $ (2,407) | $ 2,099 | $ (49) | $ 292 | $ 263 |
| **Weighted-average assumptions used to determine benefit obligations at period end (b)** | | | | | | | | | | | | |
| Discount rate | 5.86% | 6.27% | 6.35% | 5.82% | 6.22% | 5.72% | 6.86% | 8.25% | 6.35% | 5.47% | 7.00% | 5.75% |
| Rate of compensation increase | 3.94% | 5.00% | 5.25% | 3.23% | 3.59% | 3.60% | 1.48% | 2.10% | 3.30% | 4.45% | 4.45% | 4.00% |
| **Weighted-average assumptions used to determine net expense for the period (c)** | | | | | | | | | | | | |
| Discount rate | 6.27% | 6.56% | 5.97% | 6.23% | 5.77% | 4.97% | 8.11% | 7.02% | 5.90% | 6.77% | 5.90% | 5.00% |
| Expected return on plan assets | 8.50% | 8.50% | 8.50% | 7.74% | 7.78% | 7.85% | 8.50% | 8.40% | 8.40% | | | |
| Rate of compensation increase | 5.00% | 5.00% | 5.00% | 3.08% | 3.59% | 3.46% | 1.87% | 3.30% | 4.60% | 4.45% | 4.00% | 4.00% |

(a) As a result of the Allison divestiture, Old GM recorded an adjustment to the unamortized prior service cost of the U.S. hourly defined benefit pension plan and U.S. salaried defined benefit pension plan of $18 million and the U.S. hourly and salaried OPEB plans of $223 million in the year ended 2007. Those adjustments were included in the determination of the gain recognized on the sale of Allison. The net periodic pension and OPEB benefit expenses related to Allison were reported as a component of discontinued operations. All such amounts related to Allison are reflected in the table above, and the effects of those amounts are shown as an adjustment to arrive at net periodic pension and OPEB (income) expense from continuing operations.

(b) Determined at the end of the period.

(c) Determined at the beginning of the period and updated for remeasurements. Appropriate discount rates were used to measure the effects of curtailments and plan amendments on various plans.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes estimated amounts to be amortized from Accumulated other comprehensive income (loss) into net periodic benefit cost in the year ended 2010 based on December 31, 2009 plan measurements (dollars in millions):

| | U.S. Pension Plans | Non-U.S. Pension Plans | U.S. Other Benefit Plans | Non-U.S. Other Benefit Plans |
|---|---|---|---|---|
| Amortization of prior service credit | $ (1) | $ (1) | $ | $ (1) |
| Amortization of net actuarial loss | | 9 | | |
| | $ (1) | $ 8 | $ | $ (1) |

**Assumptions**

***Healthcare Trend Rate***

| | Successor December 31, 2009 | | Predecessor December 31, 2008 | |
|---|---|---|---|---|
| **Assumed Healthcare Trend Rates** | **U.S. Plans(a)** | **Non U.S. Plans(b)** | **U.S. Plans** | **Non U.S. Plans** |
| Initial healthcare cost trend rate | % | 5.4% | 8.0% | 5.5% |
| Ultimate healthcare cost trend rate | % | 3.3% | 5.0% | 3.3% |
| Number of years to ultimate trend rate | | 8 | 6 | 8 |

(a) As a result of modifications made to healthcare plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect on our U.S. plans.

(b) The implementation of the HCT in Canada is anticipated and will significantly reduce our exposure to changes in the healthcare cost trend rate.

Healthcare trend rate assumptions are determined for inclusion in healthcare OPEB valuation at each remeasurement. The healthcare trend rates are developed using historical cash expenditures for retiree healthcare. This information is supplemented with information gathered from actuarial based models, information obtained from healthcare providers and known significant events.

The effect of aggregate healthcare trend rates does not include healthcare trend data subsequent to December 31, 2009 associated with the UAW hourly retiree medical plan due to the December 31, 2009 Implementation Date of the New VEBA as the plan is now settled.

The following table summarizes the effect of a one-percentage point change in the assumed healthcare trend rates:

| Change in Assumption | U.S. Plans(a) Effect on 2010 Aggregate Service and Interest Cost | U.S. Plans(a) Effect on December 31, 2009 APBO | Non-U.S. Plans(b) Effect on 2010 Aggregate Service and Interest Cost | Non-U.S. Plans(b) Effect on December 31, 2009 APBO |
|---|---|---|---|---|
| One percentage point increase | | | +$ 14 million | +$ 413 million |
| One percentage point decrease | | | -$ 11 million | -$ 331 million |

(a) As a result of modifications made to healthcare plans in connection with the 363 Sale, there are no significant uncapped U.S. healthcare plans remaining at December 31, 2009 and, therefore, the healthcare cost trend rate does not have a significant effect in the U.S.

(b) The implementation of the HCT in Canada is anticipated and will significantly reduce our exposure to changes in the healthcare cost trend rate.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Investment Strategies and Long-Term Rate of Return***

Detailed periodic studies conducted by outside actuaries and an internal asset management group, consisting of an analysis of capital market assumptions and employing Monte Carlo simulations, are used to determine the long-term strategic mix among asset classes, risk mitigation strategies, and the expected return on asset assumptions for U.S. pension plans. The U.S. study includes a review of alternative asset allocation and risk mitigation strategies, anticipated future long-term performance of individual asset classes, risks evaluated using standard deviation techniques and correlations among the asset classes that comprise the plans asset mix. Similar studies are performed for the significant non-U.S. pension plans with the assistance of outside actuaries and asset managers. While the studies incorporate data from recent fund performance and historical returns, the expected return on plan asset assumptions are determined based on long-term, prospective rates of return.

The strategic asset mix and risk mitigation strategies for the U.S. and non-U.S. pension plans are tailored specifically for each plan. Individual plans have distinct liabilities, liquidity needs, and regulatory requirements. Consequently, there are different investment policies set by individual plan fiduciaries. Although investment policies and risk mitigation strategies may differ among certain U.S. and non-U.S. pension and OPEB plans, each investment strategy is considered to be optimal in the context of the specific factors affecting each plan.

In setting a new strategic asset mix, consideration is given to the likelihood that the selected mix will effectively fund the projected pension plan liabilities, while aligning with the risk tolerance of the plans fiduciaries. The strategic asset mix for U.S. defined benefit pension plans is intended to reduce exposure to equity market risks, to utilize asset classes which reduce volatility and to utilize asset classes where active management has historically generated excess returns above market returns.

In May 2009, an analysis of the investment policy was completed for the U.S. plans which confirmed an expected return rate of 8.5%. This included a detailed analysis of capital market assumptions and the selection of portfolios that are optimal in the context of the plans fiduciaries objectives. The selected portfolios were comprised of a number of asset classes with favorable return characteristics including: a significant allocation to debt securities with credit exposure, some of which have expected returns that are similar to that of equities, significant exposures to private market securities (equity, debt, and real estate) and absolute return strategies (i.e., hedge fund strategies with low exposure to market risks). The expected long-term rate of return assumption is enhanced by these diversified strategies and is consistent with the long-term historical return for the U.S. plans.

The expected return on plan asset assumptions used in determining pension expense for non-U.S. pension plans is determined in a similar manner to the U.S. plans, and the rate of 7.97% for the period ended December 31, 2009 is a weighted average of all of the funded non-U.S. plans.

***Target Allocation Percentages***

An asset and liability study of the U.S. target allocation percentages was approved in May 2009. No significant changes were made to the target allocation percentages by asset category as a result of this study. However, due to the partial elimination of the derivative overlay for the absolute return strategies with the May 2009 study, the absolute return strategies no longer provided bond or bond-like exposures. Therefore they were reclassified from debt securities to the other asset category resulting in a 15 percentage point shift between asset categories. This change does not reflect a change in investment policy.

The following table summarizes the target allocations by asset category for U.S. and non-U.S. defined benefit pension plans and U.S. OPEB plans:

| | Successor | Predecessor |
|---|---|---|

| Asset Categories | December 31, 2009 U.S. Plans | Non-U.S. Plans | U.S. OPEB(c) | December 31, 2008 U.S. Plans | Non-U.S. Plans | U.S. OPEB |
|---|---|---|---|---|---|---|
| Equity securities | 28.0% | 64.0% | % | 28.0% | 60.0% | 53.0% |
| Debt securities (a) | 42.0% | 24.0% | % | 57.0% | 24.0% | 25.0% |
| Real estate | 9.0% | 9.0% | % | 9.0% | 12.0% | 4.5% |
| Other (b) | 21.0% | 3.0% | % | 6.0% | 4.0% | 17.5% |
| Total | 100.0% | 100.0% | % | 100.0% | 100.0% | 100.0% |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(a) Includes absolute return strategies at December 31, 2008.

(b) Includes private equity at December 31, 2008 and December 31, 2009 and absolute return strategies at December 31, 2009.

(c) There are no significant U.S. OPEB assets at December 31, 2009 following the settlement of the UAW hourly retiree medical plan.

***Pension Plan Assets and Fair Value Measurements***

The following table summarizes the fair value of defined benefit pension plan assets by asset category (dollars in millions):

| | Successor | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair Value Measurements of U.S. Plan Assets at December 31, 2009 | | | | Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2009 | | | | Total U.S. and Non-U.S. Plan Assets |
| | Level 1 | Level 2 | Level 3 | Total U.S. Plan Assets | Level 1 | Level 2 | Level 3 | Total Non-U.S. Plan Assets | |
| **Direct investments:** | | | | | | | | | |
| Cash equivalents and other short-term investments | $ | $ | $ | $ | $ 137 | $ 463 | $ | $ 600 | $ 600 |
| Common and preferred stock | | | | | 3,002 | 56 | | 3,058 | 3,058 |
| Government and agency debt securities (a) | | | | | 93 | 4,136 | 65 | 4,294 | 4,294 |
| Corporate debt securities (b) | | | | | 2 | 483 | 109 | 594 | 594 |
| Agency mortgage and asset-backed securities | | | | | | 62 | 7 | 69 | 69 |
| Non-agency mortgage and asset-backed securities | | | | | | 42 | 16 | 58 | 58 |
| Private equity and debt investments | | | | | | | 110 | 110 | 110 |
| Real estate assets (c) | | | | | 14 | | 825 | 839 | 839 |
| Derivatives (d) | | | | | | 23 | | 23 | 23 |
| Total direct investments | | | | | 3,248 | 5,265 | 1,132 | 9,645 | 9,645 |
| **Investment funds:** | | | | | | | | | |
| Cash equivalent funds | | | | | 19 | 4 | | 23 | 23 |
| Equity funds | | 14,495 | | 14,495 | 1 | 2,575 | 75 | 2,651 | 17,146 |
| High quality fixed income funds | | 9,643 | | 9,643 | | 1,012 | | 1,012 | 10,655 |
| High yield fixed income funds | | | 4,221 | 4,221 | | | | | 4,221 |
| Blended funds (e) | | 71 | | 71 | | 18 | | 18 | 89 |
| Real estate funds | | 916 | | 916 | | 35 | 217 | 252 | 1,168 |
| Other funds (f) | | 2,266 | | 2,266 | | 8 | 95 | 103 | 2,369 |
| Total investment funds | | 27,391 | 4,221 | 31,612 | 20 | 3,652 | 387 | 4,059 | 35,671 |
| Other | | | | | | 206 | | 206 | 206 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Assets before Investment Trusts | $ | $ 27,391 | $ 4,221 | 31,612 | $ 3,268 | $ 9,123 | $ 1,519 | 13,910 | 45,522 |
| Investment Trusts (g) | | | | 53,043 | | | | | 53,043 |
| Total assets | | | | 84,655 | | | | 13,910 | 98,565 |
| Other plan assets and liabilities (h) | | | | (155) | | | | 117 | (38) |
| Net plan assets | | | | $ 84,500 | | | | $ 14,027 | $ 98,527 |

(a) Includes U.S. and sovereign government and agency issues; excludes mortgage and asset-backed securities

(b) Includes bank debt obligations.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(c) Includes public and private real estate investment trusts.

(d) Includes net futures, forwards, options, swaps, rights, and warrants.

(e) Primarily investments in blended equity and fixed income fund-of-funds.

(f) Primarily investments in alternative investment funds.

(g) Refer to the subsequent discussion of Investment Trusts for the leveling of the underlying assets of the Investment Trusts.

(h) Primarily investment manager fees, custody fees and other expenses paid directly by the plans.

The following tables summarize the activity for U.S. plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

| | Successor Level 3 U.S. Plan Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at July 10, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at December 31, 2009 |
| High yield fixed income funds | $ 5,488 | $ 910 | $ 158 | $ (2,335) | $ | $ 4,221 |

| | Predecessor Level 3 U.S. Plan Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at July 9, 2009 |
| High yield fixed income funds | $ 4,508 | $ 998 | $ 7 | $ (25) | $ | $ 5,488 |

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the activity for non-U.S. plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

| | Successor Level 3 Non-U.S. Plan Asset Activity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at July 10, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Exchange Rate Movements | Balance at December 31, 2009 |
| **Direct investments:** | | | | | | | |
| Government and agency debt securities | $ 8 | $ (1) | $ | $ 60 | $ (3) | $ 1 | $ 65 |
| Corporate debt securities | 17 | 6 | 1 | 37 | 43 | 5 | 109 |
| Agency mortgage and asset- backed securities | 6 | | | | 1 | | 7 |
| Non-agency mortgage and asset-backed securities | 10 | 19 | (6) | (11) | 3 | 1 | 16 |
| Private equity and debt investments | 149 | (1) | | (52) | | 14 | 110 |
| Real estate assets | 785 | (52) | | 11 | | 81 | 825 |
| Total direct investments | 975 | (29) | (5) | 45 | 44 | 102 | 1,132 |
| **Investment funds:** | | | | | | | |
| Equity funds | 27 | 12 | (9) | 43 | (2) | 4 | 75 |
| Real estate funds | 199 | 25 | (2) | (4) | | (1) | 217 |
| Other investment funds | 107 | 3 | 1 | (16) | | | 95 |
| Total investment funds | 333 | 40 | (10) | 23 | (2) | 3 | 387 |
| Total non-U.S. plan assets | $ 1,308 | $ 11 | $ (15) | $ 68 | $ 42 | $ 105 | $ 1,519 |

| | Predecessor Level 3 Non-U.S. Plan Asset Activity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at January 1, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Exchange Rate Movements | Balance at July 9, 2009 |
| **Direct investments:** | | | | | | | |
| Government and agency debt securities | $ | $ | $ | $ 4 | $ 4 | $ | $ 8 |
| Corporate debt securities | 16 | | 2 | (2) | | 1 | 17 |
| Agency mortgage and asset- backed securities | 6 | | | | | | 6 |
| Non-agency mortgage and asset-backed securities | 1 | (3) | | (2) | 14 | | 10 |
| Private equity and debt investments | 163 | (33) | | 11 | | 8 | 149 |
| Real estate assets | 831 | (99) | | 12 | | 41 | 785 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total direct investments | 1,017 | (135) | 2 | 23 | 18 | 50 | 975 |
| **Investment funds:** | | | | | | | |
| Equity funds | 33 | 2 | (1) | 10 | (19) | 2 | 27 |
| Real estate funds | 206 | (21) | (3) | (3) | | 20 | 199 |
| Other investment funds | 94 | 2 | | 1 | | 10 | 107 |
| Total investment funds | 333 | (17) | (4) | 8 | (19) | 32 | 333 |
| Total non-U.S. plan assets | $ 1,350 | $ (152) | $ (2) | $ 31 | $ (1) | $ 82 | $ 1,308 |

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Fund Investment Strategies***

A significant portion of the defined benefit pension plan assets, as previously discussed, are invested in a variety of investment funds. The following information describes the significant investment strategies of those funds.

Cash equivalent funds typically seek a high level of current income consistent with the preservation of capital and the maintenance of liquidity. In furtherance of these investment objectives, the funds invest primarily in short-term, high quality securities including U.S. government securities, U.S. dollar-denominated obligations of the U.S. and foreign depository institutions, commercial paper, corporate bonds and asset-backed securities. The funds seek to be fully invested and to achieve the objectives by using fundamental security valuation methodologies and quantitative investment models.

Equity funds typically seek long-term growth through capital appreciation and current income primarily through investments in companies that are believed by the investment manager to be attractively priced relative to fundamental characteristics such as earnings, book value or cash flow. The funds invest primarily in U.S. equities but may also have exposure to equity securities issued by companies incorporated, listed, or domiciled in developed and/or emerging markets. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

High quality fixed income funds typically seek a high level of current income that is consistent with reasonable risk and moderate capital appreciation, primarily through investments in U.S. high quality fixed income securities. In furtherance of these investment objectives, the funds invest primarily in U.S. government securities, investment-grade corporate bonds, mortgages and asset-backed securities. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

High yield fixed income funds typically seek a high level of current income and capital appreciation primarily through investments in U.S. high yield fixed income securities. The funds invest primarily in U.S. high yield fixed income securities issued by corporations which are rated below investment grade by one or more nationally recognized rating agencies, are unrated but are believed by the investment manager to have similar risk characteristics, or are rated investment grade or higher but are priced at yields comparable to securities rated below investment grade and believed to have similar risk characteristics. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

Blended funds typically seek long-term growth through capital appreciation and current income primarily through investments in a broadly diversified portfolio of stocks and bonds. The funds invest in other investment funds pursuant to an asset allocation strategy that seeks to provide diversification across a range of asset classes. The asset classes of the funds may include U.S. large cap stocks, U.S. small cap stocks, international stocks, emerging markets stocks, U.S. high quality bonds, U.S. high yield bonds and cash. The funds seek to be fully invested and achieve their objectives by using fundamental security valuation methodologies and quantitative models.

Real estate funds typically seek long-term growth of capital and current income that is above average relative to public equity funds. The funds invest primarily in the equity-oriented securities of companies which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial and residential. The funds seeks to achieve their objective by selecting securities based on an analysis of factors affecting the performance of real estate investments such as local market conditions, asset quality and management expertise, and an assessment of value based on fundamental security valuation methodologies and other real estate valuation metrics.

The plans also have limited exposure to alternative investment funds with broad-ranging strategies and styles. Typically, the objective of such funds is to deliver returns having relatively low volatility and correlation to movements in major equity and bond markets. Fund strategies in this category typically include private equity, venture capital, commodities, hedged, or absolute return strategies.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Investment Trusts***

A significant portion of the U.S. hourly and salaried pension plan assets are invested through a series of group trusts (Investment Trusts) which permit the commingling of assets from more than one employer. The group trust structure permitted the formation of a series of group trust investment accounts. Each group trust has a beneficial interest in the assets of the underlying investment accounts which are invested to achieve an investment strategy based on the desired plan asset targeted allocations. For purposes of fair value measurement, each plan s interests in the group trusts are classified as a plan asset.

A plan s interest in an Investment Trust is determined based on the Investment Trust s beneficial interest in the underlying net assets. Beneficial interests in the individual Investment Trusts owned by the plans are 97.4% on a combined basis at December 31, 2009.

The following table summarizes the U.S. plans interest in certain net assets of the Investment Trusts (dollars in millions):

| | **Successor December 31, 2009** |
|---|---|
| U.S. pension plans funded beneficial interest | $ 53,043 |
| OPEB 401(h) plans funded beneficial interest | 3 |
| Interests held in trusts by plans of other employers | 969* |
| Total fair value of underlying assets of Investment Trusts | 54,015 |
| Assets of Investment Trusts not subject to leveling: | |
| Cash | (3,022) |
| Net non-security assets | (323) |
| Total net assets of the Investment Trusts subject to leveling | $ 50,670 |

* Amount originally reported as $1,403 in our 2009 Form 10-K. The column sub-total and total have been corrected accordingly. Refer to Note 3.

The following table summarizes the fair value of the individual investments held by the investment accounts owned by the Investment Trusts (dollars in millions):

| | **Successor Fair Value Measurements of Investment Trust Underlying Assets at December 31, 2009(a)** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash equivalents and other short-term investments | $ | $ 5,003 | $ | $ 5,003 |
| Common and preferred stock | 2,512 | 169 | 51 | 2,732 |
| Government and agency debt securities (b) | | 2,866 | 1,552 | 4,418 |
| Corporate debt securities (c) | | 4,984 | 1,761 | 6,745 |

| | | | | |
|---|---|---|---|---|
| Agency mortgage and other asset-backed securities | | 380 | 6 | 386 |
| Non-agency mortgage and other asset-backed securities | | 861 | 1,525 | 2,386 |
| Investment funds (d) | 999 | 3,339* | 13,606* | 17,944 |
| Private equity and debt investments | | 1 | 7,210 | 7,211 |
| Real estate assets (e) | 292 | | 5,209 | 5,501 |
| Derivatives (f) | 57 | (1,825) | 112 | (1,656) |
| Total underlying assets | $ 3,860 | $ 15,778 | $ 31,032 | $ 50,670 |

* Amounts originally reported as $3,463 and $13,916 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

(a) Underlying assets are reported at the overall trust level, which includes our plan assets as well as plan assets of non-affiliated plan sponsors.

(b) Includes U.S. and sovereign government and agency issues; excludes mortgage and asset-backed securities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Includes bank debt obligations.

(d) Includes common, collective, pooled and hedge funds.

(e) Includes public and private real estate investment trusts.

(f) Includes net futures, forwards, options, swaps, rights, and warrants.

The following tables summarize the activity of the underlying assets of the Investment Trusts classified in Level 3 of the valuation hierarchy (dollars in millions):

| | Successor Level 3 Investment Trust Underlying Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at July 10, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at December 31, 2009 |
| Common and preferred stock | $ 13 | $ 11 | $ (6) | $ 37 | $ (4) | $ 51 |
| Government and agency debt securities | 29 | 140 | 28 | 66 | 1,289 | 1,552 |
| Corporate debt securities | 749 | 173 | (6) | 612 | 233 | 1,761 |
| Agency mortgage and asset-backed securities | 3 | 5 | (3) | 3 | (2) | 6 |
| Non-agency mortgage and asset-backed securities | 544 | 455 | (162) | 393 | 295 | 1,525 |
| Investment funds | 11,872* | 1,333* | (221)* | 1,344* | (722)* | 13,606* |
| Private equity and debt investments | 6,618 | 264 | 205 | 123 | | 7,210 |
| Real estate assets | 5,701 | (1,086) | 364 | 230 | | 5,209 |
| Derivatives | (314) | (8) | (22) | 66 | 390 | 112 |
| Total Investment Trust Level 3 | $ 25,215 | $ 1,287 | $ 177 | $ 2,874 | $ 1,479 | $ 31,032 |

*Amounts originally reported as $10,874, $1,379, $(218), $1,379, $502 and $13,916 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

| | Predecessor Level 3 Investment Trust Underlying Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at July 9, 2009 |
| Common and preferred stock | $ 10 | $ (1) | $ 3 | $ 1 | $ | $ 13 |
| Government and agency debt securities | 9 | 3 | | 17 | | 29 |
| Corporate debt securities | 604 | 172 | (47) | 15 | 5 | 749 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Agency mortgage and asset-backed securities | 5 | | | (1) | (1) | 3 |
| Non-agency mortgage and asset-backed securities | 717 | (147) | (16) | 9 | (19) | 544 |
| Investment funds | 11,843* | 417* | 152* | (530)* | (10)* | 11,872* |
| Private equity and debt investments | 7,564 | (1,049) | (64) | 167 | | 6,618 |
| Real estate assets | 7,899 | (2,440) | (10) | 252 | | 5,701 |
| Derivatives | 1,420 | (1,469) | (229) | (36) | | (314) |
| Total Investment Trust Level 3 | $ 30,071 | $ (4,514) | $ (211) | $ (106) | $ (25) | $ 25,215 |

*Amounts originally reported as $12,753, $1,899, $(1,193), $(2,585), $0 and $10,874 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***OPEB Plan Assets and Fair Value Measurements***

The existing OPEB plan assets were no longer recognized as plan assets due to the UAW hourly retiree medical plan settlement. The following table summarizes the fair value of OPEB plan assets by asset category (dollars in millions):

| | Successor Fair Value Measurements of OPEB Plan Assets at December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total U.S. Plan Assets |
| **Direct investments:** | | | | |
| Cash equivalents and other short-term investments | $ | $ 28 | $ | $ 28 |
| Investment Funds | | 37 | | 37 |
| Other | | | 2 | 2 |
| Total assets | $ | $ 65 | $ 2 | 67 |
| Employee-owned assets | | | | (10) |
| Net non-security liabilities | | | | (26) |
| Total OPEB net assets | | | | $ 31 |

The following tables summarize the activity for the OPEB plan assets classified in Level 3 of the valuation hierarchy (dollars in millions):

| | Successor Level 3 OPEB Plan Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at July 10, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at December 31, 2009 |
| Common and preferred stock | $ 3 | $ 3 | $ (2) | $ (4) | $ | $ |
| Government and agency debt securities | 1 | 21 | 4 | (248) | 222 | |
| Corporate debt securities | 122 | 51 | 3 | (344) | 168 | |
| Non-agency mortgage and asset-backed securities | 18 | (29) | (1) | (2) | 14 | |
| Investment funds | 2,188 | 154 | (17) | (2,315) | (10) | |
| Private equity and debt investments | 243 | 36 | | (279) | | |
| Real estate assets | 356 | (78) | | (136) | (142) | |
| Other | 2 | | | | | 2 |
| Total OPEB Level 3 | $ 2,933 | $ 158 | $ (13) | $ (3,328) | $ 252 | $ 2 |

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Predecessor Level 3 OPEB Plan Asset Activity | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2009 | Net Unrealized Gains (Losses) | Net Realized Gains (Losses) | Purchases, Sales and Settlements | Transfers into (out of) Level 3 | Balance at July 9, 2009 |
| Common and preferred stock | $ | $ (5) | $ | $ 8 | $ | $ 3 |
| Government and agency debt securities | | | | | 1 | 1 |
| Corporate debt securities | 89 | 26 | (5) | 12 | | 122 |
| Non-agency mortgage and asset-backed securities | 24 | | (1) | (5) | | 18 |
| Investment funds | 2,403 | 333 | (104) | (272) | (172) | 2,188 |
| Private equity and debt investments | 245 | 17 | (16) | (3) | | 243 |
| Real estate assets | 415 | (71) | 1 | 11 | | 356 |
| Other | 2 | | | | | 2 |
| Total OPEB Level 3 | $ 3,178 | $ 300 | $ (125) | $ (249) | $ (171) | $ 2,933 |

***Significant Concentrations of Risk***

The pension plan Investment Trusts include investments in privately negotiated equity and debt securities and derivative instruments which may be illiquid. The asset managers may be unable to quickly liquidate some of these investments at an amount close or equal to fair value in order to meet a plan s liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

A portion of the assets underlying the Investment Trusts include non-readily liquid assets, which generally have long-term durations that complement the long-term nature of pension obligations, are not used to fund benefit payments when currently due. Plan management monitors liquidity risk on an ongoing basis and has procedures in place that are designed to maintain flexibility in addressing plan-specific, broader industry, and market liquidity events.

The pension plan Investment Trusts may invest in financial instruments and enter into transactions denominated in currencies other than the plans functional currencies. Consequently, the plans might be exposed to risks that the foreign currency exchange rates might change in a manner that has an adverse effect on the value of that portion of the plans assets or liabilities denominated in currencies other than the functional currency. The plans use forward currency contracts to manage foreign currency risk.

The pension plan Investment Trusts may invest in fixed income securities for which any change in the relevant interest rates for particular securities might result in an investment manager being unable to secure similar returns on the expiration of contracts or the sale of securities. In addition, changes to prevailing interest rates or changes in expectations of future interest rates might result in an increase or decrease in the fair value of the securities held. In general, as interest rates rise, the fair value of fixed income securities declines, and vice-versa. The plan Investment Trusts use interest rate swaps and other financial derivative instruments to manage interest rate risk.

A counterparty to a financial instrument may fail or default on a commitment that it has entered into with the plan Investment Trusts. Counterparty risk is primarily related to over-the-counter derivative instruments used to manage exposures related to interest rates on long-term debt securities and foreign currency exchange rate fluctuations. The plan Investment Trusts enter into agreements with counterparties that allow the set-off of certain exposures to the risk that the issuer or guarantor of a debt security will be unable to meet principal and interest payments on its obligations and also to the price risk related to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity. The plan Investment Trusts may invest in debt securities that are investment grade, non-investment grade, or unrated. High yield debt securities have historically experienced greater default rates than investment grade securities. The plan Investment Trusts have credit policies and processes to manage exposure to credit risk on an ongoing basis and manage concentrations of counterparty risk by seeking to undertake transactions with large well-capitalized counterparties and by monitoring the creditworthiness of these counterparties.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Plan Funding Policy and Contributions**

The funding policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulations or to directly pay benefit payments where appropriate. At December 31, 2009, all legal funding requirements had been met.

The following table summarizes pension contributions to the defined benefit pension plans or direct payments (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| U.S. hourly and salaried | $ | $ | $ | $ |
| Other U.S. | 31 | 57 | 90 | 89 |
| Non-U.S. | 4,287 | 529 | 977 | 848 |
| Total contributions | $ 4,318 | $ 586 | $ 1,067 | $ 937 |

In the year ending 2010 we do not have any U.S. contributions due to our qualified plans. The next pension funding valuation date based on the requirements of the Pension Protection Act (PPA) of 2006 would be October 1, 2010. At that time, based on the PPA, we have the option to select a discount rate for the valuation based on either the Full Yield Curve method or the 3-Segment method, both of which are considered to be acceptable methods. A hypothetical funding valuation at December 31, 2009 using the Full Yield Curve discount rate at that time and for all future funding valuations projects contributions of $2.5 billion, $4.6 billion and $4.8 billion in 2013, 2014 and 2015 and additional contributions may be required thereafter. Alternatively, if the 3-Segment discount rate were used for the hypothetical valuation, no pension funding contributions until a contribution of $3.3 billion in 2015 are required, and additional contributions may be required thereafter. In both cases, we have assumed that the pension plans earn the expected return of 8.5% in the future. In addition to the discount rate and rate of return on assets, the pension contributions could be affected by various other factors including the effect of any legislative changes. We are currently considering making a discretionary contribution to our U.S. hourly defined benefit pension plan to offset the effect of the increase to the PBO resulting from the Delphi Benefit Guarantee Agreements being triggered and to reduce the projected future cash funding requirements. We are currently evaluating the amount, timing and form of assets that may be contributed. We expect to contribute or pay benefits of $95 million to our other U.S. defined benefit pension plans and $355 million to our non-U.S. pension plans in the year ended 2010.

In July 2009 $862 million was deposited into an escrow account pursuant to an agreement between Old GM, EDC and an escrow agent. In July 2009 we subscribed for additional common shares in GMCL and paid the subscription price in cash. As required under certain agreements between GMCL, EDC, and an escrow agent, $3.6 billion of the subscription price was deposited into an escrow account to fund certain of GMCL s pension plans and HCT obligations pending completion of certain preconditions. In September 2009 GMCL contributed $3.0 billion to the Canadian hourly defined benefit pension plan and $651 million to the Canadian salaried defined benefit pension plan, of which $2.7 billion was funded from the escrow account. In accordance with the terms of the escrow agreement, $903 million was released from the escrow account to us in September 2009. At December 31, 2009 $955 million remained in the escrow account.

The following table summarizes net contributions to the U.S. OPEB plans (dollars in millions):

| | Successor | Predecessor |
|---|---|---|

| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
|---|---|---|---|---|
| Employer (a)(b) | $ 1,528 | $ 1,947 | $ (1,356) | $ (1,929) |
| Plan participants contributions. | 172 | 169 | 401 | 354 |
| Total contributions | $ 1,700 | $ 2,116 | $ (955) | $ (1,575) |

(a) Withdrawals were from plan assets of non-UAW hourly and salaried VEBAs in the years ended 2008 and 2007.

(b) Both the U.S. non-UAW hourly and salaried VEBAs were effectively liquidated by December 31, 2008.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Benefit Payments**

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service, as appropriate, but does not reflect the effect of the 2009 CAW Agreement which provides for our independent HCT (dollars in millions):

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | Pension Benefits(a) | | Other Benefits | |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans(b) | Non-U.S. Plans |
| 2010 | $ 9,321 | $ 1,414 | $ 489 | $ 177 |
| 2011 | $ 8,976 | $ 1,419 | $ 451 | $ 185 |
| 2012 | $ 8,533 | $ 1,440 | $ 427 | $ 193 |
| 2013 | $ 8,247 | $ 1,461 | $ 407 | $ 201 |
| 2014 | $ 8,013 | $ 1,486 | $ 390 | $ 210 |
| 2015-2019 | $ 37,049 | $ 7,674 | $ 1,801 | $ 1,169 |

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our cash and cash equivalents.

(b) Benefit payments presented in this table reflect the effect of the implementation of the 2009 Revised UAW Settlement Agreement which releases us from UAW retiree healthcare claims incurred after December 31, 2009.

**Note 20. Derivative Financial Instruments and Risk Management**

**Risk Management**

Foreign currency exchange risk, interest rate risk and commodity price risk are managed by using derivative instruments, typically including forward contracts, swaps and options, in accordance with our current and Old GM s previous risk management policies. The objective of these risk management policies is to offset the gains and losses on the underlying exposures resulting from these risks with the related gains and losses on the derivatives used to hedge them. These risk management policies limit the use of derivative instruments to managing these risks and do not allow the use of derivative instruments for speculative purposes.

A risk management control system is used to assist in monitoring the hedging program, derivative positions and hedging strategies. Hedging documentation includes hedging objectives, practices and procedures, and the related accounting treatment. Hedges that receive designated hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedging period.

**Counterparty Credit Risk**

Derivative financial instruments contain an element of credit risk attributable to the counterparties ability to meet the terms of the agreements. The maximum amount of loss due to credit risk that we would incur if the counterparties to the derivative instruments failed completely to perform according to the terms of the contract was $159 million at December 31, 2009. Agreements are entered into with counterparties that allow the set-off of certain exposures in order to manage the risk. The total net derivative asset position for all counterparties with which we were in a net asset position at December 31, 2009 was $125 million.

Counterparty credit risk is managed and monitored by our Risk Management Committee, which establishes exposure limits by counterparty. At December 31, 2009 substantially all counterparty exposures were with counterparties that were rated A or higher.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Credit Risk Related Contingent Features**

Agreements with counterparties to derivative instruments do not contain covenants requiring the maintenance of certain credit rating levels or credit risk ratios that would require the posting of collateral in the event that certain standards are violated or when a derivative instrument is in a liability position. No collateral was posted related to derivative instruments at December 31, 2009. We are currently in negotiations with counterparties to amend or enter into new derivative agreements that will likely require us to provide cash collateral for any net liability positions that we would have with these counterparties.

**Derivatives and Hedge Accounting**

Our derivative instruments consist of nondesignated derivative contracts or economic hedges. At December 31, 2009 and 2008 no outstanding derivative contracts were designated in hedging relationships. In the period July 10, 2009 through December 31, 2009 we accounted for changes in the fair value of all outstanding contracts by recording the gains and losses in earnings.

***Cash Flow Hedges***

We are and Old GM was exposed to certain foreign currency exchange risks associated with buying and selling automotive parts and vehicles and foreign currency exposure to long-term debt. We partially manage these risks through the use of derivative instruments that we acquired from Old GM. At December 31, 2009 we did not have any financial instruments designated as cash flow hedges for accounting purposes.

Due to Old GM s credit standing and the Chapter 11 Proceedings, our ability to manage risks using derivative financial instruments is severely limited as most derivative counterparties are unwilling to enter into transactions with us. Subsequent to the 363 Sale, we remain unable to enter into forward contracts pending the completion of negotiations for new agreements and credit terms with potential derivative counterparties. In December 2009 we began purchasing commodity and foreign currency exchange options. These nondesignated derivatives have original expiration terms of up to 13 months.

Old GM previously designated certain financial instruments as cash flow hedges to manage its exposure to foreign currency exchange risks. For foreign currency transactions, Old GM typically hedged forecasted exposures for up to three years in the future. For foreign currency exposure on long-term debt, Old GM typically hedged exposures for the life of the debt.

For derivatives that were previously designated as qualifying cash flow hedges, the effective portion of the unrealized and realized gains and losses resulting from changes in fair value were recorded as a component of Accumulated other comprehensive income (loss). Subsequently, those cumulative gains and losses were reclassified to earnings contemporaneously with and to the same line item as the earnings effects of the hedged item. However, if it became probable that the forecasted transaction would not occur, the cumulative change in the fair value of the derivative recorded in Accumulated other comprehensive income (loss) was reclassified into earnings immediately.

On October 1, 2008 Old GM ceased hedge accounting treatment for derivatives that were previously designated as qualifying cash flow hedges. Subsequent to this date Old GM recorded gains and losses arising from changes in the fair value of the derivative instruments in earnings, resulting in a net gain of $157 million in the three months ended December 31, 2008. This gain was recorded in Sales and Cost of sales in the amounts of $127 million and $30 million.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes amounts reclassified from Accumulated other comprehensive income (loss) into earnings for the effective portion of a hedging relationship (dollars in millions):

| | Predecessor Gain (Loss) Reclassified | |
|---|---|---|
| | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| From accumulated other comprehensive income (loss) to sales | $ 198 | $ 225 |
| From accumulated other comprehensive income (loss) to cost of sales | $ 205 | $ 51 |

To the extent that prior hedging relationships were not effective, the ineffective portion of the change in fair value of the derivative instrument was recorded immediately in earnings. Hedge ineffectiveness related to instruments designated as cash flow hedges was insignificant in the years ended 2008 and 2007.

The following table summarizes total activity in Accumulated other comprehensive income (loss) associated with cash flow hedges, primarily related to the reclassification of previously deferred cash flow hedge gains and losses from Accumulated other comprehensive income (loss) into earnings (dollars in millions):

| Derivatives in Original Cash Flow Hedging Relationship | Location of Gain (Loss) Reclassified into Earnings | Predecessor Gain (Loss) Reclassified January 1, 2009 Through July 9, 2009 |
|---|---|---|
| Foreign currency exchange contracts | Sales | $ (351) |
| Foreign currency exchange contracts | Cost of sales | 19 |
| Foreign currency exchange contracts | Reorganization gains, net | 247 |
| Total activity in accumulated other comprehensive income (loss) | | $ (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.

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

The following table summarizes gains and (losses) that were reclassified from Accumulated other comprehensive income (loss) for cash flow hedges associated with previously forecasted transactions that subsequently became probable not to occur (dollars in millions):

Predecessor

| | Gain (Loss) Reclassified January 1, 2009 Through July 9, 2009 |
|---|---|
| Sales | $ (182) |
| Reorganization gains, net | 247 |
| Total gains (losses) reclassified from accumulated other comprehensive income (loss) | $ 65 |

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Fair Value Hedges***

We are and Old GM was subject to market risk from exposures to changes in interest rates that affect the fair value of long-term, fixed rate debt. At December 31, 2009 we did not have any financial instruments designated as fair value hedges to manage this risk.

Old GM previously used interest rate swaps designated as fair value hedges to manage certain of its exposures associated with these borrowings. Old GM hedged its exposures to the maturity date of the underlying interest rate exposure.

Gains and losses on derivatives designated and qualifying as fair value hedges, as well as the offsetting gains and losses on the debt attributable to the hedged interest rate risk, were recorded in Interest expense to the extent the hedge was effective. The gains and losses related to the hedged interest rate risk were recorded as an adjustment to the carrying amount of the debt. Previously recorded adjustments to the carrying amount of the debt were amortized to Interest expense over the remaining debt term. In the period January 1, 2009 through July 9, 2009 Old GM amortized previously deferred fair value hedge gains and losses of $3 million to Interest expense. Old GM recorded no hedging ineffectiveness in the years ended 2008 and 2007.

On October 1, 2008 Old GM ceased hedge accounting treatment for derivatives that were previously designated as qualifying fair value hedges. Subsequent to this date Old GM recorded gains and losses arising from changes in the fair value of the derivative instruments in earnings, resulting in a net gain of $279 million recorded in Interest expense in the three months ended December 31, 2008.

In connection with the Chapter 11 Proceedings, at June 1, 2009 Old GM had basis adjustments of $18 million to the carrying amount of debt that ceased to be amortized to Interest expense. At June 1, 2009 the debt related to these basis adjustments was classified as Liabilities subject to compromise and no longer subject to interest accruals or amortization. We did not assume this debt from Old GM in connection with the 363 Sale.

***Net Investment Hedges***

We are and Old GM was subject to foreign currency exposure related to net investments in certain foreign operations. At December 31, 2009 we did not have any hedges of a net investment in a foreign operation.

Old GM previously used foreign currency denominated debt to hedge this foreign currency exposure. For nonderivative instruments that were designated as, and qualified as, a hedge of a net investment in a foreign operation, the effective portion of the unrealized and realized gains and losses were recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss). In connection with the 363 Sale, MLC retained the foreign currency denominated debt and it ceased to operate as a hedge of net investments in foreign operations. In connection with our application of fresh-start reporting, the effective portions of unrealized gains and losses previously recorded to Accumulated other comprehensive income (loss) were adjusted to $0 at July 10, 2009.

The following table summarizes the gains and (losses) related to net investment hedges recorded as a Foreign currency translation adjustment in Accumulated other comprehensive income (loss) (dollars in millions):

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Effective portion of net investment hedge gains (losses) | $ 5 | $ 106 | $ (224) |

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Derivatives Not Designated for Hedge Accounting**

Derivatives not designated in a hedging relationship, such as forward contracts, swaps, and options, are used to economically hedge certain risk exposures. Unrealized and realized gains and losses related to these nondesignated derivative hedges are recorded in earnings.

In connection with our application of fresh-start reporting, we elected a new policy with respect to the classification of nondesignated derivative gains and losses in earnings. Effective July 10, 2009 gains and losses related to all nondesignated derivatives, regardless of type of exposure, are recorded to Interest income and other non-operating income, net. Refer to Notes 2 and 4 for additional information on fresh-start reporting and our derivative accounting policies.

Old GM previously entered into a variety of foreign currency exchange, interest rate and commodity forward contracts and options to maintain a desired level of exposure arising from market risks resulting from changes in foreign currency exchange rates, interest rates and certain commodity prices. In May 2009 Old GM reached agreements with certain of the counterparties to its derivative contracts to terminate the derivative contracts prior to stated maturity. Old GM made cash payments of $631 million to settle the related commodity, foreign currency exchange, and interest rate forward contracts, resulting in a loss of $537 million. The loss was recorded in Sales, Cost of sales and Interest expense in the amounts of $22 million, $457 million and $58 million.

When an exposure economically hedged with a derivative contract is no longer forecasted to occur, in some cases a new derivative instrument is entered into to offset the exposure related to the existing derivative instrument. In some cases, counterparties are unwilling to enter into offsetting derivative instruments and, as such, there is exposure to future changes in the fair value of these derivatives with no underlying exposure to offset this risk.

The following table summarizes gains and (losses) recorded for nondesignated derivatives originally entered into to hedge exposures that subsequently became probable not to occur (dollars in millions):

| | Successor July 10, 2009 Through December 31, 2009 | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|---|
| Interest income and other non-operating income, net | $ 1 | $ 91 |

***Commodity Derivatives***

Certain raw materials, parts with significant commodity content, and energy comprising various commodities are purchased for use in production. At December 31, 2009 our exposure to commodity prices was partially managed through the use of nondesignated commodity options. At December 31, 2009 we had not entered into any commodity forward contracts.

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

| | Successor December 31, 2009 | |
|---|---|---|
| Commodity | Contract Notional | Units |
| Aluminum and aluminum alloy | 39 | Metric tons |
| Copper | 4 | Metric tons |

| | | |
|---|---|---|
| Lead | 7 | Metric tons |
| Heating oil | 10,797 | Gallons |
| Natural gas | 1,355 | MMBTU |
| Natural gas | 150 | Gigajoules |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Old GM previously hedged commodity price risk by entering into derivative instruments such as forward and option contracts. Gains and losses related to commodity derivatives were recorded in Cost of sales.

***Interest Rate Swap Derivatives***

At December 31, 2009 we did not have any interest rate swap derivatives.

Old GM previously used interest rate swap derivatives to economically hedge exposure to changes in the fair value of fixed rate debt. Gains and losses related to the changes in the fair value of these nondesignated derivatives were recorded in Interest expense.

***Foreign Currency Exchange Derivatives***

Foreign currency exchange derivatives are used to economically hedge exposure to foreign currency exchange risks associated with: (1) forecasted foreign currency denominated purchases and sales of parts and vehicles; and (2) variability in cash flows related to interest and principal payments on foreign currency denominated debt. At December 31, 2009 we partially managed foreign currency exchange risk through the use of foreign currency options and forward contracts we acquired from Old GM in connection with the 363 Sale.

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

| | Successor December 31, 2009 |
|---|---|
| Nondesignated foreign currency exchange derivatives | $ 6,333 |

Old GM recorded gains and losses related to these foreign currency exchange derivatives in: (1) Sales for derivatives that economically hedged sales of parts and vehicles; (2) Cost of sales for derivatives that economically hedged purchases of parts and vehicles; and (3) Cost of sales for derivatives that economically hedged foreign currency risk related to foreign currency denominated debt.

***Other Derivatives***

In September 2009 in connection with an agreement with American Axle, we received warrants to purchase 4 million shares of American Axle common stock exercisable at $2.76 per share. The fair value of the warrants on the date of receipt was recorded as a Non-current asset. Gains and losses related to these warrants were recorded in Interest income and other non-operating income, net. At December 31, 2009 the fair value of these warrants was $25 million.

On July 10, 2009 in connection with the 363 Sale, we issued warrants to MLC and the New VEBA to acquire shares of our common stock. These warrants are being accounted for as equity.

In connection with the UST Loan Agreement, Old GM granted warrants to the UST for 122 million shares of its common stock exercisable at $3.57 per share. Old GM recorded the warrants as a liability and recorded gains and losses related to this derivative in Interest income and other non-operating income, net. In connection with the 363 Sale, the UST returned the warrants and they were cancelled.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Fair Value of Nondesignated Derivatives***

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

| Nondesignated Derivative Instruments | Successor December 31, 2009 Asset Derivatives(a)(c) | Successor December 31, 2009 Liability Derivatives(b)(d) |
|---|---|---|
| **Current Portion** | | |
| Foreign currency exchange derivatives | $ 104 | $ 568 |
| Commodity derivatives | 11 | |
| Total current portion | $ 115 | $ 568 |
| **Non-Current Portion** | | |
| Foreign currency exchange derivatives | $ 19 | $ 146 |
| Other derivatives | 25 | |
| Total non-current portion | $ 44 | $ 146 |

(a) Current portion recorded in Other current assets and deferred income taxes.

(b) Current portion recorded in Accrued expenses.

(c) Non-current portion recorded in Other assets.

(d) Non-current portion recorded in Other liabilities and deferred income taxes.

***Gains and (Losses) on Nondesignated Derivatives***

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

| Derivatives Not Designated as Hedging Instruments | Statement of Operations Line | Successor July 10, 2009 Through December 31, 2009 | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|---|---|
| Foreign currency exchange derivatives | Sales | $ | $ (688) |

| | | | |
|---|---|---|---|
| Foreign currency exchange derivatives | Cost of sales | | (211) |
| Foreign currency exchange derivatives | Interest income and other non-operating income, net | 279 | 91 |
| Interest rate swap derivatives | Interest expense | (1) | (38) |
| Commodity derivative contracts | Cost of sales | | (332) |
| Other derivatives | Interest income and other non-operating income, net | | 164 |
| Total gains (losses) recorded in earnings | | $ 278 | $ (1,014) |

**Derivatives Not Meeting a Scope Exception from Fair Value Accounting**

We enter into purchase contracts to hedge physical exposure to the availability of certain commodities used in the production of vehicles. At December 31, 2009 we did not have any purchase contracts accounted for as derivatives.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Old GM previously entered into purchase contracts that were accounted for as derivatives with changes in fair value recorded in Cost of sales, as these contracts did not qualify for the normal purchases and normal sales scope exception in ASC 815-10, Derivatives and Hedging. Certain of these contracts were terminated in the period January 1, 2009 through July 9, 2009. MLC retained the remainder of these purchase contracts in connection with the 363 Sale.

**Net Change in Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the net change in Accumulated other comprehensive income (loss) related to cash flow hedging activities (dollars in millions):

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Beginning net unrealized gain (loss) on derivatives | $ (490) | $ 321 | $ 359 |
| Change in fair value | | (1,054) | 140 |
| Reclassification to earnings | 99 | 243 | (178) |
| Ending net unrealized gain (loss) on derivatives | $ (391) | $ (490) | $ 321 |

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

**Note 21. Commitments and Contingencies**

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

| | Successor December 31, 2009 | | Predecessor December 31, 2008 | |
|---|---|---|---|---|
| | Liability Recorded | Maximum Liability(a) | Liability Recorded | Maximum Liability(a) |
| Guarantees | | | | |
| Operating lease residual values (b) | $ | $ 79 | $ | $ 118 |
| Supplier commitments and other related obligations | $ 3 | $ 218* | $ 5 | $ 23 |
| GMAC commercial loans (c)(d) | $ 2 | $ 167 | $ 19 | $ 539 |
| Product warranty and recall claims | $ 54 | $ 553 | $ | $ |

* Amount originally reported as $43 in our 2009 Form 10-K. Refer to Note 3.

(a) Calculated as future undiscounted payments.

(b) Excludes residual support and risk sharing programs related to GMAC.

(c) At December 31, 2009 includes $127 million related to a guarantee provided to GMAC in Brazil in connection with dealer floor plan financing. This guarantee is collateralized by an interest in certificates of deposit of $127 million purchased from GMAC to which we have title and which were recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which we have recorded a corresponding deposit liability of $104 million, which was recorded in Other liabilities.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) At December 31, 2008 included $481 million related to a guarantee provided to GMAC in Brazil in connection with dealer floor plan financing. This guarantee was secured by an interest in certificates of deposit of $481 million purchased from GMAC to which Old GM had title and which were recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which Old GM recorded a corresponding deposit liability of $358 million, which was recorded in Other liabilities.

| | Successor December 31, 2009 Liability Recorded | | Predecessor December 31, 2008 Liability Recorded | |
|---|---|---|---|---|
| Credit card programs | | | | |
| Rebates available (a) | $ | 3,140 | $ | 3,421 |
| Redemption liability (b) | $ | 140 | $ | 145 |
| Deferred revenue (c) | $ | 464 | $ | 500 |
| Environmental liability (d) | $ | 190 | $ | 297 |
| Product liability (e) | $ | 319 | $ | 921 |
| Asbestos-related liability | $ | | $ | 648 |
| Other litigation-related liability (f) | $ | 1,192 | $ | 831 |

(a) Rebates available include amounts available to qualified cardholders, net of deferred program income.

(b) Redemption liabilities are recorded in Accrued expenses.

(c) Deferred revenue is recorded in Other liabilities and deferred income taxes. At December 31, 2009 deferred revenue includes an unfavorable contract liability recorded in applying fresh-start reporting at July 10, 2009.

(d) Includes $28 million and $97 million recorded in Accrued expenses at December 31, 2009 and December 31, 2008, and the remainder was recorded in Other liabilities.

(e) At December 31, 2008 Old GM included legal fees of $154 million expected to be incurred in connection with product liability loss contingencies. In connection with our application of fresh-start reporting, we adopted a policy to expense legal fees as incurred related to product liability contingencies.

(f) Consists primarily of tax related litigation not recorded pursuant to ASC 740-10 as well as various non-U.S. labor related matters.

**Guarantees**

In connection with the 363 Sale, we assumed liabilities for certain agreements and guarantees.

We have provided guarantees related to the residual value of certain operating leases. These guarantees terminate in years ranging from 2011 to 2035. Certain leases contain renewal options.

We have agreements with third parties that guarantee the fulfilment of certain suppliers commitments and other related obligations. These guarantees expire in years ranging from 2010 to 2014, or upon the occurrence of specific events, such as a company s cessation of business.

In some instances, certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered.

We provide payment guarantees on commercial loans made by GMAC to certain third parties, such as dealers or rental car companies. The guarantees either expire in years ranging from 2010 to 2029 or are ongoing. We determined the value ascribed to the guarantees to be insignificant based on the credit worthiness of the third parties. Refer to Note 30 for additional information on guarantees that we provide to GMAC.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions pertaining to real property we owned. In connection with such divestitures, we have provided guarantees with respect to benefits to be paid to former employees relating to pensions, postretirement health care and life insurance. Also, we periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. No amounts have been recorded for such obligations as they are not probable or estimable at this time.

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to product warranty and recall claims involving products manufactured by certain joint ventures, it is believed that expenses will be adequately covered by recorded accruals. At December 31, 2009 our maximum potential liability which we ultimately may be responsible for was $553 million.

**Credit Card Programs**

Credit card programs offer rebates that can be applied primarily against the purchase or lease of our vehicles.

**Environmental Liability**

In connection with the 363 Sale, we acquired certain properties that are subject to environmental remediation.

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. We are in various stages of investigation or remediation for sites where contamination has been alleged. We are and Old GM was involved in a number of actions to remediate hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. An environmental reserve is recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. This practice is followed whether the claims are asserted or unasserted. Liabilities have been recorded for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from two to 30 years.

For many sites, the remediation costs and other damages for which we ultimately may be responsible may vary because of uncertainties with respect to factors such as the connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation).

The final outcome of environmental matters cannot be predicted with certainty at this time. Accordingly, it is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our or Old GM s financial condition and results of operations. At December 31, 2009 we estimate the remediation losses could range from $130 million to $320 million.

**Product Liability**

With respect to product liability claims involving our and Old GM s products, we believe that any judgment for actual damages will be adequately covered by recorded accruals and, where applicable, excess insurance coverage. Although punitive damages are claimed in some of these lawsuits, and such claims are inherently unpredictable, accruals incorporate historic experience with these

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

types of claims. Liabilities have been recorded for the expected cost of all known product liability claims plus an estimate of the expected cost for all product liability claims that have already been incurred and are expected to be filed in the future for which we are and Old GM was self-insured. These amounts were recorded in Accrued expenses and exclude Old GM s asbestos claims, which are discussed separately.

In connection with the 363 Sale, we assumed certain liabilities related to product liability which arise directly out of accidents, incidents or other distinct and discrete occurrences that occur on or after July 10, 2009 and that arise from our and Old GM vehicles operation or performance. Further, in accordance with our assumption of dealer sales and service agreements, we indemnify dealers for certain product liability related claims. Our experience related to dealer indemnification obligations for activity on or after July 10, 2009 is limited. We have estimated our product liability given the information currently available concerning the projected number and value of such claims. It is not possible to estimate our maximum exposure under these indemnifications due to the conditional nature of these obligations. We did not assume the product liabilities of Old GM arising in whole or in part from any accidents, incidents or other occurrences that occurred prior to July 10, 2009.

**Asbestos-Related Liability**

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

Like most automobile manufacturers, Old GM had been subject to asbestos-related claims in recent years. These claims primarily arose from three circumstances:

- A majority of these claims sought damages for illnesses alleged to have resulted from asbestos used in brake components;
- Limited numbers of claims have arisen from asbestos contained in the insulation and brakes used in the manufacturing of locomotives; and
- Claims brought by contractors who allege exposure to asbestos-containing products while working on premises Old GM owned.

Old GM had resolved many of the asbestos-related cases over the years for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts. The amount expended on asbestos-related matters in any period depended on the number of claims filed, the amount of pre-trial proceedings and the number of trials and settlements in the period.

Old GM recorded the estimated liability associated with asbestos personal injury claims where the expected loss was both probable and could reasonably be estimated. Old GM retained a firm specializing in estimating asbestos claims to assist Old GM in determining the potential liability for pending and unasserted future asbestos personal injury claims. The analyses relied on and included the following information and factors:

- A third party forecast of the projected incidence of malignant asbestos-related disease likely to occur in the general population of individuals occupationally exposed to asbestos;
- Old GM s Asbestos Claims Experience, based on data concerning claims filed against Old GM and resolved, amounts paid, and the nature of the asbestos-related disease or condition asserted during approximately the four years prior;

The estimated rate of asbestos-related claims likely to be asserted against MLC in the future based on Old GM  s Asbestos Claims Experience and the projected incidence of asbestos-related disease in the general population of individuals occupationally exposed to asbestos;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated rate of dismissal of claims by disease type based on Old GM s Asbestos Claims Experience; and

The estimated indemnity value of the projected claims based on Old GM s Asbestos Claims Experience, adjusted for inflation.
Old GM reviewed a number of factors, including the analyses provided by the firm specializing in estimating asbestos claims in order to determine a reasonable estimate of the probable liability for pending and future asbestos-related claims projected to be asserted over the next 10 years, including legal defense costs. Old GM monitored actual claims experience for consistency with this estimate and made periodic adjustments as appropriate.

Old GM believed that the analyses were based on the most relevant information available combined with reasonable assumptions, and that Old GM may prudently rely on their conclusions to determine the estimated liability for asbestos-related claims. Old GM noted, however, that the analyses were inherently subject to significant uncertainties. The data sources and assumptions used in connection with the analyses may not prove to be reliable predictors with respect to claims asserted against Old GM. Old GM s experience in the past included substantial variation in relevant factors, and a change in any of these assumptions which include the source of the claiming population, the filing rate and the value of claims could significantly increase or decrease the estimate. In addition, other external factors such as legislation affecting the format or timing of litigation, the actions of other entities sued in asbestos personal injury actions, the distribution of assets from various trusts established to pay asbestos claims and the outcome of cases litigated to a final verdict could affect the estimate.

**Other Litigation-Related Liability**

In connection with the 363 Sale, we assumed liabilities for various legal matters.

Various legal actions, governmental investigations, claims and proceedings are pending against one or more of us, Old GM or MLC, including a number of shareholder class actions, bondholder class actions and class actions under the Employee Retirement Income Security Act of 1974, as amended, and other matters arising out of alleged product defects, including asbestos-related claims; employment-related matters; governmental regulations relating to safety, emissions, and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740-10 and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which it is believed that losses are probable and can be reasonably estimated, the majority of which are associated with tax-related matters not recorded pursuant to ASC 740-10 (indirect tax-related matters) as well as various non U.S. labor-related matters. Tax related matters not recorded pursuant to ASC 740-10 are items being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance, and other compensation matters. Some of the matters may involve compensatory, punitive, or other treble damage claims, environmental remediation programs, or sanctions, that if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2009. It is believed that appropriate accruals have been established for such matters in accordance with ASC 450, Contingencies, based on information currently available. Reserves for litigation losses are recorded in Accrued expenses and Other liabilities and deferred income taxes. These accrued reserves represent the best estimate of amounts believed to be our and Old GM s liability in a range of expected losses. Litigation is inherently unpredictable, however, and unfavorable resolutions could occur. Accordingly, it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our or Old GM s financial condition, results of operations and cash flows in any particular reporting period.

In July 2008 Old GM reached a tentative settlement of the General Motors Securities Litigation suit and recorded an additional charge of $277 million, of which $139 million was paid in the year ended 2008. Also in the year ended 2008, Old GM recorded $215 million as a reduction to Selling, general and administrative expense associated with insurance-related indemnification proceeds for previously recorded litigation related costs, including the cost incurred to settle the General Motors Securities Litigation suit.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Asset Retirement Obligations**

Conditional asset retirement obligations relate to legal obligations associated with retirement of tangible long-lived assets that result from acquisition, construction, development, or normal operation of a long-lived asset. An analysis is performed of such obligations associated with all real property owned or leased, including facilities, warehouses, and offices. Estimates of conditional asset retirement obligations relate, in the case of owned properties, to costs estimated to be necessary for the legally required removal or remediation of various regulated materials, primarily asbestos. Asbestos abatement was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. For leased properties, such obligations relate to the estimated cost of contractually required property restoration.

Recording conditional asset retirement obligations results in increased fixed asset balances with a corresponding increase to liabilities. Asset balances of $97 million and $132 million at December 31, 2009 and 2008 are recorded in buildings and land improvements, a component of Property, net, while the related liabilities are included in Other liabilities. The following table summarizes the activity related to asset retirement obligations (dollars in millions):

| | Successor | Predecessor | |
|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| Beginning balance | $ 97 | $ 237 | $ 222 |
| Accretion expense | 4 | 12 | 19 |
| Liabilities incurred | 21 | 5 | 2 |
| Liabilities settled or disposed | (9) | (2) | (24) |
| Effect of foreign currency translation | 3 | 5 | (17) |
| Revisions to estimates | (14) | 1 | 35 |
| Reclassified to liabilities subject to compromise (a) | | (121) | |
| Ending balance | 102 | 137 | 237 |
| Effect of application of fresh-start reporting | | (40) | |
| Ending balance including effect of application of fresh-start reporting | $ 102 | $ 97 | $ 237 |

(a) Represents the asset retirement obligations associated with assets MLC retained.

**Noncancelable Operating Leases**

The following table summarizes our minimum commitments under noncancelable operating leases having remaining terms in excess of one year, primarily for property (dollars in millions):

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 and after |
|---|---|---|---|---|---|---|
| Minimum commitments (a)(b) | $ 623* | $ 473* | $ 350* | $ 291* | $ 254* | $ 1,126* |
| Sublease income | (60)** | (54)** | (49)** | (45)** | (41)** | (344)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net minimum commitments | $ 563 | $ 419 | $ 301 | $ 246 | $ 213 | $ 782 |

* Amounts originally reported as $552, $414, $309, $261, $226 and $960 in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

** Amounts originally reported as $(85), $(80), $(74), $(70), $(66), and $(634) in our 2009 Form 10-K. The column totals have been corrected accordingly. Refer to Note 3.

(a) Certain of the leases contain escalation clauses and renewal or purchase options.

(b) In March 2010 we renegotiated certain leases which will increase our 2010 minimum payments by $12 million and decrease our 2011 and after minimum payments by $195 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Rental expense under operating leases | $ 255 | $ 369 | $ 934 | $ 812 |

**Delphi Corporation**

***Benefit Guarantee***

In 1999, Old GM spun-off Delphi Automotive Systems Corporation, which became Delphi. Prior to the consummation of the DMDA, Delphi was our and Old GM s largest supplier of automotive systems, components and parts, and we and Old GM were Delphi s largest customer. From 2005 to 2008 Old GM s annual purchases from Delphi ranged from approximately $6.5 billion to approximately $10.2 billion. At the time of the spin-off, employees of Delphi Automotive Systems Corporation became employees of Delphi. As part of the separation agreements, Delphi assumed the pension and other postretirement benefit obligations for the transferred U.S. hourly employees who retired after October 1, 2000 and Old GM retained pension and other postretirement obligations for U.S. hourly employees who retired on or before October 1, 2000. Additionally at the time of the spin-off, Old GM entered into the Delphi Benefit Guarantee Agreements with the UAW, the IUE-CWA and the USW providing contingent benefit guarantees whereby, under certain conditions, Old GM would make payments for certain pension and OPEB benefits to certain former U.S. hourly employees that became employees of Delphi. The Delphi Benefit Guarantee Agreements provided, in general, that in the event that Delphi or its successor companies ceased doing business, terminated its pension plan or ceased to provide credited service or OPEB benefits at certain levels due to financial distress, Old GM could be liable to provide the corresponding benefits at the required level. With respect to pension benefits, the guarantee arises only to the extent the pension benefits Delphi and the PBGC provided fall short of the guaranteed amount.

In October 2005 Old GM received notice from Delphi that it was more likely than not that Old GM would become obligated to provide benefits pursuant to the Delphi Benefit Guarantee Agreements, in connection with Delphi s commencement in October 2005 of Chapter 11 proceedings under the Bankruptcy Code. In June 2007 Old GM entered into a memorandum of understanding with Delphi and the UAW (Delphi UAW MOU) that included terms relating to the consensual triggering, under certain circumstances, of the Delphi Benefit Guarantee Agreements as well as additional terms relating to Delphi s restructuring. Under the Delphi UAW MOU, Old GM also agreed to pay for certain healthcare costs of Delphi retirees and their beneficiaries in order to provide a level of benefits consistent with those provided to Old GM s retirees and their beneficiaries under the Mitigation Plan, if Delphi terminated OPEB benefits. In August 2007 Old GM also entered into memoranda of understanding with Delphi and the IUE-CWA and with Delphi and the USW containing terms consistent with the comprehensive Delphi UAW MOU.

***Delphi-GM Settlement Agreements***

In September 2007 and as amended at various times through September 2008, Old GM and Delphi entered into the Delphi-GM Settlement Agreements consisting of the Global Settlement Agreement (GSA), the Master Restructuring Agreement (MRA) and the Implementation Agreements with the UAW, IUE-CWA and the USW (Implementation Agreements). The GSA was intended to resolve outstanding issues between Delphi and Old GM that arose before Delphi s emergence from its Chapter 11 proceedings. The MRA was intended to govern certain aspects of Old GM s ongoing commercial relationship with Delphi. The Implementation Agreements addressed a limited transfer of pension assets and liabilities, and the triggering of the benefit guarantees on the basis set forth in term sheets to the Implementation Agreements. In September 2008 the Bankruptcy Court entered an order in Delphi s Chapter 11 proceedings approving the Amended Delphi-GM Settlement Agreements which then became effective.

The more significant items contained in the Amended Delphi-GM Settlement Agreements included Old GM s commitment to:

Reimburse Delphi for its costs to provide OPEB to certain of Delphi s hourly retirees from December 31, 2006 through the date that Delphi ceases to provide such benefits and assume responsibility for OPEB going forward;

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Reimburse Delphi for the normal cost of credited service in Delphi s pension plan between January 1, 2007 and the date its pension plans are frozen;

First hourly pension transfer Transfer net liabilities of $2.1 billion from the Delphi HRP to Old GM s U.S. hourly pension plan in September 2008;

Second hourly pension transfer Transfer the remaining Delphi HRP net liabilities upon Delphi s substantial consummation of its plan of reorganization (POR) subject to certain conditions being met;

Reimburse Delphi for all retirement incentives and half of the buyout payments made pursuant to the various attrition program provisions and to reimburse certain U.S. hourly buydown payments made to certain hourly employees of Delphi;

Award certain future product programs to Delphi, provide Delphi with ongoing preferential sourcing for other product programs, eliminate certain previously agreed upon price reductions, and restrict the ability to re-source certain production to alternative suppliers;

Labor cost subsidy Reimburse certain U.S. hourly labor costs incurred to produce systems, components and parts for GM vehicles from October 2006 through September 2015 at certain U.S. facilities owned or to be divested by Delphi;

Production cash burn support Reimburse Delphi s cash flow deficiency attributable to production at certain U.S. facilities that continue to produce systems, components and parts for GM vehicles until the facilities are either closed or sold by Delphi;

Facilitation support Pay Delphi $110 million in both 2009 and 2010 in quarterly installments in connection with certain U.S. facilities owned by Delphi until Delphi s emergence from its Chapter 11 proceedings;

Temporarily accelerate payment terms for Delphi s North American sales to Old GM upon substantial consummation of its POR, until 2012;

Reimburse Delphi, beginning in January 2009, for actual cash payments related to workers compensation, disability, supplemental unemployment benefits and severance obligations for all current and former UAW-represented hourly active and inactive employees; and

Guarantee a minimum recovery of the net working capital that Delphi has invested in certain businesses held for sale.

The GSA also resolved all claims in existence at its effective date (with certain limited exceptions) that either Delphi or Old GM had or may have had against the other. The GSA and related agreements with Delphi s unions released us, Old GM and our related parties (as defined), from any claims of Delphi and its related parties (as defined), as well as any employee benefit related claims of Delphi s unions and hourly employees.

Additionally, the GSA provided that Old GM would receive certain administrative claims against the Delphi bankruptcy estate or preferred stock in the emerged entity.

As a result of the September 2008 implementation of the Delphi-GM Settlement Agreements Old GM paid $1.0 billion and $1.4 billion to Delphi in the period January 1, 2009 through July 9, 2009 and the year ended 2008 in settlement of amounts accrued to date against Old GM commitments. We paid $288 million in 2009 prior to the consummation of the DMDA in settlement of amounts accrued to date against our commitments.

Upon consummation of the DMDA, the MRA was terminated with limited exceptions, and we and Delphi waived all claims against each other under the GSA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*IUE-CWA and USW Settlement Agreement*

As more fully discussed in Note 19, in September 2009 we entered into a settlement agreement with MLC, the IUE-CWA and the USW that resolved the Delphi Benefit Guarantee Agreements with these unions. The settlement agreement provides for a measure of retiree health care and life insurance to be provided to certain retirees represented by these unions. The agreement also provides certain IUE-CWA and USW retirees from Delphi a pension top up equal to the difference between the amount of PBGC pension payments and the amount of pension benefits that otherwise would have been paid by the Delphi HRP according to its terms had it not been terminated. Further, the settlement agreement provided certain current employees of Delphi or Delphi divested units up to seven years credited service in Old GM s U.S. hourly defined benefit pension plan, commencing November 30, 2008, the date that Delphi froze the Delphi HRP. The agreement was approved by the Bankruptcy Court in November 2009.

*Advance Agreements*

In the years ended 2008 and 2009 Old GM entered into various agreements and amendments to such agreements to advance a maximum of $950 million to Delphi, subject to Delphi s continued satisfaction of certain conditions and milestones. Through the consummation of the DMDA, we entered into further amendments to the agreements, primarily to extend the deadline for Delphi to satisfy certain milestones, which if not met, would have prevented Delphi from continued access to the credit facility. At October 6, 2009 $550 million had been advanced under the credit facility. Upon consummation of the DMDA, we waived our rights to the advanced amounts that became consideration to Delphi and other parties under the DMDA. Refer to Note 5 for additional information on the consummation of the DMDA.

*Payment Terms Acceleration Agreement*

In October 2008 subject to Delphi obtaining an extension or other accommodation of its DIP financing through June 30, 2009, Old GM agreed to temporarily accelerate payment of North American payables to Delphi in the three months ended June 30, 2009. In January 2009 Old GM agreed to immediately accelerate $50 million in advances towards the temporary acceleration of North American payables. Additionally, Old GM agreed to accelerate $150 million and $100 million of North American payables to Delphi in March and April of 2009 bringing the total amount accelerated to the total agreed upon $300 million. Upon consummation of the DMDA, we waived our rights to the accelerated payments that became consideration to Delphi and other parties under the DMDA.

*Delphi Master Disposition Agreement*

In July 2009 we, Delphi and the PBGC negotiated an agreement to be effective upon consummation of the DMDA regarding the settlement of PBGC s claims from the termination of the Delphi pension plans and the release of certain liens with the PBGC against Delphi s foreign assets. In return, the PBGC received a payment of $70 million from us and was granted a 100% interest in Class C Membership Interests in New Delphi which provide for the PBGC to participate in predefined equity distributions. We maintain the obligation to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements.

In October 2009 we consummated the transaction contemplated by the DMDA with Delphi, New Delphi, Old GM and other sellers and other buyers that are party to the DMDA, as more fully described in Note 5. Upon consummation of the DMDA, the MRA was terminated with limited exceptions, and we and Delphi waived all claims against each other under the GSA. Upon consummation of the DMDA we settled our commitments to Delphi accrued to date except for the obligation to provide the difference between pension benefits paid by the PBGC according to regulation and those originally guaranteed by Old GM under the Delphi Benefit Guarantee Agreements that we continue to maintain. In addition, the DMDA establishes an ongoing commercial relationship with New Delphi. We also agreed to continue all existing Delphi supply agreements and purchase orders for GMNA to the end of the related product program, and New Delphi agreed to provide us with access rights designed to allow us to operate specific sites on defined triggering events to provide us with protection of supply.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***Delphi Charges***

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

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Other expenses, net | $ 8 | $ 184 | $ 4,797 | $ 1,547 |
| Cost of sales | 193 | 142 | 555 | 53 |
| Reorganization gains, net | | 662 | | |
| Total Delphi charges | $ 201 | $ 988 | $ 5,352 | $ 1,600 |

These charges reflect the best estimate of obligations associated with the various Delphi agreements, including obligations under the Delphi Benefit Guarantee Agreements, updated to reflect the DMDA. At July 9, 2009 these charges reflect the obligation to the PBGC upon consummation of the DMDA, consisting of the estimated fair value of the PBGC Class C Membership Interests in New Delphi of $317 million and the payment of $70 million due from us. Further, at July 9, 2009 these charges reflect an estimated value of $966 million pertaining to claims we have against Delphi that were waived upon consummation of the DMDA. The estimated value of the claims represents the excess after settlement of certain pre-existing commitments to Delphi of the fair value of Nexteer, the four domestic facilities and the investment in New Delphi over the cash consideration paid under the DMDA. Refer to Note 5 for additional information on the total consideration paid under the DMDA and the allocation of such consideration to the various units of account.

The charges recorded in the year ended 2008 primarily related to estimated losses associated with the guarantee of Delphi s hourly pension plans and the write off of any estimated recoveries from Delphi. The charges also reflected a benefit of $622 million due to a reduction in the estimated liability associated with Delphi OPEB related costs for Delphi active employees and retirees, based on the terms of the New VEBA, who were not previously participants in Old GM s plans. The terms of the New VEBA also reduced Old GM s OPEB obligation for Delphi employees who returned to Old GM and became participants in the UAW hourly medical plan primarily in 2006. Such benefit is included in the actuarial gain recorded in our UAW hourly medical plan. Refer to Note 19 for additional information on the Delphi benefit plans.

**Note 22. Income Taxes**

The following table summarizes Income (loss) from continuing operations before income taxes and equity income (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| U.S. income (loss) | $ (6,647) | $ 105,420 | $ (26,742) | $ (9,448) |
| Non-U.S. income (loss) | 1,364 | 2,356 | (2,729) | 3,102 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Income (loss) from continuing operations before income taxes and equity income | $ | (5,283) | $ 107,776 | $ | (29,471) | $ | (6,346) |

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Provision (Benefit) for Income Taxes**

The following table summarizes the provision (benefit) for income taxes (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Current income tax expense (benefit) | | | | |
| U.S. federal | $ 7 | $ (60) | $ (31) | $ (131) |
| Non-U.S. | 421 | (522) | 668 | 295 |
| U.S. state and local | (1) | 16 | (34) | 21 |
| Total current | 427 | (566) | 603 | 185 |
| Deferred income tax expense (benefit) | | | | |
| U.S. federal | (1,204) | 110 | (163) | 32,058 |
| Non-U.S. | (52) | (716) | 1,175 | 5,064 |
| U.S. state and local | (171) | 6 | 151 | (444) |
| Total deferred | (1,427) | (600) | 1,163 | 36,678 |
| Total income tax expense (benefit) | $ (1,000) | $ (1,166) | $ 1,766 | $ 36,863 |

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns.

The following table summarizes the cash paid (received) for income taxes (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Cash paid (received) for income taxes | $ (65) | $ (1,011) | $ 718 | $ 404 |

Provisions are made for estimated U.S. and non-U.S. income taxes, less available tax credits and deductions, which may be incurred on the remittance of our and Old GM s share of basis differences in investments in foreign subsidiaries and corporate joint ventures not deemed to be permanently reinvested. Taxes have not been provided on basis differences in investments in foreign subsidiaries and corporate joint ventures which are deemed permanently reinvested, of $5.5 billion and $6.3 billion at December 31, 2009 and 2008. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes a reconciliation of the provision (benefit) for income taxes compared with the amounts at the U.S. federal statutory rate (dollars in millions):

| | 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 |
| Tax at U.S. federal statutory income tax rate | $ (1,849) | $ 37,721 | $ (10,315) | $ (2,222) |
| State and local tax expense | (559) | (260) | (1,151) | (275) |
| Foreign income taxed at rates other than 35% | 412 | | 314 | 418 |
| Taxes on unremitted earnings of subsidiaries | (151) | (12) | (235) | (135) |
| Change in valuation allowance (a) | 1,338 | 6,609 | 13,064 | 38,625 |
| Change in statutory tax rates (b) | 163 | 1 | 151 | 885 |
| Medicare prescription drug adjustment | | 18 | (104) | (199) |
| Other adjustments | (26) | 321 | 42 | (234) |
| VEBA contribution | (328) | | | |
| Non-taxable reorganization gain | | (45,564) | | |
| Total income tax expense (benefit) | $ (1,000) | $ (1,166) | $ 1,766 | $ 36,863 |

(a) See analysis related to valuation allowances on certain deferred tax assets subsequently discussed.

(b) Changes in the tax laws of two jurisdictions in 2007 had a significant effect on Old GM s consolidated financial statements as follows:

In December 2007 the Canadian government enacted legislation to reduce its combined statutory corporate tax rates by 3.5% in addition to a 0.5% rate reduction enacted in June 2007. The combined 4.0% reduction will be phased in gradually over a period of five years which began in 2008. The valuation allowance subsequently discussed has been adjusted to reflect this change in statutory rates.

In July 2007 the German Parliament passed legislation to lower its statutory corporate tax rate. This legislation was signed into law in August 2007. This new law reduces by 9.0%, effective at January 1, 2008, the combined German business tax rate, which is comprised of the corporate tax rate, the local trade tax rate, and the solidarity levy tax rate. The effect of this change was a reduction in the carrying amount of Old GM s German deferred tax assets of $475 million, which is included in the charge related to the valuation allowance subsequently discussed.

**Deferred Income Tax Assets and Liabilities**

Deferred income tax assets and liabilities at December 31, 2009 and 2008 reflect the effect of temporary differences between amounts of assets, liabilities and equity for financial reporting purposes and the bases of such assets, liabilities and equity as measured by tax laws, as well as tax loss and tax credit carryforwards.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the components of temporary differences and carryforwards that give rise to deferred tax assets and liabilities (dollars in millions):

| | Successor December 31, 2009 Deferred Tax | | Predecessor December 31, 2008 Deferred Tax | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Postretirement benefits other than pensions | $ 4,194 | $ | $ 11,610 | $ |
| Pension and other employee benefit plans | 8,876 | 406 | 16,171 | 8,648 |
| Warranties, dealer and customer allowances, claims and discounts | 3,940 | 75 | 6,682 | 90 |
| Property, plants and equipment | 7,709 | 278 | 7,429 | 3,197 |
| Intangible assets | 1,650 | 4,984 | 780 | |
| Tax carryforwards | 18,880 | | 18,080 | |
| Miscellaneous U.S. | 5,844 | 1,269 | 8,122 | 288 |
| Miscellaneous non-U.S. | 3,306 | 1,944 | 3,485 | 773 |
| Subtotal | 54,399 | 8,956 | 72,359 | 12,996 |
| Valuation allowances | (45,281) | | (59,777) | |
| Total deferred taxes | 9,118 | $ 8,956 | 12,582 | $ 12,996 |
| Net deferred tax assets (liabilities) | $ 162 | | $ (414) | |

The following table summarizes deferred tax assets and liabilities (dollars in millions):

| | Successor December 31, 2009 | Predecessor December 31, 2008 |
|---|---|---|
| Current deferred tax assets | $ 462 | $ 138 |
| Current deferred tax liabilities | (57) | (87) |
| Non-current deferred tax assets | 564 | 98 |
| Non-current deferred tax liabilities | (807) | (563) |
| Net deferred tax assets (liabilities) | $ 162 | $ (414) |

The following table summarizes the amount and expiration dates of our operating loss and tax credit carryforwards at December 31, 2009 (dollars in millions):

| | Expiration Dates | Amounts |
|---|---|---|
| U.S. federal and state net operating loss carryforwards | 2010-2029 | $ 9,115 |

| | | | |
|---|---|---|---|
| Non-U.S. net operating loss and tax credit carryforwards | Indefinite | | 1,830 |
| Non-U.S. net operating loss and tax credit carryforwards | 2009-2029 | | 3,027 |
| U.S. alternative minimum tax credit | Indefinite | | 660 |
| U.S. general business credits (a) | 2012-2029 | | 1,689 |
| U.S. foreign tax credits | 2011-2018 | | 2,559 |
| Total | | $ | 18,880 |

(a) The general business credits are principally comprised of research and experimentation credits.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Valuation Allowances**

The valuation allowances recognized relate to certain net deferred tax assets in U.S. and non-U.S. jurisdictions. The following table summarizes the change in the valuation allowance and related considerations (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Beginning balance | $ 42,666 | $ 59,777 | $ 42,208 | $ 6,523 |
| Additions (Reversals) | | | | |
| U.S. | 2,226 | (14,474) | 14,146 | 31,072 |
| Canada | 405 | (802) | 759 | 2,435 |
| Germany | 67 | (792) | 140 | 1,927 |
| Spain | (40) | (200) | 1,109 | 31 |
| Brazil | 1 | (442) | (135) | 16 |
| South Korea | (221) | 321 | 724 | |
| Australia | 7 | 190 | 340 | |
| U.K. | 109 | 62 | 330 | |
| Sweden | 33 | (1,057) | (58) | 1,232 |
| Other | 28 | 83 | 214 | (1,028) |
| Ending balance | $ 45,281 | $ 42,666 | $ 59,777 | $ 42,208 |

In July 2009, as a result of the 363 Sale and fresh-start reporting, adjustments were required to valuation allowances, which resulted in a net decrease in valuation allowances of $20.7 billion. The net decrease was primarily the result of a U.S. federal and state tax attribute reduction of $12.2 billion related to debt cancellation income, a net difference of $5.5 billion between the fresh-start reporting fair value and tax bases of assets and liabilities at entities with valuation allowances, net valuation allowances of $1.7 billion associated with assets and liabilities retained by Old GM, and a foreign tax attribute reduction of $0.9 billion and release of allowances of $0.7 billion.

***Old GM Valuation Allowance Reversals***

*Brazil* In 2005 Old GM recorded full valuation allowances against its net deferred tax assets in Brazil. Old GM generated taxable income in Brazil in each of the years 2006 through 2008 and, accordingly, reversed a portion of these valuation allowances. Although Old GM was forecasting future taxable income for its Brazilian operation at the end of 2008, as a result of liquidity concerns at the U.S. parent company and the increasing instability of the global economic environment, Old GM concluded that it was more likely than not that it would not realize the net deferred tax assets in Brazil at December 31, 2008. The U.S. parent company liquidity concerns were resolved in connection with the Chapter 11 Proceedings and the 363 Sale, and the Brazilian operations continue to demonstrate the ability to generate taxable income. As it is now more likely than not that the net deferred tax assets in Brazil will be realized, Old GM reversed the associated valuation allowance of $465 million. This amount is included in Income tax expense (benefit) in the period January 1, 2009 through July 9, 2009.

*Other jurisdictions* In the three months ended December 31, 2008 significant additional concerns arose related to the U.S. parent company s liquidity and the increasing instability of the global economic environment. As a result, Old GM determined that it was more likely than not that it would not realize the net deferred tax assets in most remaining jurisdictions, even though these entities were not in three-year adjusted cumulative loss positions. Old GM established additional valuation allowances of $481 million against net deferred tax assets of entities in

Argentina, Austria, Belgium, Brazil (separate legal entity from that previously discussed), Chile, Colombia, Ecuador, Finland, Germany (separate legal entities from that subsequently discussed), Hungary, Indonesia, Ireland, Italy, Kenya, South Korea (separate legal entity from that subsequently discussed), Netherlands, New Zealand, Norway, Peru, Philippines,

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Poland, Portugal, Russia, South Africa, Switzerland, Taiwan, Turkey, Uruguay, U.S. state jurisdiction (Texas), and Venezuela. The U.S. parent company liquidity concerns were resolved in connection with the Chapter 11 Proceedings and the 363 Sale, and many of these entities continue to generate and forecast taxable income. Therefore, to the extent there was no other significant negative evidence, Old GM concluded that it is more likely than not that Old GM will realize the deferred tax assets in these jurisdictions and reversed valuation allowances of $286 million. This amount is included in Income tax expense (benefit) in the period January 1, 2009 through July 9, 2009.

***Other Valuation Allowances***

*South Korea* In the three months ended December 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in South Korea and recorded full valuation allowances of $725 million against its net deferred tax assets in South Korea. Old GM was in a three-year adjusted cumulative loss position and its near-term and mid-term financial outlook for automotive market conditions was more challenging than believed in the three months ended September 30, 2008.

*Australia* In the three months ended December 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in Australia and recorded a full valuation allowance of $284 million against Old GM s net deferred tax assets in these tax jurisdictions. Old GM was in a three-year adjusted cumulative loss position in 2008 and anticipated being in such a position throughout the mid-term forecast period. The current economic downturn has affected Australian forecasted production volumes and caused significant actual and forecast pre-tax profit deterioration in the three months ended December 31, 2008.

*United Kingdom and Spain* In the three months ended March 31, 2008 Old GM determined that it was more likely than not that it would not realize its net deferred tax assets, in whole or in part, in Spain and the United Kingdom and recorded full valuation allowances of $379 million against Old GM s net deferred tax assets in these tax jurisdictions.

In the United Kingdom, Old GM was in a three-year adjusted cumulative loss position and its near-term and mid-term financial outlook for automotive market conditions was more challenging than believed in the three months ended December 31, 2007. Old GM s outlook deteriorated based on its projections of the combined effects of the challenging foreign currency exchange environment and unfavorable commodity prices. Additionally, Old GM increased its estimate of the potential costs that may arise from the regulatory and tax environment relating to $CO_2$ emissions in the European Union (EU), including legislation enacted or announced in 2008.

In Spain, although Old GM was not in a three-year adjusted cumulative loss position its near-term and mid-term financial outlook deteriorated significantly in the three months ended March 31, 2008 such that Old GM anticipated being in a three-year adjusted cumulative loss position in the near- and mid-term. In Spain, as in the United Kingdom, Old GM s outlook deteriorated based on its projections of the combined effects of the foreign currency exchange environment and commodity prices, including its estimate of the potential costs that may arise from the regulatory and tax environment relating to $CO_2$ emissions.

Old GM established a valuation allowance in the year ended 2007 against its Spanish deferred tax assets related to investment tax credits, which Old GM does not expect will be realizable under a more likely than not threshold.

*United States, Canada and Germany* In the three months ended September 30, 2007 Old GM recorded a charge of $39.0 billion related to establishing full valuation allowances against its net deferred tax assets in the U.S., Canada and Germany. Concluding that a valuation allowance is not required is difficult when there is significant negative evidence which is objective and verifiable, such as cumulative losses in recent years. Old GM utilized a rolling twelve quarters of results as a measure of its cumulative losses in recent years. Old GM then adjusted those historical results to remove certain unusual items and charges. In the U.S., Canada and Germany, Old GM s analysis performed in the three months ended September 30, 2007 indicated that it had cumulative three year historical losses on an adjusted basis. This is considered significant negative evidence which is objective and verifiable and therefore, difficult

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

to overcome. In addition, Old GM s near-term financial outlook in the U.S., Canada and Germany deteriorated in the three months ended December 31, 2007. While Old GM s long-term financial outlook in the U.S., Canada and Germany was positive at the time of the analysis, Old GM concluded that its ability to rely on its long-term outlook as to future taxable income was limited due to uncertainty created by the weight of the negative evidence, particularly:

- The possibility for continued or increasing price competition in the highly competitive U.S. market. This was seen in the three months ended September 30, 2007 when a competitor introduced its new fullsize trucks and offered customer incentives to gain market share. Accordingly, Old GM increased customer incentives on its recently launched fullsize trucks, which were not previously anticipated;

- Continued volatile oil prices and the possible effect that may have on consumer preferences related to Old GM s most profitable products, fullsize trucks and sport utility vehicles;

- Uncertainty over the effect on Old GM s cost structure from more stringent U.S. fuel economy and global emissions standards which may require Old GM to sell a significant volume of alternative fuel vehicles across its portfolio;

- Uncertainty as to the future operating results of GMAC s mortgage business, and

- Acceleration of tax deductions for OPEB liabilities as compared to prior expectations due to changes associated with the 2008 UAW Settlement Agreement.

Accordingly, based on these circumstances and uncertainty regarding Old GM s future taxable income, Old GM recorded full valuation allowances against these net deferred tax assets in the three months ended September 30, 2007.

*Sweden* Saab filed for bankruptcy protection under the laws of Sweden in February 2009 and was deconsolidated. Though reconsolidated in August, Saab s assets and liabilities were classified as held for sale. As a result, Saab deferred income taxes and associated valuation allowances, included in our consolidated amounts in years prior to 2009, are not included subsequent to its February 2009 deconsolidation.

If, in the future, we generate three-year adjusted cumulative profits in tax jurisdictions where we have recorded full valuation allowances, our conclusion regarding the need for valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of such valuation allowances. If we generate taxable income in tax jurisdictions prior to overcoming negative evidence such as a three-year adjusted cumulative loss, we would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing our conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

**Uncertain Tax Positions**

At December 31, 2009 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances was $5.4 billion and $618 million. At December 31, 2008 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances was $2.8 billion and ($26) million. At December 31, 2009 and 2008 $4.0 billion and $1.2 billion of the liability for uncertain tax positions reduced deferred tax assets relating to the same tax jurisdictions. The remaining uncertain tax positions are classified as a non-current asset or liability.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes a reconciliation of the total amounts of unrecognized tax benefits (dollars in millions):

| | Successor | Predecessor | |
|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| Beginning balance | $ 4,096 | $ 2,803 | $ 2,754 |
| Additions to tax positions recorded in the current year | 1,454 | 1,493 | 208 |
| Additions to tax positions recorded in prior years | 22 | 594 | 751 |
| Reductions to tax positions recorded in the current year | (44) | (25) | (47) |
| Reductions to tax positions recorded in prior years | (128) | (626) | (725) |
| Reductions in tax positions due to lapse of statutory limitations | | (281) | |
| Settlements | (111) | (16) | (275) |
| Other | 121 | 154 | 137 |
| Ending balance | $ 5,410 | $ 4,096 | $ 2,803 |

The following tables summarize information regarding interest and penalties (dollars in millions):

| | Successor | Predecessor | |
|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| Interest income | $ | $ 249 | $ 26 |
| Interest expense (benefit) | $ 30 | $ (31) | $ 13 |
| Penalties | $ | $ 30 | $ 4 |

| | Successor December 31, 2009 | Predecessor December 31, 2008 |
|---|---|---|
| Accrued interest receivable | $ 10 | $ 129 |
| Accrued interest payable | $ 275 | $ 198 |
| Accrued penalties | $ 137 | $ 90 |

**Other Matters**

Most of the tax attributes generated by Old GM and its domestic and foreign subsidiaries (net operating loss carryforwards and various income tax credits) survived the Chapter 11 Proceedings, and we expect to use the tax attributes to reduce future tax liabilities. The ability to utilize certain of the U.S. tax attributes in future tax periods could be limited by Section 382(a) of the Internal Revenue Code. In Germany, we have net operating loss carryforwards for corporate income tax and trade tax purposes. We have applied for, and expect approval of a ruling from the German tax authorities regarding the availability of those losses. If approved, we should be able to continue to carry over those losses despite the reorganizations that have taken place in Germany in 2008 and 2009. In Australia, we have net operating loss carryforwards which are now subject to meeting an annual Same Business Test requirement. We will have to assess the ability to utilize these carryforward losses annually.

In the U.S., Old GM federal income tax returns for 2004 through 2006 were audited by the Internal Revenue Service (IRS), and the review was concluded in February 2010. The IRS is currently auditing Old GM federal tax returns for 2007 and 2008. The IRS is also reviewing the January 1 through July 9, 2009 Old GM tax year as part of the IRS Compliance Assurance Process (CAP), a pre-file examination process. Our July 10, 2009 through December 31, 2009 tax year is also under IRS CAP review. In addition to the U.S., income tax returns are filed in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. We

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

have open tax years from 2001 to 2009 with various significant tax jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. We have continuing responsibility for Old GM s open tax years. We record, and Old GM previously recorded, a tax benefit only for those positions that meet the more likely than not standard.

In May 2009 the U.S. and Canadian governments resolved a transfer pricing matter for Old GM which covered the tax years 2001 through 2007. In the three months ended June 30, 2009 this resolution resulted in a tax benefit of $692 million and interest of $229 million. Final administrative processing of the Canadian case closing occurred in late 2009, and final administrative processing of the U.S. case closing occurred in February 2010. We do not anticipate significant adjustments will result from these final closings.

Within the next twelve months, we expect to reach agreement with the IRS on all issues affecting Old GM federal returns and our July 10, 2009 through December 31, 2009 federal return. We believe we have adequate reserves established, and any outcome will not have a material effect on our results of operations, financial position or cash flows. At December 31, 2009 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits over the next 12 months.

**Note 23. Fair Value Measurements**

**Fair Value Measurements on a Recurring Basis**

The following tables summarize the financial instruments measured at fair value on a recurring basis (dollars in millions):

| | Successor Fair Value Measurements on a Recurring Basis at December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **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 | | | | |
| Equity | 15 | 17 | | 32 |
| United States government and agency | | 19 | | 19 |
| Mortgage and asset-backed | | 22 | | 22 |
| Certificates of deposit | | 8 | | 8 |
| Foreign government | | 24 | | 24 |
| Corporate debt | | 29 | | 29 |
| Restricted cash and marketable securities | | | | |
| United States government and agency bonds | | 140* | | 140 |
| Money market funds | 13,083** | | | 13,083 |
| Government of Canada bonds | | 955 | | 955 |
| Other assets | | | | |
| Equity | 13 | | | 13 |
| Derivatives | | | | |
| Commodity | | 11 | | 11 |
| Foreign currency | | 90 | 33 | 123 |
| Other | | 25 | | 25 |

| | | | | |
|---|---|---|---|---|
| Total assets | $ 20,598 | $ 5,029 | $ 33 | $ 25,660 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| Foreign currency | $ | $ 9 | $ 705 | $ 714 |
| Total liabilities | $ | $ 9 | $ 705 | $ 714 |

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* Amounts originally reported as $0 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

** Amounts originally reported as $12,662 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3.

| | Predecessor Fair Value Measurements on a Recurring Basis at December 31, 2008 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Cash equivalents | | | | |
| Certificates of deposit | $ | $ 2,375 | $ | $ 2,375 |
| Commercial paper | | 1,645 | | 1,645 |
| Marketable securities | | | | |
| Equity | 9 | 15 | | 24 |
| United States government and agency | | 4 | | 4 |
| Mortgage- and asset-backed | | | 66 | 66 |
| Certificates of deposit | | 11 | | 11 |
| Foreign government | | 19 | | 19 |
| Corporate debt | | 17 | | 17 |
| Restricted cash | | | | |
| Certificates of deposit | | 26 | | 26 |
| Commercial paper | | 59 | | 59 |
| Other assets | | | | |
| Equity | 5 | | | 5 |
| Derivatives | | | | |
| Interest rate swaps | | 368 | 3 | 371 |
| Foreign currency | | 1,228 | | 1,228 |
| Commodity | | 35 | 1 | 36 |
| Total assets | $ 14 | $ 5,802 | $ 70 | $ 5,886 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| Cross currency swaps | $ | $ 377 | $ | $ 377 |
| Interest rate swaps | | 3 | 3 | 6 |
| Foreign currency | | 258 | 2,144 | 2,402 |
| Commodity | | 571 | 18 | 589 |
| Other | | | 164 | 164 |
| Total liabilities | $ | $ 1,209 | $ 2,329 | $ 3,538 |

***Transfers In and/or Out of Level 3***

At June 30, 2009 Old GM s mortgage- and asset-backed securities were transferred from Level 3 to Level 2 as the significant inputs used to measure fair value and quoted prices for similar instruments were determined to be observable in an active market.

For periods presented after June 1, 2009 nonperformance risk for us and Old GM was not observable through the credit default swap market as a result of the Chapter 11 Proceedings and the lack of traded instruments for us after the 363 Sale. As a result, foreign currency derivatives with a fair market value of $1.6 billion were transferred from Level 2 to Level 3. Our nonperformance risk remains not directly observable through the credit default swap market at December 31, 2009 and accordingly the derivative contracts for certain foreign subsidiaries remain classified in Level 3.

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In the three months ended March 31, 2009 Old GM determined the credit profile of certain foreign subsidiaries was equivalent to Old GM s nonperformance risk which was observable through the credit default swap market and bond market based on prices for recent trades. Accordingly, foreign currency derivatives with a fair value of $2.1 billion were transferred from Level 3 into Level 2.

In December 2008 Old GM transferred foreign currency derivatives with a fair value of $2.1 billion from Level 2 to Level 3. These derivatives relate to certain of Old GM s foreign consolidated subsidiaries where Old GM was not able to determine observable credit ratings. Prior to December 31, 2008, these derivatives were valued based on our credit rating which was observable through the credit default swap market. At December 31, 2008 the fair value of these foreign currency derivative contracts was estimated based on the credit rating of comparable local companies with similar credit profiles and observable credit ratings together with internal bank credit ratings obtained from the subsidiary s lenders.

The following tables summarize the activity in the balance sheet accounts for financial instruments classified in Level 3 of the valuation hierarchy (dollars in millions):

| | Successor 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 10, 2009 | $ | $ | $ (1,430) | $ | $ | $ (1,430) |
| Total realized/unrealized gains (losses) | | | | | | |
| Included in earnings | | | 238 | | | 238 |
| Included in Other comprehensive loss | | | (103) | | | (103) |
| Purchases, issuances and settlements | | | 623 | | | 623 |
| Transfer in and/or out of Level 3 | | | | | | |
| Balance at December 31, 2009 | $ | $ | $ (672) | $ | $ | $ (672) |
| 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 | $ | $ | $ 214 | $ | $ | $ 214 |

| | 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 Other comprehensive loss | | | (2) | | | (2) |
| Purchases, issuances and settlements | (14) | 4 | 105 | | (7) | 88 |
| Transfer in and/or out of Level 3 | (33) | | 585 | | (5) | 547 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance at July 9, 2009 | $ | $ | $ (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 |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Predecessor Level 3 Financial Assets and (Liabilities) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Mortgage-backed Securities(a)** | **Commodity Derivatives(b)** | **Foreign Currency Derivatives(c)** | **Corporate Debt Securities(a)** | **Other Derivative Instruments(a)** | **Other Securities(a)** | **Total Net Assets (Liabilities)** |
| Balance at January 1, 2008 | $ 283 | $ 257 | $ | $ 28 | $ | $ 260 | $ 828 |
| Total realized/unrealized gains (losses) | | | | | | | |
| Included in earnings | (39) | 28 | | 23 | | (65) | (53) |
| Included in Other comprehensive loss | 1 | | | | | 7 | 8 |
| Purchases, issuances and settlements | (196) | (302) | | (51) | (164) | (185) | (898) |
| Transfer in and/or out of Level 3 | | | (2,144) | | | | (2,144) |
| Balance at December 31, 2008 | $ 49 | $ (17) | $ (2,144) | $ | $ (164) | $ 17 | $ (2,259) |
| Amount of total gains and (losses) in the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date | $ (6) | $ 28 | $ * | $ | $ | $ (1) | $ 21 |

* Amount originally reported as $(775) in our 2009 Form 10-K. The row total has been corrected accordingly. Refer to Note 3.

(a) Realized gains (losses) and other than temporary impairments on marketable securities (including the UST warrants outstanding until the closing of the 363 Sale) are recorded in Interest income and other non-operating income, net.

(b) Prior to July 10, 2009 realized and unrealized gains (losses) on commodity derivatives are recorded in Cost of sales. Changes in fair value are attributable to changes in base metal and precious metal prices. Beginning July 10, 2009 realized and unrealized gains (losses) on commodity derivatives are recorded in Interest income and other non-operating income, net.

(c) Prior to July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives are recorded in the line item associated with the economically hedged item. Beginning July 10, 2009 realized and unrealized gains (losses) on foreign currency derivatives are recorded in Interest income and other non-operating income, net and foreign currency translation gains (losses) are recorded in Accumulated other comprehensive income (loss).

**Short-Term and Long-Term Debt**

We determined the fair value of debt based on a discounted cash flow model which used benchmark yield curves plus a spread that represented the yields on traded bonds of companies with comparable credit ratings and risk profiles.

Old GM determined the fair value of debt based on quoted market prices for the same or similar issues or based on the current rates offered for debt of similar remaining maturities.

The following table summarizes the carrying amount and estimated fair values of short-term and long-term debt including capital leases for which it is practical to estimate fair value (dollars in millions):

| | Successor December 31, 2009 | Predecessor December 31, 2008 |
|---|---|---|
| Carrying amount (a) | $ 15,783 | $ 45,938 |
| Fair value (a) | $ 16,024 | $ 16,986 |

(a) Accounts and notes receivable, net and Accounts payable (principally trade) are not included because the carrying amount approximates fair value due to their short-term nature.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2009 we estimated the fair value of our investment in GMAC common stock using a market approach based on the average price to tangible book value multiples of comparable companies to each of GMAC s Auto Finance, Commercial Finance, Mortgage, and Insurance operations to determine the fair value of the individual operations. These values were aggregated to estimate the fair value of GMAC s common stock. The significant inputs used to determine the appropriate multiple for GMAC and used in our analysis were as follows:

- GMAC s December 31, 2009 financial statements, as well as the financial statements and price to tangible book value multiples of comparable companies in the Auto Finance, Commercial Finance and Insurance industries;
- Historical segment equity information separately provided by GMAC;
- Expected performance of GMAC, as well as our view on its ability to access capital markets; and
- The value of GMAC s mortgage operations, taking into consideration the continuing challenges in the housing markets and mortgage industry, and its need for additional liquidity to maintain business operations.

We calculated the fair value of our investment in GMAC s preferred stock using a discounted cash flow approach. The present value of the cash flows was determined using assumptions regarding the expected receipt of dividends on GMAC s preferred stock and the expected call date.

**Note 24. Restructuring and Other Initiatives**

We have and Old GM had previously executed various restructuring and other initiatives, and we plan to execute additional initiatives in the future, if necessary, in order to preserve adequate liquidity, to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. Related charges are primarily recorded in Cost of sales and Selling, general and administrative expense.

In May 2009 Old GM and the UAW entered into an agreement that suspended the JOBS Program which was replaced with the SUB and TSP. These job security programs provide reduced wages and employees continue to receive coverage under certain employee benefit programs. The number of weeks that an employee receives these benefits depends on the employee s classification as well as the number of years of service that the employee has accrued. A similar tiered benefit is provided to CAW employees.

As part of achieving and sustaining long-term viability and the viability of our dealer network, we determined that a reduction in the number of GMNA dealerships was necessary. In determining which dealerships would remain in our network we performed careful analyses of volumes and consumer satisfaction indexes, among other criteria. Wind-down agreements with over 2,000 retail dealers have been executed. The retail dealers executing wind-down agreements have agreed to terminate their dealer agreements with us prior to October 31, 2010. Our plan was to reduce dealerships in the United States and Canada to approximately 3,600 to 4,000 and 450 to 480 in the long-term. However, in December 2009 President Obama signed legislation giving U.S. dealers access to neutral arbitration should they decide to contest the wind-down of their dealership. Under the terms of the legislation we have informed dealers as to why their dealership received a wind-down agreement. In turn, dealers were given a timeframe to file for reinstatement through the American Arbitration Association. Under the law decisions in these arbitration proceedings must generally be made by June 2010 and are binding and final. We have sent letters to over 2,000 of our dealers explaining the reasons for their wind-down agreements and over 1,100 dealers have filed for arbitration. In response to the arbitration filings we reviewed each of the dealer reinstatement claims filed with the American Arbitration Association. Our review resulted in over 600 letters of intent sent to dealers, containing our core business criteria for operation of a dealership, which upon compliance by the dealer, would result in reinstatement of the dealership. We expect to have the overall arbitration and reinstatement process fundamentally resolved in 2010. Due to the reinstatement of dealerships and the uncertainty of the outcome of the remaining binding arbitration cases we expect the number of dealerships in our network to exceed the previously estimated range.

Refer to Note 25 for asset impairment charges related to our restructuring initiatives and Note 19 for pension and other postretirement benefit charges resulting from our hourly and salaried employee separation initiatives, including special attrition programs.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes restructuring reserves (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

| | Successor | | | |
|---|---|---|---|---|
| | GMNA | GME | GMIO | Total |
| Balance at July 10, 2009 | $ 2,905 | $ 433 | $ 48 | $ 3,386 |
| Additions | 44 | 37 | 85 | 166 |
| Interest accretion and other | 15 | 35 | | 50 |
| Payments | (994) | (61) | (128) | (1,183) |
| Revisions to estimates | 30 | | (2) | 28 |
| Effect of foreign currency | 88 | 7 | 4 | 99 |
| Balance at December 31, 2009 (a) | $ 2,088 | $ 451 | $ 7 | $ 2,546 |

| | Predecessor | | | |
|---|---|---|---|---|
| | GMNA | GME | GMIO | Total |
| Balance at January 1, 2007 | $ 1,339 | $ 407 | $ 5 | $ 1,751 |
| Additions | 382 | 537 | 63 | 982 |
| Interest accretion and other | 21 | 30 | | 51 |
| Payments | (872) | (439) | (65) | (1,376) |
| Revisions to estimates | (67) | (15) | | (82) |
| Effect of foreign currency | 65 | 60 | 1 | 126 |
| Balance at December 31, 2007 | 868 | 580 | 4 | 1,452 |
| Additions | 2,165 | 242 | 130 | 2,537 |
| Interest accretion and other | 41 | 62 | | 103 |
| Payments | (745) | (368) | (53) | (1,166) |
| Revisions to estimates | 320 | (18) | (3) | 299 |
| Effect of foreign currency | (193) | (30) | (20) | (243) |
| Balance at December 31, 2008 | 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 | 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 | $ 2,905 | $ 433 | $ 48 | $ 3,386 |

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

**GM**

GMNA recorded charges, interest accretion and other, and revisions to estimates that increased the restructuring reserves by $89 million in the period July 10, 2009 through December 31, 2009 for separation programs primarily related to the following initiatives:

The restructuring reserves were increased by $213 million due to an increase in the SUB and TSP accrual of $183 million related to capacity actions, productivity initiatives, acquisition of Nexteer and four domestic facilities and Canadian restructuring activities of $30 million.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The salaried and hourly workforce severance accruals were reduced by $146 million as a result of elections subsequently made by terminating employees, such amounts were reclassified as special termination benefits and were funded from the U.S. defined benefit pension plans and other applicable retirement benefit plans.

GME recorded charges, interest accretion and other, and revisions to estimates of $72 million in the period July 10, 2009 through December 31, 2009 primarily related to separation charges for early retirement programs and additional liability adjustments, primarily in Germany.

GMIO recorded charges, interest accretion and other, and revisions to estimates of $83 million in the period July 10, 2009 through December 31, 2009, which includes separation charges of $72 million related to restructuring programs in Australia for salaried and hourly employees.

The following table summarizes GMNA s restructuring reserves related to dealer wind-down agreements in the period July 10, 2009 through December 31, 2009 (dollars in millions):

| | Successor | | |
|---|---|---|---|
| | U.S. | Canada and Mexico | Total |
| Balance at July 10, 2009 | $ 398 | $ 118 | $ 516 |
| Additions | 229 | 46 | 275 |
| Payments | (167) | (118) | (285) |
| Transfer to legal reserve | | (17) | (17) |
| Effect of foreign currency | | 12 | 12 |
| Balance at December 31, 2009 | $ 460 | $ 41 | $ 501 |

Restructuring reserves related to dealer wind-down agreements in the period July 10, 2009 through December 31, 2009 increased primarily due to additional accruals recorded for wind-down payments to Saturn dealerships related to the decision in September 2009 to wind-down the Saturn brand and dealership network in accordance with the deferred termination agreements that Saturn dealers have signed with us.

**Old GM**

GMNA recorded charges, interest accretion and other, and revisions to estimates of $1.5 billion in the period January 1, 2009 through July 9, 2009 for separation programs related to the following initiatives:

Postemployment benefit charges in the U.S. of $825 million related to 13,000 hourly employees who participated in the 2009 Special Attrition Program and the Second 2009 Special Attrition Program.

SUB and TSP related charges in the U.S. of $707 million, recorded as an additional liability determined by an actuarial analysis at the implementation of the SUB and TSP and related suspension of the JOBS Program.

Revisions to estimates of $401 million to decrease the reserve, primarily related to $335 million for the suspension of the JOBS Program and $141 million for estimated future wages and benefits due to employees who participated in the 2009 Special Attrition Programs; offset by a net increase of $86 million related to Canadian salaried workforce reductions and other restructuring initiatives in Canada.

Separation charges of $250 million for a U.S. salaried severance program to allow 6,000 terminated employees to receive ongoing wages and benefits for up to 12 months.

Postemployment benefit charges in Canada of $38 million related to 380 hourly employees who participated in a special attrition program at the Oshawa Facility.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GME recorded charges, interest accretion and other, and revisions to estimates of $31 million in the period January 1, 2009 through July 9, 2009 primarily related to separation charges for early retirement programs and additional liability adjustments, primarily in Germany.

GMIO recorded charges, interest accretion and other, and revisions to estimates of $74 million in the period January 1, 2009 through July 9, 2009 for separation programs primarily related to the following initiatives:

Separation charges of $48 million related to voluntary and involuntary separation programs in South America affecting 3,300 salaried and hourly employees.

Separation charges in Australia of $19 million related to a facility idling. The program affects employees who left through December 2009.

The following table summarizes GMNA s restructuring reserves related to dealer wind-down agreements in the period January 1, 2009 through July 9, 2009 (dollars in millions):

| | U.S. | Predecessor Canada and Mexico | Total |
|---|---|---|---|
| Balance at January 1, 2009 | $ | $ | $ |
| Additions | 398 | 120 | 518 |
| Payments | | (2) | (2) |
| Balance at July 9, 2009 | $ 398 | $ 118 | $ 516 |

GMNA recorded charges, interest accretion and other, and revisions to estimates of $2.5 billion in the year ended 2008 for separation programs related to the following initiatives:

Postemployment benefit costs in the U.S. and Canada of $2.1 billion, which was comprised of $1.7 billion related to previously announced capacity actions and $407 million for special attrition programs.

Revisions to estimates that increased the reserve of $320 million.

Separation charges of $40 million for a U.S. salaried severance program, which allowed terminated employees to receive ongoing wages and benefits for up to 12 months.

GME recorded charges, interest accretion and other, and revisions to estimates of $286 million in the year ended 2008 for separation programs related to the following initiatives:

Separation charges in Germany of $107 million related to early retirement programs, along with additional minor separations under other current programs.

Separation charges in Belgium of $92 million related to current and previously announced programs, having previously recorded $341 million in the year ended 2007.

Separation charges of $43 million related to separation programs and the cost of previously announced initiatives, which include voluntary separations, in Sweden, the United Kingdom, Spain and France.

GMIO recorded charges and revisions to estimates of $127 million in the year ended 2008 primarily related to separation charges of $51 million in South Africa and South America, and separation charges of $76 million related to a facility idling in Australia.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GMNA recorded charges, interest accretion and other, and revisions to estimates of $336 million in the year ended 2007 for separation programs related to the following initiatives:

- Postemployment benefit costs of $364 million, which was comprised of $333 million for previously announced capacity actions in the U.S. and Canada and $31 million for special attrition programs.
- Revisions to estimates to decrease the reserve of $67 million.
- Separation charges of $18 million for a U.S. salaried severance program, which allowed terminated employees to receive ongoing wages and benefits for up to 12 months.

GME recorded charges, interest accretion and other, and revisions to estimates of $552 million in the year ended 2007 for separation programs related to the following initiatives:

- Separation charges in Belgium of $341 million related to current and previously announced programs.
- Separation charges in Germany of $151 million and postemployment liability adjustments of $21 million. These charges and adjustments were primarily related to early retirement programs, along with additional minor separations.
- Separation charges of $45 million related to initiatives announced in 2006. These included separations in Sweden and the United Kingdom and the closure of the Portugal assembly facility.
- Revisions to estimates to decrease the reserve of $15 million related to programs in Germany and Belgium.

GMIO recorded charges of $63 million in the year ended 2007 primarily related to charges of $22 million for employee separations in Brazil and charges of $41 million related to a voluntary employee separation program in Australia.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 25. Impairments**

The following table summarizes impairment charges (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| **GMNA** | | | | |
| Goodwill | $ | $ | $ 154 | $ |
| Intangibles assets | 21 | | | |
| Product-specific tooling assets | 1 | 278 | 291 | 240 |
| Cancelled powertrain programs | | 42 | 120 | |
| Equity and cost method investments | 4 | 28 | 119 | |
| Vehicles leased to rental car companies | | 11 | 160 | 44 |
| Automotive retail leases (a) | | | 220 | |
| Other than temporary impairment charges on debt and equity securities (b) | | | 47 | 72 |
| Total GMNA impairment charges | 26 | 359 | 1,111 | 356 |
| **GME** | | | | |
| Goodwill | | | 456 | |
| Product-specific tooling assets | | 237 | 497 | |
| Vehicles leased to rental car companies | 18 | 36 | 222 | 90 |
| Total GME impairment charges | 18 | 273 | 1,175 | 90 |
| **GMIO** | | | | |
| Product-specific tooling assets | 1 | 7 | 72 | 19 |
| Asset impairment charges related to restructuring initiatives | | | 30 | |
| Other long-lived assets | | 2 | | |
| Total GMIO impairment charges | 1 | 9 | 102 | 19 |
| **Corporate** | | | | |
| Other than temporary impairment charges on debt and equity securities (b) | | 11 | 15 | |
| Automotive retail leases | | 16 | 157 | |
| GMAC Common Membership Interests | | | 7,099 | |
| GMAC common stock | 270 | | | |
| GMAC Preferred Membership Interests | | | 1,001 | |
| Total Corporate impairment charges | 270 | 27 | 8,272 | |
| Total impairment charges | $ 315 | $ 668 | $ 10,660 | $ 465 |

(a) The year ended 2008 includes an increase in intersegment residual support and risk sharing reserves of $220 million recorded as a reduction of revenue in GMNA.

(b) Refer to Note 6 and Note 23 for additional information on marketable securities and financial instruments measured at fair value on a recurring basis. The impairment charges were recorded in Interest income and other non-operating income, net.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize assets measured at fair value (all of which utilized Level 3 inputs) on a nonrecurring basis subsequent to initial recognition (dollars in millions):

| | | Fair Value Measurements Using Successor | | | |
|---|---|---|---|---|---|
| | Period Ended December 31, 2009(a) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | July 10, 2009 Through December 31, 2009 Total Losses |
| Product-specific tooling assets (b) | $ | | | $ | $ (2) |
| Equity and cost method investments (other than GMAC) | $ 1 | | | $ 1 | $ (4) |
| Vehicles leased to rental car companies (c) | $ 543-567 | | | $ 543-567 | $ (18) |
| GMAC common stock | $ 970 | | | $ 970 | $ (270) |
| Intangible assets | $ | | | $ | $ (21) |
| | | | | | $ (315) |

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

(b) In the period July 10, 2009 through September 30, 2009 and in the fourth quarter of 2009 we recorded impairment charges of $1 million each to write down product-specific tooling assets to their fair value of $0.

(c) In the period July 10, 2009 through September 30, 2009 we recorded impairment charges of $12 million to write down vehicles leased to rental car companies to their fair value of $543 million. In the fourth quarter we recorded an impairment charge of $6 million to write down vehicles leased to rental car companies to their fair value of $567 million.

| | | Fair Value Measurements Using Predecessor | | | |
|---|---|---|---|---|---|
| | 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) | January 1, 2009 Through July 9, 2009 Total Losses |
| Product-specific tooling assets (b) | $ 0-85 | | | $ 0-85 | $ (522) |

| | | | |
|---|---|---|---|
| Cancelled powertrain programs | $ | $ | $ (42) |
| Other long-lived assets | $ | $ | $ (2) |
| Equity and cost method investments (other than GMAC) | $ | $ | $ (28) |
| Vehicles leased to rental car companies (c) | $ 539-2,057 | $ 539-2,057 | $ (47) |
| Automotive retail leases | $ 1,519 | $ 1,519 | $ (16) |
| | | | $ (657) |

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

(b) In the first quarter we recorded impairment charges of $285 million to write down product-specific tooling assets to their fair value of $85 million. In the second quarter we recorded impairment charges of $237 million to write down product-specific tooling assets to their fair value of $0.

(c) In the first quarter we recorded impairment charges of $29 million to write down vehicles leased to rental car companies to their fair value $2.1 billion. In the second quarter we recorded impairment charges of $17 million to write down vehicles leased to rental car companies to their fair value of $543 million. In the period July 1, 2009 through July 9, 2009 we recorded impairment charges of $1 million to write down vehicles leased to rental car companies to their fair value of $539 million.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | | Fair Value Measurements Using Predecessor | | | |
|---|---|---|---|---|---|
| | Year Ended December 31, 2008(a) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Year Ended December 31, 2008 Total Losses |
| GMAC Common Membership interests (b) | $ 612-5,391 | | | $ 612-5,391 | $ (7,099) |
| GMAC Preferred Membership interests (c) | $ 43-902 | | | $ 43-902 | $ (1,001) |
| Equity and Cost Method Investments (other than GMAC) (d) | $ 0-6 | | | $ 0-6 | $ (119) |
| | | | | | $ (8,219) |

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

(b) In the first quarter we recorded an impairment charge of $1.3 billion to write down our investment in GMAC Common Membership Interests to its fair value of $5.4 billion. In the second quarter we recorded an impairment charge of $726 million to write down our investment in GMAC Common Membership Interests to its fair value of $3.5 billion. In the fourth quarter we recorded an impairment charge of $5.1 billion to write down our investment in GMAC Common Membership Interests to its fair value of $612 million.

(c) In the first quarter we recorded an impairment charge of $142 million to write down our investment in GMAC Preferred Membership Interests to its fair value of $902 million. In the second quarter we recorded an impairment charge of $608 million to write down our investment in GMAC Preferred Membership Interests to its fair value of $294 million. In the third quarter we recorded an impairment charge of $251 million to write down our investment in GMAC Preferred Membership Interests to its fair value of $43 million.

(d) In the fourth quarter, we recorded an impairment charge related to our investment in NUMMI of $94 million to write our investment down to its fair value of $0 and an impairment charge related to our investment in CAMI of $25 million to write our investment down to its fair value of $6 million.

As a result of the adoption of ASC 820-10 in January 2009 fair value disclosures related to nonfinancial assets and liabilities measured on a nonrecurring basis for the periods January 1, 2009 through July 9, 2009 and July 10, 2009 through December 31, 2009 are subsequently discussed.

**GM**

***July 10, 2009 Through December 31, 2009***

*GMNA*

Intangible assets related to product-specific technology were adjusted to their fair value at the time of impairment, resulting in impairment charges of $21 million in the period July 10, 2009 through December 31, 2009. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to technology.

GMNA recorded contract cancellation charges of $80 million related to the cancellation of certain product programs.

*GME*

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of $18 million in the period July 10, 2009 through December 31, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*GMIO*

GMIO recorded contract cancellation charges of $2 million related to the cancellation of certain product programs.

*Corporate*

At July 10, 2009 our application of fresh-start reporting resulted in adjustments of $1.3 billion and $629 million to our investments in GMAC common and GMAC preferred stock to record these investments at their estimated fair value of $1.3 billion and $665 million. In the period July 10, 2009 through December 31, 2009 we received distributions on GMAC common stock of $72 million which decreased the carrying amount of our investment in GMAC common stock.

At December 31, 2009 we determined that indicators were present that suggested our investments in GMAC common and preferred stock could be impaired. Such indicators included the continuing deterioration in GMAC s mortgage operations, as evidenced by the strategic actions GMAC took in December 2009 to position itself to sell certain mortgage assets. These actions resulted in GMAC recording an increase in its provision for loan losses of $2.4 billion in the fourth quarter of 2009. These indicators also included GMAC s receipt of $3.8 billion of additional financial support from the UST on December 30, 2009, which diluted our investment in GMAC common stock from 24.5% to 16.6%.

As a result of these impairment indicators, we evaluated the fair value of our investments in GMAC common and preferred stock and recorded an impairment charge of $270 million related to our GMAC common stock to record the investment at its estimated fair value of $970 million. We determined the fair value of these investments using valuation methodologies that were consistent with those we used in our application of fresh-start reporting. In applying these valuation methodologies at December 31, 2009, however, we updated the analyses to reflect changes in market comparables and other relevant assumptions.

**Old GM**

***January 1, 2009 Through July 9, 2009***

*GMNA*

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of $278 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

Cancelled powertrain programs were adjusted to their fair value at the time of impairment, resulting in impairment charges of $42 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized discounted projected cash flows.

GMNA recorded contract cancellation charges of $157 million related to the cancellation of certain product programs.

CAMI at the time an equity method investee, was adjusted to its fair value, resulting in an impairment charge of $28 million in the three months ended March 31, 2009. The fair value measurement utilized projected cash flows discounted at a rate commensurate with the perceived business risks related to the investment. In March 2009 Old GM determined that due to changes in contractual arrangements, CAMI became a VIE and Old GM was the primary beneficiary, and therefore CAMI was consolidated.

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of $11 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

*GME*

Product-specific tooling assets were adjusted to their fair value at the time of impairments, resulting in impairment charges of $237 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

GME recorded contract cancellation charges of $12 million related to the cancellation of certain product programs.

Equipment on operating leases, net is comprised of vehicles leased to rental car companies, which were adjusted to their fair value at the time of impairment, resulting in impairment charges of $36 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicle sales at auction.

*GMIO*

Product-specific tooling assets were adjusted to their fair value at the time of impairments, resulting in impairment charges of $7 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized certain Level 3 inputs, which included projected cash flows, discounted at rates commensurate with the perceived business risks related to the assets involved.

GMIO recorded contract cancellation charges of $8 million related to the cancellation of certain product programs.

*Corporate*

Automotive retail leases were adjusted to their fair value at the time of impairment, resulting in impairment charges of $16 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized discounted projected cash flows from lease payments and anticipated future auction proceeds.

***2008***

*GMNA*

Goodwill impairment charges of $154 million in the year ended 2008 related to sharply reduced forecasts of automotive sales in the near- and medium-term. Fair value measurements utilized discounted projected cash flows.

NUMMI and CAMI, at the time were equity method investees involved in various aspects of the development and production of vehicles, were adjusted to their fair value, resulting in impairment charges of $94 million and $25 million in the year ended 2008. Fair value measurements utilized projected cash flows, discounted at a rate commensurate with the perceived business risks related to the investments.

*GME*

Goodwill impairment charges of $456 million in the year ended 2008 related to sharply reduced forecasts of automotive sales in the near- and medium-term. Fair value measurements utilized discounted projected cash flows.

*Corporate*

In 2008 recessions in the United States and Western Europe and a slowdown in economic growth in the rest of the world negatively affected residential and homebuilding markets and consumer demand for less fuel efficient vehicles, particularly fullsize trucks and sport utility vehicles. In addition, instability of the credit and mortgage markets resulted in an extreme lack of liquidity resulting in prominent North American financial institutions declaring bankruptcy, being seized by the Federal Deposit Insurance Corporation or being sold at distressed valuations, and culminated in the U.S. and foreign governments providing various forms of capital infusions to financial institutions. These economic factors negatively affected GMAC s global automotive business as well as GMAC s mortgage operations, which resulted in significant losses including impairment charges of $1.2 billion on GMAC s portfolio of automotive retail leases in the year ended 2008. As a result of these events, Old GM evaluated its investments in GMAC Common and Preferred Membership Interests, determined that they were impaired and recorded impairment charges on these investments of $7.1 billion and $1.0 billion in the year ended 2008.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In order to determine the fair value of Old GM s investment in GMAC Common Membership Interests at March 31, June 30 and September 30, 2008, Old GM determined GMAC s fair value by applying various valuation techniques, which used Level 3 inputs, to its significant business units and then applied its 49% equity interest to the resulting fair value.

Auto Finance Old GM obtained industry data, such as equity and earnings ratios for other industry participants, and developed average multiples for these companies based upon a comparison of their businesses to Auto Finance.

Insurance Old GM developed a peer group, based upon such factors as equity and earnings ratios and developed average multiples for these companies.

Mortgage Operations Old GM previously obtained industry data for an industry participant that Old GM believed to be comparable, and also utilized the implied valuation based on an acquisition of an industry participant who was believed to be comparable. Due to prevailing market conditions at September 30, 2008 Old GM did not believe that comparable industry participants existed; however, Old GM believed that previously available data, in conjunction with certain publicly available information incorporated into the analysis, resulted in an appropriate valuation at September 30, 2008.

Commercial Finance Group Old GM obtained industry data, such as price to earnings ratios, for other industry participants, and developed average multiples for these companies based upon a comparison of their businesses to the Commercial Finance Group.

At December 31, 2008 Old GM s determination of the fair value of GMAC Common Membership Interests used data from GMAC s discussions with the Board of Governors of the Federal Reserve System for approval to become a Bank Holding Company under the Bank Holding Company Act of 1956, as amended, in addition to Old GM s and GMAC s negotiations with the UST regarding potential borrowings or other capital infusions under the Automotive Industry Financing Program. As part of this process, Old GM and FIM Holdings agreed to convert Old GM s interests in the GMAC Participation Agreement to GMAC Common Membership Interests in December 2008, and to purchase additional GMAC Common Membership Interests subsequent to December 2008. The conversion of the GMAC Participation Agreement and the subsequent purchase of additional GMAC Common Membership Interests utilized a specified value per GMAC Common Membership Interest as determined and agreed to by the relevant parties to the various transactions, which Old GM subsequently utilized in its determination of GMAC s fair value, as it was believed the per share value was representative of fair value. Refer to Note 30 for additional information on the GMAC Participation Agreement.

In order to determine the fair value of Old GM s investment in GMAC Preferred Membership Interests at December 31, 2008, Old GM applied valuation techniques, which used certain Level 3 inputs, to various characteristics of the GMAC Preferred Membership Interests as follows:

Using information as to the pricing on similar investments and changes in yields of other GMAC securities, Old GM developed a discount rate for the valuation.

Using assumptions as to the receipt of dividends on the GMAC Preferred Membership Interests, the expected call date and a discounted cash flow model, Old GM developed a present value of the related cash flows.

At March 31, June 30, and September 30, 2008 Old GM also used these valuation techniques but the assumptions used at each valuation date varied due to differing market conditions in these periods.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 26. Other Expenses, net**

The following table summarizes the components of Other expenses, net (dollars in millions):

| | 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 |
| Operating and other expenses (income) | $ (35) | $ 22 | $ 409 | $ 545 |
| Pension benefits for certain current and future retirees of Delphi | | | | 552 |
| Deconsolidation of Saab expenses, net | (60) | 824 | | |
| Saab impairment charges | | 88 | | |
| Delphi related charges (Note 21) | 8 | 184 | 4,797 | 1,547 |
| Depreciation and amortization expense | 89 | 101 | 749 | 1,259 |
| Goodwill impairment charges (Note 25) | | | 610 | |
| Interest expense | 13 | 16 | 134 | 405 |
| Total other expenses, net | $ 15 | $ 1,235 | $ 6,699 | $ 4,308 |

Interest expense and depreciation and amortization expense recorded in Other expenses, net relates to a portfolio of automotive retail leases.

**Note 27. Stockholders Equity (Deficit) and Noncontrolling Interests**

**GM**

***Common Stock***

We have 5.0 billion shares of common stock authorized, with a par value of $0.01 per share. At December 31, 2009 we had 1.5 billion shares issued and outstanding. Holders of our common stock are entitled to dividends at the sole discretion of our Board of Directors. However, the terms of the Series A Preferred Stock prohibit, subject to exceptions, the payment of dividends on our common stock, unless all accrued and unpaid dividends on the Series A Preferred Stock are paid in full. Holders of common stock are entitled to one vote per share on all matters submitted to our stockholders for a vote. The liquidation rights of holders of our common stock are secondary to the payment or provision for payment of all our debts and liabilities and to holders of our preferred stock, if any such shares are then outstanding. Pursuant to the terms of a Stockholders Agreement we entered into with certain of our stockholders, certain holders of our common stock are entitled to preemptive rights under certain circumstances.

***Warrants***

In connection with the 363 Sale, we issued two warrants, each to acquire 136.4 million shares of common stock, to MLC and one warrant to acquire 45.5 million shares of common stock to the New VEBA. The first of the MLC warrants is exercisable at any time prior to July 10, 2016 at an exercise price of $10.00 per share, and the second of the MLC warrants is exercisable at any time prior to July 10, 2019 at an exercise price of $18.33 per share. The New VEBA warrant is exercisable at any time prior to December 31, 2015 at an exercise price of $42.31 per share. The number of shares of common stock underlying each of the warrants and the per share exercise price thereof are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends.

***Noncontrolling Interests***

In October 2009 we completed our participation in an equity rights offering in GM Daewoo, a majority-owned and consolidated subsidiary, for KRW 491 billion (equivalent to $417 million when entered into). As a result of the participation in the equity rights

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offering, our ownership interest in GM Daewoo increased from 50.9% to 70.1%. Funds from our UST escrow were utilized for this rights offering.

In December 2009 we acquired the remaining noncontrolling interest of CAMI from Suzuki for $100 million increasing our ownership interest from 50% to 100%. This transaction resulted in no charge to Capital surplus.

The table below summarizes the changes in equity resulting from Net loss attributable to common stockholders and transfers from (to) noncontrolling interests (dollars in millions):

| | Successor July 10, 2009 Through December 31, 2009 |
|---|---|
| Net loss attributable to common stockholders | $ (4,428) |
| Increase in capital surplus resulting from GM Daewoo equity rights offering | 108 |
| Changes from net loss attributable to common stockholders and transfers from (to) noncontrolling interests | $ (4,320) |

**Old GM**

***Preferred Stock***

Old GM had 6 million shares of preferred stock authorized, without par value. The preferred stock ranked senior to its common stock and any other class of stock it previously issued. Holders of preferred stock were entitled to receive cumulative dividends, when and as declared by Old GM s Board of Directors on a quarterly basis. Old GM had no shares of preferred stock issued and outstanding at December 31, 2008.

***Preference Stock***

Old GM had 100 million shares of preference stock authorized, with a par value of $0.10. The preference stock was issuable in series with such voting powers, designations, powers, privileges, and rights and such qualifications, limits, or restrictions as may be determined by Old GM s Board of Directors, without stockholder approval. The preference stock ranked junior to Old GM s preferred stock and senior to its common stock. Holders of preference stock were entitled to receive dividends, which may or may not have been cumulative when and as declared by Old GM s Board of Directors. Old GM had no shares of preference stock issued and outstanding at December 31, 2008.

***Common Stock***

Old GM had 2.0 billion shares of common stock authorized, with a par value of $1 2/3. Old GM had 801 million shares issued and 610 million shares outstanding at December 31, 2008.

***Warrants***

As additional consideration for entering into the UST Loan Agreement, Old GM issued warrants to the UST for 122 million shares of common stock exercisable at $3.57 per share, which was 19.99% of the number of shares of common stock outstanding at December 31, 2008. The warrants were perpetual and were assigned a fair value of $164 million at December 31, 2008. In determining this value, Old GM utilized the observable market value of tradable call options on its common stock. The difference in terms between the warrants and the observable call options on its common stock was determined to have an insignificant effect on the value of the warrants. Key inputs in the value of the call options were Old GM s common stock price and its expected volatility on common stock returns. An increase of 10% in Old GM s common stock price would have increased the fair value of the warrants by

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$28 million and a decrease of 10% in Old GM s common stock price would have decreased the fair value of the warrants by $26 million. An increase or decrease in volatility of 10% would have caused an increase or decrease in the fair value of the warrants of $16 million. As the warrants did not meet the accounting requirements to be classified as an equity instrument, the warrants were recorded in Other liabilities and because the warrants met the definition of a derivative, they were recorded at fair value prospectively, with changes in fair value recognized in earnings. Old GM was entitled to repurchase the warrants or shares issued through the exercise of the warrants at fair value once it had repaid amounts outstanding under the UST Loan Agreement. In connection with the 363 Sale, the UST returned the warrants previously issued to it from Old GM.

***Treasury Stock***

Old GM held 190 million shares of treasury stock, net of re-issuances, at December 31, 2008. Old GM accounted for treasury stock at cost, with the amount in excess of par value charged to Capital surplus (principally additional paid-in capital).

**Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the components of Accumulated other comprehensive income (loss), net of taxes:

| | Successor | Predecessor | |
|---|---|---|---|
| | December 31, 2009 | December 31, 2008 | December 31, 2007 |
| Foreign currency translation adjustments | $ 157 | $ (2,122) | $ (967) |
| Net unrealized gain (loss) on derivatives | (1) | (490) | 321 |
| Net unrealized gain (loss) on securities | 2 | (33) | 265 |
| Defined benefit plans, net | 1,430 | (29,694) | (13,606) |
| Accumulated other comprehensive income (loss) | $ 1,588 | $ (32,339) | $ (13,987) |

**Other Comprehensive Income (Loss)**

The following tables summarize the components of Other comprehensive income (loss) attributable to common stockholders:

| | Successor | | |
|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | | |
| | Pre-tax Amount | Tax Expense (Credit) | Net Amount |
| Foreign currency translation adjustments | $ 135 | $ 11 | $ 124 |
| Net unrealized gain on derivatives | (1) | | (1) |
| Unrealized gain on securities | 7 | 5 | 2 |
| Defined benefit plans | | | |
| Prior service cost from plan amendments | 112 | 130 | (18) |
| Actuarial gain from plan measurements | 2,702 | 1,247 | 1,455 |
| Less: amortization of actuarial loss included in net periodic benefit cost | (6) | 1 | (7) |
| Net actuarial amounts | 2,696 | 1,248 | 1,448 |

| | | | |
|---|---|---|---|
| Defined benefit plans, net | 2,808 | 1,378 | 1,430 |
| Other comprehensive income (loss) | 2,949 | 1,394 | 1,555 |
| Less: other comprehensive (income) loss attributable to noncontrolling interests | (33) | | (33) |
| Other comprehensive income (loss) attributable to common stockholders | $ 2,982 | $ 1,394 | $ 1,588 |

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| | | | | Predecessor | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | | | Years Ended December 31, | | | | | |
| | | | | 2008 | | | 2007 | | |
| | Pre-tax Amount | Tax Expense (Credit) | Net Amount | Pre-tax Amount | Tax Expense (Credit) | Net Amount | Pre-tax Amount | Tax Expense (Credit) | Net Amount |
| Foreign currency translation gain (loss) | $ 187 | $ 40 | $ 147 | $ (1,289) | $ 27 | $ (1,316) | $ 807 | $ (220) | $ 1,027 |
| Net unrealized gain (loss) on derivatives | 145 | (131) | 276 | (1,284) | (53) | (1,231) | (452) | (142) | (310) |
| Unrealized gain (loss) on securities | 46 | | 46 | (298) | | (298) | (23) | (6) | (17) |
| Defined benefit plans | | | | | | | | | |
| Prior service benefit (cost) from plan amendments | (3,882) | (1,551) | (2,331) | 449 | (1) | 450 | (2,813) | (700) | (2,113) |
| Amortization of prior service cost included in net periodic benefit cost | 5,162 | 3 | 5,159 | (5,063) | 284 | (5,347) | (5) | 73 | (78) |
| Net prior service benefit (cost) | 1,280 | (1,548) | 2,828 | (4,614) | 283 | (4,897) | (2,818) | (627) | (2,191) |
| Actuarial gain (loss) from plan measurements | (2,574) | 1,532 | (4,106) | (14,684) | (120) | (14,564) | 8,910 | 2,066 | 6,844 |
| Amortization of actuarial loss included in net periodic benefit cost | (2,109) | 22 | (2,131) | 3,524 | 159 | 3,365 | 1,723 | 331 | 1,392 |
| Net actuarial amounts | (4,683) | 1,554 | (6,237) | (11,160) | 39 | (11,199) | 10,633 | 2,397 | 8,236 |
| Net transition assets from plan initiations | 6 | 1 | 5 | | | | | | |
| Amortization of transition asset /obligation included in net periodic benefit cost | (5) | (1) | (4) | 11 | 3 | 8 | 2 | 4 | (2) |
| Net transition amounts | 1 | | 1 | 11 | 3 | 8 | 2 | 4 | (2) |
| Defined benefit plans, net | (3,402) | 6 | (3,408) | (15,763) | 325 | (16,088) | 7,817 | 1,774 | 6,043 |
| Other comprehensive income (loss) | (3,024) | (85) | (2,939) | (18,634) | 299 | (18,933) | 8,149 | 1,406 | 6,743 |
| Less: other comprehensive (income) loss attributable to noncontrolling interests | 92 | | 92 | (581) | | (581) | (340) | (97) | (243) |
| Other comprehensive income (loss) attributable to common stockholders | $ (3,116) | $ (85) | $ (3,031) | $ (18,053) | $ 299 | $ (18,352) | $ 8,489 | $ 1,503 | $ 6,986 |

**Note 28. Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share have been computed by dividing Income (loss) from continuing operations attributable to common stockholders, Income from discontinued operations attributable to common stockholders or Net income (loss) attributable to common stockholders by the weighted-average common shares outstanding in the period.

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The following table summarizes basic and diluted earnings (loss) per share (in millions, except for per share amounts):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009(a) | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| **Basic** | | | | |
| Income (loss) from continuing operations attributable to common stockholders (b) | $ (3.58) | $ 178.63 | $ (53.47) | $ (76.16) |
| Income from discontinued operations attributable to common stockholders | | | | 8.04 |
| Net income (loss) attributable to common stockholders (b) | $ (3.58) | $ 178.63 | $ (53.47) | $ (68.12) |
| Weighted-average common shares outstanding | 1,238 | 611 | 579 | 566 |
| **Diluted** | | | | |
| Income (loss) from continuing operations attributable to common stockholders (b) | $ (3.58) | $ 178.55 | $ (53.47) | $ (76.16) |
| Income from discontinued operations attributable to common stockholders | | | | 8.04 |
| Net income (loss) attributable to common stockholders (b) | $ (3.58) | $ 178.55 | $ (53.47) | $ (68.12) |
| Weighted-average common shares outstanding | 1,238 | 611 | 579 | 566 |

(a) All applicable Successor share, per share and related information has been adjusted retroactively for the three-for-one stock split effected on November 1, 2010.

(b) The period July 10, 2009 through December 31, 2009 includes accumulated but unearned dividends of $34 million on Series A Preferred Stock, which increases Net loss attributable to common stockholders, and excludes dividends of $252 million on Series A Preferred Stock, which were paid to the New VEBA prior to December 31, 2009. The 260 million shares of Series A Preferred Stock issued to the New VEBA were not considered outstanding until December 31, 2009 due to the terms of the 2009 Revised UAW Settlement Agreement.

**GM**

Due to our net loss in the period July 10, 2009 through December 31, 2009 the assumed exercise of warrants outstanding had an antidilutive effect and were therefore excluded from the computation of diluted loss per share. The number of such warrants not included in the computation of diluted loss per share was 318 million in the period July 10, 2009 through December 31, 2009.

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 considered outstanding until December 31, 2009 they did not affect the calculation of the weighted-average common shares outstanding. Refer to Note 19 for additional information on the 2009 Revised UAW Settlement Agreement.

Under the Purchase Agreement, we are obligated to issue Adjustment Shares in the event that allowed general unsecured claims against MLC, as estimated by the Bankruptcy Court, exceed $35.0 billion. The maximum number of Adjustment Shares issuable is 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 Adjustment Shares issued if estimated general unsecured claims total $42.0 billion or more. We determined that it is probable that general unsecured claims allowed against MLC will ultimately exceed $35.0 billion by at least $2.0 billion. In that circumstance, under the terms of the Purchase Agreement, we would be required to issue 8.6 million Adjustment Shares to MLC as an adjustment to the purchase price. These Adjustment Shares were excluded from the computation of basic and diluted loss per share as they were not issued or outstanding at December 31, 2009 and the effect would have been anti-dilutive, however, they may be dilutive in the future.

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In November and December 2009 we granted restricted stock units (RSUs) to certain global executives. Since awards will be payable in cash if settled prior to six months after a completion of a successful initial public offering, the salary stock awards are excluded from the computation of diluted loss per share. At December 31, 2009 1.1 million RSUs were outstanding. Refer to Note 29 for additional information on RSUs.

**Old GM**

In the period January 1, 2009 through July 9, 2009 diluted earnings per share included the potential effect of the assumed exercise of certain stock options. The number of stock options and warrants that were excluded in the computation of diluted earnings per share because the exercise price was greater than the average market price of the common shares was 208 million.

Due to Old GM s net losses in the years ended 2008 and 2007, the assumed exercise of stock options and warrants had an antidilutive effect and therefore was excluded from the computation of diluted loss per share. The number of such options and warrants not included in the computation of diluted loss per share was 101 million and 104 million in the years ended 2008 and 2007.

No shares potentially issuable to satisfy the in-the-money amount of Old GM s convertible debentures have been included in the computation of diluted income (loss) per share for the period January 1, 2009 through July 9, 2009 and in the years ended 2008 and 2007 as the conversion options in various series of convertible debentures were not in-the-money.

**Note 29. Stock Incentive Plans**

**GM**

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan (2009 GMLTIP) and the Salary Stock Plan (GMSSP). Both plans are administered by the Executive Compensation Committee of our Board of Directors. No awards were granted under the 2009 GMLTIP in the year ended 2009.

The following table summarizes compensation expense and total Income tax expense recorded for the GMSSP (dollars in millions):

| | Successor July 10, 2009 Through December 31, 2009 |
|---|---|
| Compensation expense | $ 23 |
| Income tax expense | $ 8 |

***Long-Term Incentive Plan***

The 2009 GMLTIP consists of RSUs that may be granted to global executives. The RSUs provide participants with the opportunity to earn shares of stock determined by dividing the award value by the fair market value per share on the grant date. The aggregate number of shares that may be granted under this plan and the GMSSP discussed below shall not exceed 30 million shares. There were no RSUs granted under this plan in the year ended 2009.

Awards granted under the 2009 GMLTIP will generally vest over a three year service period. Compensation cost for these awards will be recorded on a straight line basis over the vesting period. The awards for the Top 25 highest compensated employees will settle in 25% increments in conjunction with each 25% of our Troubled Asset Relief Program (TARP) obligations that are repaid. The awards for the non-top 25 highest compensated employees will settle in 25% increments in conjunction with each 25% of the U.S. and Canadian Government loans that are repaid.

Retirement eligible participants that are non-top 25 highest compensated employees, who retire during the service period, will retain and vest a pro-rata portion of RSUs. The vested award will be payable on the third anniversary date of the grant. Compensation cost for these employees will be recognized on a straight-line basis over the requisite service period.

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All awards will be payable in cash if settled prior to six months after completion of an initial public offering, therefore awards granted will be classified as a liability until the completion of an initial public offering. In the event an initial public offering is completed, awards expected to settle six months after the initial public offering will be accounted for as a modification from a liability to equity award since the awards will then be required to be settled in our common stock.

***Salary Stock***

In November 2009 we began granting salary stock to certain global executives under the GMSSP. Under the GMSSP, a portion of each participant s total annual compensation is accrued and converted to RSUs at each salary payment date. Effective in 2010, a portion of each participant s salary accrued on each salary payment date will be converted to RSUs on a quarterly basis. The aggregate number of shares that may be granted under this plan and the 2009 GMLTIP shall not exceed 30 million shares.

The awards are fully vested and nonforfeitable upon grant, therefore compensation cost is fully recognized on the date of grant. The awards will be settled on each of the second, third, and fourth anniversary dates of grant with each installment redeemable one year earlier if we repay the financial assistance we received from the UST under the TARP program. The awards will be payable in cash if settled prior to six months after completion of an initial public offering; therefore, these awards will be classified as a liability until the completion of an initial public offering. In the event an initial public offering is completed, awards expected to settle six months after the initial public offering will be accounted for as a modification from a liability to equity award since the awards will then be required to be settled in our common stock.

The fair value of each RSU under the 2009 GMLTIP and GMSSP is based on the fair value of our common stock. Since there currently is no observable publicly traded price for our common stock, we have developed a methodology to calculate the value of our common stock based on our discounted cash flow analysis updated through December 31, 2009. Refer to Note 2 for additional information on the key assumptions used to estimate our reorganization value at July 10, 2009 and our discounted cash flow analysis.

The following table summarizes our RSU activity under the GMSSP in the period July 10, 2009 through December 31, 2009 (RSUs in millions):

| | Successor RSUs | | | |
|---|---|---|---|---|
| | Shares | Weighted-Average Grant Date Fair Value | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
| RSUs outstanding at July 10, 2009 | | $ | | |
| Granted | 1.1 | $ 16.39 | | |
| Exercised | | $ | | |
| Forfeited or expired | | $ | | |
| RSUs outstanding at December 31, 2009 | 1.1 | $ 16.39 | | $ |
| RSUs expected to vest at December 31, 2009 | 1.1 | $ 16.39 | | $ |
| RSUs exercisable at December 31, 2009 | | $ | | $ |

**Old GM**

Old GM s stock incentive plans were comprised of the 2007 Old GM Long-Term Incentive Plan (GMLTIP), the 2002 Old GM Stock Incentive Plan (GMSIP), the 2002 GMLTIP, the 1998 Old GM Salaried Stock Option Plan (GMSSOP), the 2007 Old GM Cash-Based Restricted Stock Unit Plan (GMCRSU) and the 2006 GMCRSU, or collectively the Old GM Stock Incentive Plans. The

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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 | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Compensation expense (benefit) | $ (10) | $ (65) | $ 136 |
| Income tax expense (benefit) (a) | $ | $ 3 | $ (21) |

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

In 2008 Old GM extended voluntary early retirement offers under its 2008 Salaried Window Program to certain of its U.S. salaried employees, including certain U.S. executives, as part of its plan to reduce salary related expenses. Under the terms of the 2008 Salaried Window Program, option awards granted to executives were modified to vest immediately and remain exercisable until the expiration date of the grant. Approximately 200 U.S. executives accepted the 2008 Salaried Window Program. The modifications of the stock option awards were accounted for as a cancellation of the original award and the issuance of a new award. The effect of this award modification on compensation expense was $6 million.

In August 2007 Old GM completed the sale of the commercial and military operations of its Allison business. Allison employees who participated in Old GM s stock incentive plans were considered terminated employees on the date of sale. Based on this change in employment status, certain outstanding nonvested share-based payment awards were forfeited. The remaining outstanding share-based payment awards were prorated for previous employment services as provided for under the original terms of the award and would remain exercisable for the earlier of three years from the date of termination, or the expiration of the option.

***Stock Options***

Under the GMSIP, 27 million shares of Old GM s common stock were eligible for grants from June 2002 through May 2007. Stock option grants awarded since 1997 were generally exercisable one-third after one year, another one-third after two years and fully exercisable three years from the date of grant. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years from the date of grant, subject to earlier termination under certain conditions. Old GM s policy was to issue treasury shares upon exercise of employee stock options.

In 2007 the GMSIP was replaced with the 2007 GMLTIP. Under the 2007 GMLTIP, 16 million shares of Old GM s common stock were eligible for grants from June 2007 through May 2012. Stock options granted under this plan were generally exercisable one-third after one year, another one-third after two years and fully exercisable three years from the date of grant. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years from the date of grant, subject to earlier termination under certain conditions. Old GM s policy was to issue treasury shares upon exercise of employee stock options.

The GMSSOP commenced in January 1998 and no shares were available for grants after December 2006. The number of shares that could be awarded each year was determined by Old GM s management and stock options awarded under this plan were exercisable two years from the date of grant. There were no option grants made under the plan after 2004. Option prices were 100% of fair value on the date of grant, and the options generally expired 10 years and two days from the date of grant subject to earlier termination under certain conditions.

The fair value of each option grant, except for the performance-contingent option awards as subsequently discussed, was estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions discussed in the following table. Expected volatility was based on both the implied and historical volatilities of Old GM s common stock. The expected term of

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options represented the period of time that the options were expected to be outstanding. Old GM used historical data to estimate option exercise and employee termination within the valuation model. For option grants made prior to 2008 Old GM used the modified prospective application method. The dividend yield was based on Old GM s stock price at the date of grant. The interest rate during the expected term of the option was based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table summarizes assumptions used to estimate the date of grant fair value of Old GM s stock options:

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 2007 GMLTIP | Year Ended December 31, 2008 2007 GMLTIP | Year Ended December 31, 2007 GMSIP |
| Interest rate | % | 3.0% | 5.0% |
| Expected term (years) | | 7.3 | 6.0 |
| Expected volatility | % | 44.6% | 35.8% |
| Dividend yield | % | 4.3% | 3.4% |

The following table summarizes changes in the status of Old GM s outstanding stock options, including performance-contingent stock options which are subsequently discussed (options in millions):

| | Predecessor 2007 GMLTIP | | | |
|---|---|---|---|---|
| | Shares Under Option | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
| Options outstanding at January 1, 2009 | 76 | $ 50.90 | | |
| Granted | | $ | | |
| Exercised | | $ | | |
| Forfeited or expired | (11) | $ 68.50 | | |
| Options outstanding at July 9, 2009 | 65 | $ 47.92 | 3.5 | $ |
| Options expected to vest at July 9, 2009 | 4 | $ 24.69 | 8.4 | $ |
| Options vested and exercisable at July 9, 2009 | 61 | $ 49.24 | 3.2 | $ |

| | Predecessor GMSSOP | | | |
|---|---|---|---|---|
| | Shares Under Option | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual | Aggregate Intrinsic Value |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Term | |
| 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 | $ |

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The following table summarizes Old GM s stock options granted or exercised under the 2007 GMLTIP and GMSIP (options in millions):

| | Predecessor | | | | |
|---|---|---|---|---|---|
| | 2007 GMLTIP | | | GMSIP | |
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | | Year Ended December 31, 2007 | |
| Options granted | | | 4 | | 3 |
| Weighted-average grant date fair value | $ | $ | 7.29 | $ | 8.76 |
| Options exercised | | | | | |
| Intrinsic value of options exercised | $ | $ | | $ | 3 |

There were no GMSSOP options granted or exercised in the period January 1, 2009 through July 9, 2009, and the years ended 2008 and 2007. There were no tax benefits realized from the exercise of share-based payment arrangements in the period January 1, 2009 through July 9, 2009, and the years ended 2008 and 2007.

***Market-Contingent Stock Options***

In March 2008 Old GM granted market-contingent option awards under the 2007 GMLTIP. These awards had a minimum one-year service vesting period followed by a four-year performance period in which all options would vest once Old GM s common stock traded at or above $40 for any 10 days within a 30 day trading period. If both vesting conditions were met, the option would expire seven years from the date of grant. If, however, the market condition was not met, the option would expire five years from the date of grant. Option prices were 100% of the fair value on the date of grant.

Old GM recognized the fair value of these options over the weighted-average derived service period of 1.8 years in the year ended 2008. The interest rates that Old GM used to determine the grant date fair value of these options were based on the term structure of the U.S. Treasury yield curve on the grant date. The volatility used was a blend of implied and historical volatilities of Old GM s common stock. The expected term was derived using the Monte-Carlo simulation model to determine fair value. The dividend yield was based upon historical dividend yields.

The following table summarizes the assumptions used to estimate the grant date fair value of the market-contingent stock options:

| | Predecessor | |
|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| Interest rate | | 1.7% - 3.1% |
| Expected term (years) | | 1.8 |
| Expected volatility | | 44.0% |
| Dividend yield | | 3.2% |

The following tables summarize Old GM s market-contingent stock options (options in millions):

| | Predecessor | |
|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 |
| Options granted | | 0.7 |
| Weighted-average grant date fair value | | $ 7.00 |
| Options exercised | | |
| Weighted-average exercise price | | $ 23.13 |
| Options forfeited or expired | | |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Predecessor July 9, 2009 |
|---|---|
| Options outstanding | 0.7 |
| Aggregate intrinsic value | $ |
| Weighted-average contractual term (years) | 5.7 |

***Summary of Nonvested Awards***

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

| | 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.

The following table summarizes cash received from option exercises (dollars in millions):

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Cash received | $ | $ | $ 1 |

***Stock Performance Plans***

The 2007 GMLTIP, formerly the 2002 GMLTIP, was comprised of awards granted to participants based on a minimum percentile ranking of Old GM s total stockholder return compared to all other companies in the S&P 500 for the same performance period. The target number of shares of Old GM s common stock that could be granted each year was determined by Old GM s management. The 2008 and 2007 grants each had four separate performance periods consisting of three one-year performance periods and one three-year performance period. The final award payouts could vary based on Old GM s total shareholder return, as previously discussed. There were no stock performance plan shares granted in the period January 1, 2009 to July 9, 2009.

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

| Granted | Shares(a) | Predecessor 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Old GM was required to settle these awards in cash. As a result, these cash-settled awards were recorded as a liability until the date of final award payout. The fair value of each cash-settled award was remeasured at the end of each reporting period and the liability and expense adjusted based on the change in fair value. The shares indicated in the preceding table were the targeted number of shares that would be used in the final award calculation should the targeted performance condition have been achieved. Final payout was subject to approval by Old GM s Executive Compensation Committee of the Board of Directors.

The fair value of each cash-settled award under the GMLTIP plans was estimated on the date of grant, and for each subsequent reporting period, remeasured using a Monte-Carlo simulation model that used the multiple input variables. Expected volatility was based upon a combination of the implied volatility from Old GM s tradable options and historical volatility, including the historical volatilities of other stocks in the S&P 500. The expected term of these target awards represented the remaining time in the performance period. The risk-free rate for periods during the contractual life of the performance shares was based on the U.S. Treasury yield curve in effect at the time of valuation. Since the payout depended on Old GM s total stockholder return performance ranked with the total stockholder return performance of all other S&P 500 companies, the valuation also depended on the performance of all stocks in the S&P 500 from the date of grant to the exercise date as well as estimates of the correlations among their future performance. The fair value of the performance plan shares was $0 at July 9, 2009 for the awards granted in the years ended 2008 and 2007.

The weighted-average remaining contractual term was 0.8 years for target awards outstanding at July 9, 2009. As the threshold performance required for a payment under the 2006-2008 award was not achieved, there were no cash payments made for this award in the period January 1, 2009 through July 9, 2009. There will be no cash payments for the 2007-2009 and 2008-2010 performance periods.

***Cash-Based Restricted Stock Units***

The 2007 and 2006 GMCRSU plans provided cash equal to the value of underlying restricted share units to certain of Old GM s global executives at predetermined vesting dates. Awards under the plan vested and were paid in one-third increments on each anniversary date of the award. Compensation expense was recorded on a straight-line basis over the requisite service period for each separately vesting portion of the award. Since the awards were settled in cash, they were recorded as a liability until the date of payment. The fair value of each cash-settled award was remeasured at the end of each reporting period and the liability and related expense adjusted based on the new fair value.

The fair value of each GMCRSU was based on Old GM s common stock price on the date of grant and each subsequent reporting period until the date of settlement.

The following tables summarize GMCRSUs (GMCRSUs in millions):

| | Predecessor | | |
|---|---|---|---|
| | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Number of GMCRSUs granted | | 6 | 5 |
| Weighted-average date of grant fair value | $ 2.24 | $ 23.01 | $ 29.39 |
| Total payments made for GMCRSUs vested (millions) | $ 10 | $ 60 | $ 42 |

**Predecessor**

| | | July 9, 2009 |
|---|---|---|
| GMCRSUs outstanding | | 5 |
| Fair value per share | $ | 0.84 |
| Weighted-average remaining contractual term (years) | | 1.4 |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 30. Transactions with GMAC**

Old GM entered into various operating and financing arrangements with GMAC (GMAC Services Agreements), a related party. In connection with the 363 Sale, we assumed the terms and conditions of the GMAC Services Agreements. The following tables describe the financial statement effects of and maximum obligations under these agreements (dollars in millions):

| | Successor December 31, 2009 | Predecessor December 31, 2008 |
|---|---|---|
| Operating lease residuals | | |
| Residual support (a) | | |
| Liabilities recorded | $ 369 | $ 705 |
| Maximum obligation | $ 1,159 | $ 1,432 |
| Risk sharing (a) | | |
| Liabilities recorded | $ 366 | $ 1,233 |
| Maximum obligation | $ 1,392 | $ 1,724 |
| Note payable to GMAC | $ 35 | $ 35 |
| Vehicle repurchase obligations | | |
| Maximum obligations | $ 14,249* | $ 19,836 |
| Fair value of guarantee | $ 46 | $ 8 |

* Amount originally reported as $14,058 in our 2009 Form 10-K. Refer to Note 3.

(a) Represents liabilities recorded and maximum obligations for agreements entered into prior to December 31, 2008. Agreements entered into in 2009 do not include residual support or risk sharing programs.

| | 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 |
| Marketing incentives and operating lease residual payments (a) | $ 695 | $ 601 | $ 3,400 | $ 4,533 |
| Exclusivity fee revenue | $ 47 | $ 52 | $ 105 | $ 105 |
| Royalty income | $ 7 | $ 8 | $ 16 | $ 18 |

(a) Payments to GMAC related to U.S. marketing incentive and operating lease residual programs. Excludes payments to GMAC related to the contractual exposure limit, as subsequently discussed.

**Marketing Incentives and Operating Lease Residuals**

As a marketing incentive, interest rate support, residual support, risk sharing, capitalized cost reduction and lease pull-ahead programs are initiated as a way to lower customers monthly lease and retail contractual payments.

Under an interest rate support program, GMAC is paid an amount at the time of lease or retail contract origination to adjust the interest rate in the retail contract or implicit in the lease below GMAC s standard interest rate. Such marketing incentives are referred to as rate support or subvention and the amount paid at contract origination represents the present value of the difference between the customer s contractual rate and GMAC s standard rate for a given program.

Under a residual support program, a customer s contract residual value is adjusted above GMAC s standard residual value. GMAC is reimbursed to the extent that sales proceeds are less than the customer s contract residual value, limited to GMAC s standard residual value. As it relates to GMAC s U.S. lease originations and U.S. balloon retail contract originations occurring after April 30, 2006, Old GM agreed to pay the present value of the expected residual support owed to GMAC at the time of contract origination as opposed to after contract termination when the off-lease vehicles are sold. The actual residual support amount owed to GMAC is calculated as the contracts terminate and, in cases where the actual amount differs from the expected amount paid at contract origination, the difference is paid to or paid by GMAC, depending if sales proceeds are lower or higher than estimated at contract origination.

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Under a risk-sharing arrangement, residual losses are shared equally with GMAC to the extent that remarketing proceeds are below GMAC s standard residual value (limited to a floor). As a result of revisions to the risk-sharing arrangement, Old GM agreed to pay GMAC a quarterly fee through 2014. Old GM accrued $108 million in the year ended 2008 related to this arrangement.

In the event it is publicly announced that a GM vehicle brand will be discontinued, phased-out, sold or other strategic options are being considered, the residual value of the related vehicles may change. If such an announcement in the U.S. or Canada results in an estimated decrease in the residual value of the related vehicles, GMAC will be reimbursed for the estimated decrease for certain vehicles for a certain period of time. If such an announcement results in an increase in the residual value of the related vehicles, GMAC will pay the increase in the sale proceeds received at auction. Announcements made in the periods January 1, 2009 through July 9, 2009 and July 10, 2009 through December 31, 2009 to discontinue, phase-out or sell a GM vehicle brand did not have a significant effect on residual values of the related vehicles. In the year ended 2008 we recorded a liability of $148 million related to announcements to discontinue, phase-out or sell certain GM vehicle brands.

Under a capitalized cost reduction program, GMAC is paid an amount at the time of lease or retail contract origination to reduce the principal amount implicit in the lease or retail contract below the standard manufacturers suggested retail price.

Under a lease pull-ahead program, a customer is encouraged to terminate their lease early and buy or lease a new GM vehicle. As part of such a program, GMAC waives the customer s remaining payment obligation under their current lease, and GMAC is compensated for any foregone revenue from the waived payments. Since these programs generally accelerate the resale of the vehicle, the proceeds are typically higher than if the vehicle had been sold at contract maturity. The reimbursement to GMAC for the foregone payments is reduced by the amount of this benefit. Anticipated payments are made to GMAC each month based on the estimated number of customers expected to participate in a lease-pull ahead program. These estimates are adjusted once all vehicles that could have been pulled-ahead have terminated and the vehicles have been sold. Any differences between the estimates and the actual amounts owed to or from GMAC are subsequently settled.

The terms and conditions of interest rate support, residual support, risk sharing, capitalized cost reduction, and lease pull-ahead programs are included in the GMAC Services Agreements. In December 2008 Old GM and GMAC agreed, among other things, to modify certain terms and conditions of the GMAC Services Agreements pursuant to a preliminary term sheet (GMAC Term Sheet). A primary objective of the GMAC Services Agreements continues to be supporting the distribution and marketing of our and previously Old GM s products. In May 2009 Old GM entered into the Amended and Restated United States Consumer Financing Services Agreement (Amended Financing Agreement) with an effective date of December 29, 2008. The terms of the Amended Financing Agreement were consistent with the GMAC Term Sheet.

**Exclusivity Arrangement**

In November 2006 Old GM granted GMAC exclusivity for U.S., Canadian and international GM-sponsored consumer and wholesale marketing incentives for products in specified markets around the world, with the exception of Saturn branded products. In return for exclusivity, GMAC paid an annual exclusivity fee of $105 million ($75 million for the U.S. retail business, $15 million for the Canadian retail business, $10 million for the international operations retail business, and $5 million for the dealer business).

As a result of the Amended Financing Agreement, Old GM and GMAC agreed to modify certain terms related to the exclusivity arrangements: (1) for a two-year period, retail financing incentive programs can be offered through a third party financing source under certain specified circumstances, and in some cases subject to the limitation that pricing offered by such third party meets certain restrictions, and after such two-year period any such incentive programs can be offered on a graduated basis through third parties on a non-exclusive, side-by-side basis with GMAC provided that pricing with such third parties meets certain requirements; (2) GMAC has no obligation to provide financing; and (3) GMAC has no targets against which it could be assessed penalties. After December 24, 2013, we will have the right to offer retail financing incentive programs through any third party financing source, including GMAC, without any restrictions or limitations.

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Beginning in 2009 under the Amended Financing Agreement, Old GM agreed to pro-rate the exclusivity fee in the U.S. and Canada under certain circumstances if incentives were offered through a third party financing source. The international exclusivity fee arrangement remains unchanged and the dealer exclusivity fee was terminated.

**Participation Agreement**

In June 2008 Old GM, along with FIM Holdings entered into the GMAC Participation Agreement with GMAC, which provided that both parties would provide specified loan amounts to GMAC to fund ResCap. Through December 2008 Old GM funded the maximum obligation of $368 million. Old GM recorded interest income of $21 million in the year ended 2008 related to the GMAC Participation Agreement.

In December 2008 Old GM and FIM Holdings entered into the GMAC Exchange Agreement with GMAC. Pursuant to the GMAC Exchange Agreement, Old GM and FIM Holdings exchanged their respective amounts funded under the GMAC Participation Agreement for 79,368 Class B Common Membership Interests and 82,608 Class A Common Membership Interests. As the carrying amount of the amount funded under the GMAC Participation Agreement approximated fair value, Old GM did not recognize a gain or loss on the exchange.

**Contractual Exposure Limit**

An agreement between GMAC and Old GM limited certain unsecured obligations to GMAC in the U.S. arising from the GMAC Services Agreements to $1.5 billion. In accordance with the Amended Financing Agreement, Old GM and GMAC agreed to increase the probable potential unsecured exposure limit from $1.5 billion in the United States to $2.1 billion globally. In addition, GMAC s maximum potential unsecured exposure to us cannot exceed $4.1 billion globally. Old GM and GMAC also agreed to reduce the global unsecured obligation limit from $2.1 billion to $1.5 billion by December 30, 2010. Additionally, Old GM and GMAC agreed that the sum of the maximum unsecured and committed secured exposures at December 30, 2010 will not exceed the greater of $3.0 billion or 15% of GMAC s capital.

**Vehicle Repurchase Obligations**

In May 2009 Old GM and GMAC agreed to expand Old GM s repurchase obligations for GMAC financed inventory at certain dealers in Europe, Asia, Brazil and Mexico. In November 2008 Old GM and GMAC agreed to expand repurchase obligations for GMAC financed inventory at certain dealers in the United States and Canada. Prior to November 2008, Old GM was obligated, pursuant to dealer agreements, to repurchase certain GMAC financed inventory, limited to current model year vehicles and prior model year vehicles in dealer inventory less than 120 days, in the event of a termination of the related dealer s sales and service agreement. The current agreement with GMAC requires the repurchase of GMAC financed inventory invoiced to dealers after September 1, 2008, with limited exclusions, in the event of a qualifying voluntary or involuntary termination of the dealer s sales and service agreement. Repurchase obligations exclude vehicles which are damaged, have excessive mileage or have been altered. The repurchase obligation ended in August 2009 for vehicles invoiced through August 2008, ends in August 2010 for vehicles invoiced through August 2009 and ends August 2011 for vehicles invoiced through August 2010.

The maximum potential amount of future payments required to be made to GMAC under this guarantee would be based on the repurchase value of total eligible vehicles financed by GMAC in dealer stock. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer. The fair value of the guarantee, which considers the likelihood of dealers terminating and estimated loss exposure for ultimate disposition of vehicles, was recorded as a reduction of revenue.

**Automotive Retail Leases**

In November 2006 GMAC transferred automotive retail leases to Old GM, along with related debt and other assets. GMAC retained an investment in a note, which is secured by the automotive retail leases. GMAC continues to service the portfolio of automotive retail leases and related debt and receives a servicing fee. GMAC is obligated, as servicer, to repurchase any equipment on

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

operating leases that are in breach of any of the covenants in the securitization agreements. In addition, in a number of the transactions securitizing the equipment on operating leases, the trusts issued one or more series of floating rate debt obligations and entered into derivative transactions to eliminate the market risk associated with funding the fixed payment lease assets with floating interest rate debt. To facilitate these securitization transactions, GMAC entered into secondary derivative transactions with the primary derivative counterparties, essentially offsetting the primary derivatives. As part of the transfer, Old GM assumed the rights and obligations of the primary derivative while GMAC retained the secondary, leaving both companies exposed to market value movements of their respective derivatives. Old GM subsequently entered into derivative transactions with GMAC that are intended to offset the exposure each party has to its component of the primary and secondary derivatives.

**Royalty Arrangement**

For certain insurance products, Old GM entered into 10-year intellectual property license agreements with GMAC giving GMAC the right to use the GM name on certain products. In exchange, GMAC pays a royalty fee of 3.25% of revenue, net of cancellations, related to these products with a minimum annual guarantee of $15 million in the United States.

**Balance Sheet**

The following table summarizes the balance sheet effects of transactions with GMAC (dollars in millions):

| | Successor December 31, 2009 | Predecessor December 31, 2008 |
|---|---|---|
| **Assets** | | |
| Accounts and notes receivable, net (a) | $ 404 | $ 661 |
| Restricted cash and marketable securities (b) | $ 127 | $ 481 |
| Other assets (c) | $ 27 | $ 3 |
| **Liabilities** | | |
| Accounts payable (d) | $ 131 | $ 294 |
| Short-term debt and current portion of long-term debt (e) | $ 1,077 | $ 2,295 |
| Accrued expenses and other liabilities (f) | $ 817 | $ 569 |
| Long-term debt (g) | $ 59 | $ 101 |
| Other non-current liabilities (h) | $ 383 | $ 1,389 |

(a) Represents wholesale settlements due from GMAC, amounts owed by GMAC with respect to automotive retail leases and receivables for exclusivity fees and royalties.

(b) Represents certificates of deposit purchased from GMAC that are pledged as collateral for certain guarantees provided to GMAC in Brazil in connection with dealer floor plan financing.

(c) Primarily represents distributions due from GMAC on our investments in GMAC preferred stock and Preferred Membership Interests.

(d) Primarily represents amounts billed to us and Old GM and payable related to incentive programs.

(e) Represents wholesale financing, sales of receivable transactions and the short-term portion of term loans provided to certain dealerships which Old GM owned and which we subsequently purchased or in which we have and Old GM had an equity interest. In addition, it includes borrowing arrangements with various foreign locations and arrangements related to GMAC s funding of company-owned vehicles, rental car vehicles awaiting sale at auction and funding of the sale of vehicles to which title is retained while the vehicles are consigned to GMAC or dealers, primarily in the United Kingdom. Financing remains outstanding until the title is transferred to the dealers. This amount also includes the short-term portion of a note payable related to automotive retail leases.

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(f) Primarily represents accruals for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by GMAC in North America. This includes the estimated amount of residual support accrued under the residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to GMAC to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and amounts owed under lease pull-ahead programs. In addition it includes interest accrued on the transactions in (e) above.

(g) Primarily represents the long-term portion of term loans from GMAC to certain consolidated dealerships and a note payable with respect to automotive retail leases.

(h) Primarily represents long-term portion of liabilities for marketing incentives on vehicles financed by GMAC.

**Statement of Operations**

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

| | 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 |
| Net sales revenue (reduction) (a) | $ (259) | $ 207 | $ (2,350) | $ (4,041) |
| Cost of sales and other expenses (b) | $ 113 | $ 180 | $ 688 | $ 590 |
| Interest income and other non-operating income, net (c) | $ 127 | $ 166 | $ 192 | $ 433 |
| Interest expense (d) | $ 121 | $ 100 | $ 221 | $ 229 |
| Servicing expense (e) | $ 22 | $ 16 | $ 144 | $ 167 |
| Derivative gains (losses) (f) | $ (1) | $ (2) | $ (4) | $ 19 |

(a) Primarily represents the (reduction) or increase in net sales and revenues for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by GMAC. This includes the estimated amount of residual support accrued under residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to GMAC to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and costs under lease pull-ahead programs. This amount is offset by net sales for vehicles sold to GMAC for employee and governmental lease programs and third party resale purposes.

(b) Primarily represents cost of sales on the sale of vehicles to GMAC for employee and governmental lease programs and third party resale purposes. Also includes miscellaneous expenses on services performed by GMAC.

(c) Represents income on our investments in GMAC preferred stock and Preferred Membership Interests, exclusivity and royalty fee income and reimbursements by GMAC for certain services provided to GMAC. Included in this amount is rental income related to GMAC s primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan. The lease agreement expires in

November 2016.

(d) Represents interest incurred on term loans, notes payable and wholesale settlements.

(e) Represents servicing fees paid to GMAC on certain automotive retail leases.

(f) Represents amounts recorded in connection with a derivative transaction entered into with GMAC as the counterparty.

**Note 31. Transactions with MLC**

In connection with the 363 Sale, we and MLC entered into a Transition Services Agreement (TSA), pursuant to which, among other things, we provide MLC with certain transition services and support functions in connection with their operation and ultimate liquidation in bankruptcy. MLC is required to pay the applicable usage fees specified with respect to various types of services under

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the TSA. The obligation to provide services under the TSA will terminate on the applicable dates specified in the agreement with respect to each such service, the latest such date being December 31, 2013. Types of services provided under the TSA included: (1) property management; (2) assistance in idling certain facilities; (3) provisions of access rights and storage of personal property at certain facilities; (4) security; (5) administrative services including accounting, treasury and tax; (6) purchasing; (7) information systems and services support; (8) communication services to the public; and (9) splinter union services including payroll and benefits administration. Services MLC provides to us under the TSA include: (1) provisions of access rights and storage of personal property at certain facilities; (2) assistance in obtaining certain permits and consents to permit us to own and operate purchased assets in connection with the 363 Sale; (3) allowing us to manage and exercise our rights under the TSA; and (4) use of certain real estate and equipment while we are in negotiation to assume or renegotiate certain leases or enter into agreements to purchase certain lease-related assets. At December 31, 2009 we are only obligated to provide tax services under the TSA.

**Statement of Operations**

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

| | Successor July 10, 2009 Through December 31, 2009 |
|---|---|
| Cost of sales (a) | $ (8) |
| Interest income and other non-operating income, net | $ 1 |

(a) Primarily related to royalty income partially offset by reimbursements for engineering expenses incurred by MLC.

**Balance Sheet**

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

| | Successor December 31, 2009 |
|---|---|
| Accounts and notes receivable, net (a) | $ 16 |
| Other assets | $ 1 |
| Accounts payable (a) | $ 59 |
| Accrued expenses and other liabilities | $ (1) |

(a) Primarily related to the purchase and sale of component parts.

**Cash Flow**

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

| | Successor |
|---|---|

| | July 10, 2009 Through December 31, 2009 | |
|---|---|---|
| Operating (a) | $ | (88) |
| Financing (b) | $ | 25 |

(a) Primarily includes payments to and from MLC related to the purchase and the sale of component parts.

(b) Funding provided to a facility in Strasbourg, France, that MLC retained. We have reserved $16 million against the advanced amounts.

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**Note 32. Supplementary Quarterly Financial Information (Unaudited)**

The following tables summarize supplementary quarterly financial information (dollars in millions, except for per share amounts):

| | Successor | | Predecessor | | |
|---|---|---|---|---|---|
| | July 10, 2009 Through September 30, 2009 | 4th Quarter | 1st Quarter | 2nd Quarter | July 1, 2009 Through July 9, 2009 |
| **2009** | | | | | |
| Net sales and revenue | $ 25,147 | $ 32,327 | $ 22,431 | $ 23,047 | $ 1,637 |
| Gross margin (loss) | $ 1,593 | $ (500) | $ (2,180) | $ (6,337) | $ (182) |
| Net income (loss) | $ (571) | $ (3,215) | $ (5,899) | $ (13,237) | $ 128,139 |
| Net income (loss) attributable to common stockholders | $ (908) | $ (3,520) | $ (5,975) | $ (12,905) | $ 127,998 |
| Net income (loss) attributable to common stockholders, per share, basic | $ (0.73) | $ (2.84) | $ (9.78) | $ (21.12) | $ 209.49 |
| Net income (loss) attributable to common stockholders, per share, diluted | $ (0.73) | $ (2.84) | $ (9.78) | $ (21.12) | $ 209.38 |

| | Predecessor Quarters | | | |
|---|---|---|---|---|
| | 1st | 2nd | 3rd | 4th |
| **2008** | | | | |
| Net sales and revenue | $ 42,383 | $ 38,010 | $ 37,808 | $ 30,778 |
| Gross margin (loss) | $ 4,231 | $ (5,482) | $ 3,287 | $ (2,314) |
| Net loss | $ (3,209) | $ (15,580) | $ (2,610) | $ (9,652) |
| Net loss attributable to common stockholders | $ (3,282) | $ (15,513) | $ (2,552) | $ (9,596) |
| Net loss attributable to common stockholders, per share, basic and diluted | $ (5.80) | $ (27.40) | $ (4.47) | $ (15.71) |

**GM**

Results for the three months ended December 31, 2009 included:

Impairment charges of $270 million related to our investment in GMAC common stock.

Settlement loss of $2.6 billion related to the 2009 UAW Settlement Agreement.

Results for the period July 10, 2009 through September 30, 2009 included:

Charges of $195 million related to dealer wind-down agreements.

**Old GM**

Results for the period July 1, 2009 through July 9, 2009 included:

- Accelerated debt discount amortization of $600 million on the DIP Facility.
- Reorganization gains, net of $129.3 billion. Refer to Note 2 for additional information on these gains.
- Charges of $398 million related to dealer wind-down agreements.

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Results for the three months ended June 30, 2009 included:

- Gain of $2.5 billion on the disposition of GMAC Common Membership Interests partially offset by a loss on extinguishment of the UST GMAC Loan of $2.0 billion.
- Accelerated debt discount amortization of $1.6 billion on the DIP Facility.
- Charges of $1.9 billion related to U.S. salaried and hourly headcount reduction programs.
- Restructuring charges of $1.1 billion related to SUB and TSP.
- Reorganization costs of $1.1 billion, primarily related to loss on extinguishment of debt of $958 million.
- Impairment charges of $239 million related to product-specific tooling assets.

Results for the three months ended March 31, 2009 included:

- Old GM amended the terms of its U.S. term loan and recorded a gain of $906 million on the extinguishment of the original loan facility.
- Upon Saab s filing for reorganization, Old GM recorded charges of $618 million related to its net investment in, and advances to, Saab and other commitments and obligations.
- Impairment charges of $327 million related to product-specific tooling assets and cancelled powertrain programs.

Results for the three months ended December 31, 2008 included:

- Impairment charges of $5.1 billion related to Old GM s investment in GMAC Common Membership Interests and its proportionate share of GMAC s net income of $3.7 billion which included a $5.6 billion gain related to GMAC s bond exchange.
- Charges of $1.1 billion related to establishing valuation allowances against Old GM s net deferred tax assets in various tax jurisdictions.

Impairment charges of $2.5 billion related to long-lived assets, Equipment on operating leases, net and goodwill.

Charges of $662 million related to Old GM s estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.

Charges of $604 million related to capacity actions in the U.S. and Canada.

Results for the three months ended September 30, 2008 included:

Impairment charges of $251 million related to Old GM s investment in GMAC Preferred Membership Interests.

Charges of $652 million related to Old GM s estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A net curtailment gain of $4.9 billion related to the accelerated recognition of unamortized net prior service credit due to the 2008 UAW Settlement Agreement becoming effective.

Charges of $1.7 billion related to the settlement loss associated with the elimination of healthcare coverage for U.S. salaried retirees over age 65.

Charges of $591 million related to capacity actions in the U.S. and Canada.

Results for the three months ended June 30, 2008 included:

Impairment charges of $1.3 billion related to Old GM s investment in GMAC Common and Preferred Membership Interests.

Charges of $2.8 billion related to Old GM s estimated obligations under the Delphi-GM Settlement Agreements and Delphi Benefit Guarantee Agreements.

Curtailment and other charges of $3.3 billion related to the 2008 UAW and IUE-CWA Special Attrition Programs.

Charges of $1.1 billion related to capacity actions in the U.S. and Canada.

An immaterial correction of Old GM s previous accounting for derivatives by recording in Net sales and revenue losses of $407 million which had been inappropriately deferred in Accumulated other comprehensive income (loss). Of this amount, $250 million should have been recorded in earnings in the three months ended March 31, 2008 and the remainder should have been recorded in prior periods, predominantly in the year ended 2007.

Results for the three months ended March 31, 2008 included:

Impairment charges of $1.5 billion related to Old GM s investment in GMAC Common and Preferred Membership Interests.

Charges of $394 million related to deferred tax asset valuation allowances in Spain and the United Kingdom.

**Note 33. Segment Reporting**

We 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 three months ended June 30, 2010 we changed our managerial reporting structure so that certain entities geographically located within Russia and Uzbekistan were transferred from our GME segment to our GMIO segment. We have revised the segment presentation for all periods presented.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO 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 core brands:

| | | | |
|---|---|---|---|
| Buick | Cadillac | Chevrolet | GMC |

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

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

At December 31, 2009 we also had equity ownership stakes directly or indirectly through various regional subsidiaries, including GM Daewoo, SGM, SGMW and FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM). These companies design, manufacture and market vehicles under the following brands:

| | | | |
|---|---|---|---|
| Buick | Daewoo | GMC | Jiefang |
| Cadillac | FAW | Holden | Wuling |
| Chevrolet | | | |

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

All intersegment balances and transactions have been eliminated in consolidation.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables summarize key financial information by segment (dollars in millions):

| | GMNA | GME | GMIO | Successor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **At and For the Period July 10, 2009 Through December 31, 2009** | | | | | | |
| Sales | | | | | | |
| External customers | $ 31,454 | $ 11,340 | $ 14,535 | $ | $ | $ 57,329 |
| Intersegment | 972 | 139 | 981 | (2,092) | | |
| Total sales | 32,426 | 11,479 | 15,516 | (2,092) | | 57,329 |
| Other revenue | | | | | 145 | 145 |
| Total net sales and revenue | $ 32,426 | $ 11,479 | $ 15,516 | $ (2,092) | $ 145 | $ 57,474 |
| Income (loss) attributable to common stockholders before interest and income taxes | $ (4,719) | $ (814) | $ 1,196 | $ (26) | $ (323) | $ (4,686) |
| Interest income | | | | | 184 | 184 |
| Interest expense | | | | | 694 | 694 |
| Loss on extinguishment of debt | (101) | | | | | (101) |
| Income (loss) attributable to stockholders before income taxes | (4,820) | (814) | 1,196 | (26) | (833) | (5,297) |
| Income tax expense (benefit) | | | | | (1,000) | (1,000) |
| Net income (loss) attributable to stockholders | $ (4,820) | $ (814) | $ 1,196 | $ (26) | $ 167 | $ (4,297) |
| Equity in net assets of nonconsolidated affiliates | $ 1,928 | $ 180 | $ 5,801 | $ | $ 27 | $ 7,936 |
| Total assets | $ 78,719 | $ 18,824 | $ 26,673 | $ (25,187) | $ 37,266 | $ 136,295 |
| Goodwill | $ 26,409 | $ 3,335 | $ 928 | $ | $ | $ 30,672 |
| Expenditures for property | $ 959 | $ 547 | $ 407 | $ | $ 1 | $ 1,914 |
| Depreciation, amortization and impairment | $ 2,732 | $ 938 | $ 461 | $ | $ 110 | $ 4,241 |
| Equity income (loss), net of tax | $ (7) | $ 8 | $ 496 | $ | $ | $ 497 |
| Significant noncash charges | | | | | | |
| Impairment charges related to investment in GMAC common stock | $ | $ | $ | $ | $ 270 | $ 270 |
| UAW OPEB healthcare settlement | 2,571 | | | | | 2,571 |
| Total significant noncash charges | $ 2,571 | $ | $ | $ | $ 270 | $ 2,841 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | GMNA | GME | GMIO | Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| | | | Predecessor | | | |
| **At and For the Period January 1, 2009 Through July 9, 2009** | | | | | | |
| Sales | | | | | | |
| External customers | $ 23,490 | $ 12,419 | $ 10,878 | $ | $ | $ 46,787 |
| Intersegment | 701 | 133 | 820 | (1,654) | | |
| Total sales | 24,191 | 12,552 | 11,698 | (1,654) | | 46,787 |
| Other revenue | | | | | 328 | 328 |
| Total net sales and revenue | $ 24,191 | $ 12,552 | $ 11,698 | $ (1,654) | $ 328 | $ 47,115 |
| Income (loss) attributable to common stockholders before interest and income taxes | $ (11,092) | $ (2,815) | $ (964) | $ 102 | $ 899 | $ (13,870) |
| Interest income | | | | | 183 | 183 |
| Interest expense | | | | | 5,428 | 5,428 |
| Reorganization gains, net (a) | | | | | 128,155 | 128,155 |
| Loss on extinguishment of debt | | | | | (1,088) | (1,088) |
| Income (loss) attributable to stockholders before income taxes | (11,092) | (2,815) | (964) | 102 | 122,721 | 107,952 |
| Income tax expense (benefit) | | | | | (1,166) | (1,166) |
| Net income (loss) attributable to stockholders | $ (11,092) | $ (2,815) | $ (964) | $ 102 | $ 123,887 | $ 109,118 |
| Expenditures for property | $ 2,282 | $ 795 | $ 416 | $ | $ 24 | $ 3,517 |
| Depreciation, amortization and impairment | $ 4,759 | $ 1,492 | $ 480 | $ | $ 142 | $ 6,873 |
| Equity in income (loss) of and disposition of interest in GMAC | $ | $ | $ | $ | $ 1,380 | $ 1,380 |
| Equity income (loss), net of tax | $ (277) | $ 3 | $ 334 | $ | $ 1 | $ 61 |
| Significant noncash charges (gains) | | | | | | |
| Gain on extinguishment of debt | $ | $ | $ | $ | $ (906) | $ (906) |
| Loss on extinguishment of UST GMAC Loan | | | | | 1,994 | 1,994 |
| Gain on conversion of UST GMAC Loan | | | | | (2,477) | (2,477) |
| Reversal of valuation allowances against deferred tax assets | | | | | (751) | (751) |
| Impairment charges related to equipment on operating leases | 11 | 36 | | | 16 | 63 |
| Impairment charges related to long-lived assets | 320 | 237 | 9 | | | 566 |
| Reorganization gains, net (a) | | | | | (128,563) | (128,563) |
| Total significant noncash charges (gains) | $ 331 | $ 273 | $ 9 | $ | $ (130,687) | $ (130,074) |

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

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | GMNA | GME | GMIO | Predecessor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **At and For the Year Ended December 31, 2008** | | | | | | |
| Sales | | | | | | |
| External customers | $ 82,938 | $ 32,440 | $ 32,354 | $ | $ | $ 147,732 |
| Intersegment | 3,249 | 2,207 | 4,990 | (10,446) | | |
| Total sales | 86,187 | 34,647 | 37,344 | (10,446) | | 147,732 |
| Other revenue | | | | | 1,247 | 1,247 |
| Total net sales and revenue | $ 86,187 | $ 34,647 | $ 37,344 | $ (10,446) | $ 1,247 | $ 148,979 |
| Income (loss) attributable to common stockholders before interest and income taxes | $ (12,203) | $ (2,625) | $ 471 | $ 41 | $ (13,034) | $ (27,350) |
| Interest income | | | | | 655 | 655 |
| Interest expense | | | | | 2,525 | 2,525 |
| Gain on extinguishment of debt | | | | | 43 | 43 |
| Income (loss) attributable to stockholders before income taxes | (12,203) | (2,625) | 471 | 41 | (14,861) | (29,177) |
| Income tax expense (benefit) | | | | | 1,766 | 1,766 |
| Net income (loss) attributable to stockholders | $ (12,203) | $ (2,625) | $ 471 | $ 41 | $ (16,627) | $ (30,943) |
| Equity in net assets of nonconsolidated affiliates | $ 32 | $ 207 | $ 1,393 | $ | $ 514 | $ 2,146 |
| Total assets | $ 63,207 | $ 22,378 | $ 18,731 | $ (70,704) | $ 57,427 | $ 91,039 |
| Expenditures for property | $ 4,242 | $ 1,345 | $ 1,406 | $ | $ 537 | $ 7,530 |
| Depreciation, amortization and impairment | $ 5,910 | $ 2,353 | $ 943 | $ | $ 808 | $ 10,014 |
| Equity in income (loss) of and disposition of interest in GMAC | $ | $ | $ | $ | $ (6,183) | $ (6,183) |
| Equity income (loss), net of tax | $ (201) | $ 31 | $ 354 | $ | $ 2 | $ 186 |
| Significant noncash charges (gains) | | | | | | |
| Impairment charges related to investment in GMAC Common Membership Interests | $ | $ | $ | $ | $ 7,099 | $ 7,099 |
| Impairment charges related to investment in GMAC Preferred Membership Interests | | | | | 1,001 | 1,001 |
| Impairment charges related to equipment on operating leases | 380 | 222 | | | 157 | 759 |
| Impairment charges related to investments in NUMMI and CAMI | 119 | | | | | 119 |
| Other than temporary impairment charges related to debt and equity securities | 47 | | | | 15 | 62 |
| Impairment charges related to goodwill | 154 | 456 | | | | 610 |
| Impairment charges related to long-lived assets | 411 | 497 | 102 | | | 1,010 |
| Net curtailment gain related to finalization of Settlement Agreement | (4,901) | | | | | (4,901) |
| Salaried post-65 healthcare settlement | 1,704 | | | | | 1,704 |
| CAW settlement | 340 | | | | | 340 |
| Valuation allowances against deferred tax assets | | | | | 1,450 | 1,450 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total significant noncash charges (gains) | $ | (1,746) | $ | 1,175 | $ | 102 | $ | | $ | 9,722 | $ | 9,253 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | GMNA | GME | GMIO | Predecessor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **At and For the Year Ended December 31, 2007** | | | | | | |
| Sales | | | | | | |
| External customers | $ 109,024 | $ 35,562 | $ 33,008 | $ | $ | $ 177,594 |
| Intersegment | 3,424 | 1,775 | 4,052 | (9,251) | | |
| Total sales | 112,448 | 37,337 | 37,060 | (9,251) | | 177,594 |
| Other revenue | | | | | 2,390 | 2,390 |
| Total net sales and revenue | $ 112,448 | $ 37,337 | $ 37,060 | $ (9,251) | $ 2,390 | $ 179,984 |
| Income (loss) attributable to common stockholders before interest and income taxes | $ (2,673) | $ (447) | $ 1,947 | $ (34) | $ (3,173) | $ (4,380) |
| Interest income | | | | | 1,228 | 1,228 |
| Interest expense | | | | | 3,076 | 3,076 |
| Loss on extinguishment of debt | | | | | | |
| Income (loss) attributable to stockholders before income taxes | (2,673) | (447) | 1,947 | (34) | (5,021) | (6,228) |
| Income tax expense (benefit) | | | | | 36,863 | 36,863 |
| Income from discontinued operations, net of tax | 256 | | | | | 256 |
| Gain on sale of discontinued operations, net of tax | 4,293 | | | | | 4,293 |
| Net income (loss) attributable to stockholders | $ 1,876 | $ (447) | $ 1,947 | $ (34) | $ (41,884) | $ (38,542) |
| Expenditures for property | $ 5,029 | $ 1,234 | $ 1,196 | $ | $ 83 | $ 7,542 |
| Depreciation, amortization and impairment | $ 5,660 | $ 1,679 | $ 878 | $ | $ 1,296 | $ 9,513 |
| Equity in income (loss) of and disposition of interest in GMAC | $ | $ | $ | $ | $ (1,245) | $ (1,245) |
| Equity income (loss), net of tax | $ 22 | $ 25 | $ 475 | $ | $ 2 | $ 524 |
| Significant noncash charges | | | | | | |
| Impairment charges related to equipment on operating leases | $ 44 | $ 90 | $ | $ | $ | $ 134 |
| Impairment charges related to long-lived assets | 240 | | 19 | | | 259 |
| Other than temporary impairment charges related to debt and equity securities | 72 | | | | | 72 |
| Change in amortization period for pension prior service cost | 1,561 | | | | | 1,561 |
| Valuation allowances against deferred tax assets | | | | | 37,770 | 37,770 |
| Total significant noncash charges | $ 1,917 | $ 90 | $ 19 | $ | $ 37,770 | $ 39,796 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Revenue is attributed to geographic areas based on the country in which the product is sold, except for revenue from certain joint ventures. In such case, the revenue is attributed based on the geographic location of the joint venture. The following table summarizes information concerning principal geographic areas (dollars in millions):

| | Successor | | Predecessor | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At and For the Period July 10, 2009 Through December 31, 2009 | | At and For the Period January 1, 2009 Through July 9, 2009 | | At and For the Year Ended 2008 | | At and for the Year Ended 2007 | |
| | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets |
| North America | | | | | | | | |
| U.S. | $ 28,007 | $ 9,487 | $ 21,152 | $ 20,742 | $ 75,382 | $ 25,105 | $ 100,144 | $ 32,293 |
| Canada and Mexico | 4,682 | 2,728 | 3,486 | 5,943 | 12,983 | 5,898 | 14,758 | 5,772 |
| Total North America | 32,689 | 12,215 | 24,638 | 26,685 | 88,365 | 31,003 | 114,902 | 38,065 |
| Europe | | | | | | | | |
| France | 923 | 17 | 1,024 | 67 | 2,629 | 264 | 2,699 | 309 |
| Germany | 2,851 | 2,299 | 3,817 | 3,670 | 6,663 | 4,013 | 6,147 | 4,172 |
| Italy | 1,119 | 192 | 1,221 | 169 | 3,169 | 183 | 3,671 | 256 |
| Russia | 246 | 118 | 430 | 264 | 2,061 | 237 | 1,516 | 81 |
| Spain | 862 | 778 | 609 | 1,206 | 1,711 | 1,230 | 2,911 | 1,359 |
| Sweden | | | 76 | | 1,195 | 833 | 2,330 | 1,207 |
| United Kingdom | 2,531 | 815 | 2,749 | 1,189 | 7,142 | 1,066 | 7,950 | 1,214 |
| Other | 2,800 | 797 | 2,518 | 1,557 | 7,939 | 1,332 | 8,273 | 2,266 |
| Total Europe | 11,332 | 5,016 | 12,444 | 8,122 | 32,509 | 9,158 | 35,497 | 10,864 |
| International Operations | | | | | | | | |
| Brazil | 4,910 | 1,142 | 3,347 | 1,081 | 8,329 | 890 | 6,477 | 1,026 |
| Venezuela | 850 | 46 | 981 | 43 | 2,107 | 43 | 3,169 | 41 |
| Australia | 1,653 | 388 | 1,201 | 1,066 | 3,355 | 1,014 | 3,744 | 1,452 |
| Korea | 3,014 | 982 | 2,044 | 1,941 | 7,131 | 2,115 | 9,219 | 2,443 |
| Thailand | 166 | 151 | 103 | 383 | 560 | 395 | 457 | 433 |
| Other | 2,210 | 411 | 1,825 | 580 | 5,201 | 501 | 5,072 | 514 |
| Total International Operations | 12,803 | 3,120 | 9,501 | 5,094 | 26,683 | 4,958 | 28,138 | 5,909 |
| All Other | 650 | 1,066 | 532 | 92 | 1,422 | 130 | 1,447 | 187 |
| Total consolidated | $ 57,474 | $ 21,417 | $ 47,115 | $ 39,993 | $ 148,979 | $ 45,249 | $ 179,984 | $ 55,025 |

The following table summarizes the aggregation of principal geographic information by U.S. and non-U.S. (dollars in millions):

| | Successor | | Predecessor | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At and For the Period July 10, 2009 Through December 31, 2009 | | At and For the Period January 1, 2009 Through July 9, 2009 | | At and For the Year Ended 2008 | | At and For the Year Ended 2007 | |
| | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets | Net Sales & Revenue | Long Lived Assets |
| U.S. | $ 28,007 | $ 9,487 | $ 21,152 | $ 20,742 | $ 75,382 | $ 25,105 | $ 100,144 | $ 32,293 |
| Non-U.S. | 29,467 | 11,930 | 25,963 | 19,251 | 73,597 | 20,144 | 79,840 | 22,732 |
| Total U.S. and non-U.S. | $ 57,474 | $ 21,417 | $ 47,115 | $ 39,993 | $ 148,979 | $ 45,249 | $ 179,984 | $ 55,025 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 34. Supplemental Information for Consolidated Statements of Cash Flows**

The following table summarizes the sources (uses) of cash provided by changes in other operating assets and liabilities (dollars in millions):

| | Successor | Predecessor | | |
|---|---|---|---|---|
| | July 10, 2009 Through December 31, 2009 | January 1, 2009 Through July 9, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
| Accounts receivable | $ 660* | $ (268) | $ 1,315 | $ (821) |
| Prepaid expenses and other deferred charges | 315* | 1,416 | (287) | (660) |
| Inventories | (315)* | 3,509 | 77 | (768) |
| Accounts payable | 5,363* | (8,846) | (4,556) | 1,119 |
| Income taxes payable | 401* | 606 | 1,044 | (1,311) |
| Accrued expenses and other liabilities | (3,225)* | (6,815) | 1,607 | (851) |
| Fleet rental acquisitions | (1,198) | (961) | (4,157) | (6,443) |
| Fleet rental liquidations | 1,371 | 1,130 | 5,051 | 6,323 |
| Total | $ 3,372 | $ (10,229) | $ 94 | $ (3,412) |
| Cash paid for interest | $ 618 | $ 2,513 | $ 2,484 | $ 3,346 |

* Amounts originally reported as $178, $433, $(906), $5,051, $589 and $(2,913) in our 2009 Form 10-K. The column total has been corrected accordingly. Refer to Note 3.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In millions, except per share amounts)**

**(Unaudited)**

| | Successor | | Predecessor |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| **Net sales and revenue** | $ 98,710 | $ 25,147 | $ 47,115 |
| **Costs and expenses** | | | |
| Cost of sales | 85,818 | 23,554 | 55,814 |
| Selling, general and administrative expense | 8,017 | 2,636 | 6,161 |
| Other expenses (income), net | 115 | (40) | 1,235 |
| Total costs and expenses | 93,950 | 26,150 | 63,210 |
| Operating income (loss) | 4,760 | (1,003) | (16,095) |
| Equity in income of and disposition of interest in Ally Financial | | | 1,380 |
| Interest expense | (850) | (365) | (5,428) |
| Interest income and other non-operating income, net | 802 | 454 | 852 |
| Loss on extinguishment of debt | (1) | | (1,088) |
| Reorganization gains, net (Note 2) | | | 128,155 |
| Income (loss) before income taxes and equity income | 4,711 | (914) | 107,776 |
| Income tax expense (benefit) | 845 | (139) | (1,166) |
| Equity income, net of tax | 1,165 | 204 | 61 |
| **Net income (loss)** | 5,031 | (571) | 109,003 |
| Less: Net income (loss) attributable to noncontrolling interests | 265 | 287 | (115) |
| **Net income (loss) attributable to stockholders** | 4,766 | (858) | 109,118 |
| Less: Cumulative dividends on preferred stock | 608 | 50 | |
| **Net income (loss) attributable to common stockholders** | $ 4,158 | $ (908) | $ 109,118 |
| **Earnings (loss) per share (Note 22)** | | | |
| **Basic** | | | |
| Net income (loss) attributable to common stockholders | $ 2.77 | $ (0.73) | $ 178.63 |
| Weighted-average common shares outstanding | 1,500 | 1,238 | 611 |
| **Diluted** | | | |
| Net income (loss) attributable to common stockholders | $ 2.62 | $ (0.73) | $ 178.55 |
| Weighted-average common shares outstanding | 1,588 | 1,238 | 611 |

| | | |
|---|---|---|
| **Pro forma earnings (loss) per share (Note 27)** | | |
| **Basic** | | |
| Net income attributable to common stockholders | $ | 2.32 |
| Weighted average common shares outstanding | | 1,500 |
| **Diluted** | | |
| Net income attributable to common stockholders | $ | 2.19 |
| Weighted-average common shares outstanding | | 1,588 |

Reference should be made to the notes to the condensed consolidated financial statements.

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**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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)**

**(In millions)**

**(Unaudited)**

| | Common Stockholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Stock(a)** | **Capital Surplus(a)** | **Accumulated Deficit** | **Accumulated Other Comprehensive Income (Loss)** | **Noncontrolling Interests** | **Comprehensive Income (Loss)** | **Total Equity (Deficit)** |
| **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) | | | | | | $ 2,372 | |
| 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** | $ 15 | $ 24,041 | $ (236) | $ (1,073) | $ 971 | | $ 23,718 |

(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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)**

**(In millions)**

**(Unaudited)**

| | Common Stockholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Stock(a)** | **Capital Surplus(a)** | **Accumulated Equity (Deficit)** | **Accumulated Other Comprehensive Income (Loss)** | **Noncontrolling Interests** | **Comprehensive Income (Loss)** | **Total Equity (Deficit)** |
| **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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In millions)**

**(Unaudited)**

| | Successor | | Predecessor |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 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.

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**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 these condensed consolidated financial statements for the periods on or subsequent to July 10, 2009 as we, our, us, ourselves, the Company, General Motors, or GM, and is the successor entity solely for acc and financial reporting purposes (Successor). General Motors Corporation is sometimes referred to in these condensed consolidated financial statements, 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 these condensed consolidated financial statements, for the periods on or after July 10, 2009, as MLC. MLC continues to exist as a distinct legal entity for the sole purpose of liquidating its remaining assets and liabilities. Prior to July 10, 2009 Old GM operated the business of the Company, and pursuant to the agreement with the Securities and Exchange Commission (SEC) Staff, as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009, regarding GM filing requirements and those of MLC, the accompanying condensed consolidated financial statements include the financial statements and related information of Old GM as it is our predecessor entity solely for accounting and financial reporting purposes (Predecessor).

We develop, produce and market cars, trucks and parts worldwide. We analyze the results of our business through our three segments: General Motors North America (GMNA), General Motors International Operations (GMIO) and General Motors Europe (GME). Nonsegment operations are classified as Corporate. Corporate includes investments in Ally Financial Inc., formerly GMAC Inc. (Ally Financial), certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, certain nonsegment specific revenues and expenses, including costs related to the Delphi Benefit Guarantee Agreements (as subsequently defined in Note 17) and a portfolio of automotive retail leases.

**Note 2. Chapter 11 Proceedings and the 363 Sale**

**Background**

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

In December 2008 Old GM requested and received financial assistance from the U.S. government and entered into a loan and security agreement with the UST, which was subsequently amended (UST Loan Agreement). In early 2009 Old GM s business results and liquidity continued to deteriorate, and, as a result, Old GM obtained additional funding from the UST under the UST Loan Agreement. Old GM, through its wholly-owned subsidiary 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.

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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Our audited consolidated financial statements included elsewhere in this prospectus for the year ended December 31, 2009 provide additional detail on Old GM s liquidity constraints, the terms and conditions of its various funding arrangements with U.S. and Canadian governmental entities, and its various cost reduction and restructuring activities.

**Chapter 11 Proceedings**

Old GM was not able to complete the cost reduction and restructuring actions, including the debt reductions and VEBA modifications, which resulted in extreme liquidity constraints. As a result, on June 1, 2009 Old GM and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the U.S. Bankruptcy Court for the Southern District of New York (Bankruptcy Court).

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

**363 Sale**

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

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

***Chapter 11 Proceedings***

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

Old GM prepared its consolidated financial statements in accordance with the guidance in ASC 852 in the period June 1, 2009 through 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 audited consolidated financial statements included elsewhere in this prospectus 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 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 audited consolidated financial statements included elsewhere in this prospectus. These adjustments were final and no determinations of fair value were considered provisional.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**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 audited consolidated financial statements included elsewhere in this prospectus (dollars in millions):

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

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, 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 audited consolidated financial statements and notes thereto included elsewhere in this prospectus.

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.

**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

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 | $ 23,310 | $ | $ 23,310 |

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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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**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 nine months ended September 30, 2010, which includes amounts receivable from and payable to, and transactions with, affiliated entities (dollars in millions):

| | September 30, 2010 |
|---|---|
| Total assets (a) | $ 1,408 |
| Total liabilities (b) | $ 1,147 |

| | Nine Months Ended September 30, 2010 |
|---|---|
| Revenue | $ 789 |
| Net income attributable to stockholders (c) | $ 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 $207 million in the 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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Recently Adopted Accounting Principles**

***Transfers of Financial Assets***

In January 2010 we adopted certain amendments to ASC 860-10, Transfers and Servicing (ASC 860-10). ASC 860-10 eliminates the concept of a qualifying special-purpose entity (SPE), establishes a new definition of participating interest that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer of financial assets to be accounted for as a sale, and changes the amount that can be recorded as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. The adoption of these amendments did not have a material effect on the condensed consolidated financial statements.

***Variable Interest Entities***

In January 2010 we adopted amendments to ASC 810-10, Consolidation (ASC 810-10). These amendments require an enterprise to qualitatively assess the determination of the primary beneficiary of a VIE based on whether the enterprise: (1) has the power to direct the activities of a VIE that most significantly affect the entity s economic performance; and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. These amendments also require, among other considerations, an ongoing reconsideration of the primary beneficiary. In February 2010 the Financial Accounting Standards Board (FASB) issued guidance that permitted an indefinite deferral of these amendments for entities that have all the attributes of an investment company or that apply measurement principles consistent with those followed by investment companies. An entity that qualifies for the deferral will continue to be assessed under the overall guidance on the consolidation of VIEs in effect prior to the adoption of these amendments. This deferral was applicable to certain investment funds associated with our employee benefit plans and investment funds managing investments on behalf of unrelated third parties.

The amendments were adopted prospectively. Upon adoption, we consolidated General Motors Egypt (GM Egypt) which resulted in an increase in Total assets of $254 million, an increase in Total liabilities of $178 million, and an increase in Noncontrolling interests of $76 million. Due to our application of fresh-start reporting on July 10, 2009 and because our investment in GM Egypt was accounted for using the equity method of accounting, there was no difference between the net assets added to the condensed consolidated balance sheet upon consolidation and the amount of previously recorded interest in GM Egypt. As a result, there was no cumulative effect of a change in accounting principle to Accumulated deficit. The effect of these amendments was measured based on 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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### Note 4. Acquisition and Disposals of Businesses

**Acquisition of Delphi Businesses**

In July 2009 we entered into the Delphi Master Disposition Agreement (DMDA) with Delphi Corporation (Delphi) and other parties, which was consummated in October 2009. Under the DMDA, we agreed to acquire Delphi s global steering business (Nexteer) and four domestic component manufacturing facilities as well as make an investment in a new entity, New Delphi, which acquired substantially all of Delphi s remaining assets. At October 6, 2009 the fair value of Nexteer and the four domestic facilities was $287 million and the assets acquired and liabilities assumed were consolidated and included in the results of our GMNA segment. Total assets of $1.2 billion were comprised primarily of accounts and notes receivables, inventories and property, plant and equipment. Total liabilities of $0.9 billion were comprised primarily of accounts payable, accrued expenses, short-term debt and other liabilities.

We funded the acquisitions, transaction related costs and settlements of certain pre-existing arrangements through net cash payments of $2.7 billion. We also assumed liabilities and wind-down obligations of $120 million, waived our claims associated with the Delphi liquidity support agreements of $850 million and waived our rights to claims associated with previously transferred pension costs for hourly employees. Of these amounts, we contributed $1.7 billion to New Delphi and paid the Pension Benefit Guarantee Corporation (PBGC) $70 million in October 2009. Our investment in New Delphi is accounted for using the equity method.

In 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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):

| | Successor | | | | | |
|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2010 Unrealized | | July 10, 2009 Through September 30, 2009 Unrealized | | September 30, 2010 | December 31, 2009 |
| | Gains | Losses | Gains | Losses | Fair Value | Fair Value |
| **Trading securities(a)** | | | | | | |
| Equity | $ 2 | $ 2 | $ 4 | $ 2 | $ 35 | $ 32 |
| United States government and agencies | | | | | 6 | 17 |
| Mortgage and asset-backed | | 1 | 1 | 3 | 28 | 22 |
| Foreign government | 2 | | 3 | | 36 | 24 |
| Corporate debt | | | 1 | 1 | 29 | 29 |
| Total trading securities | $ 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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):

| | Successor | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2010 | | | | December 31, 2009 | | | |
| | | Unrealized | | | | Unrealized | | |
| | Cost | Gains | Losses | Fair Value | Cost | Gains | Losses | Fair Value |
| **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 |

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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| Sales proceeds | $ 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 6. Inventories**

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

| | Successor | |
|---|---|---|
| | 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.

The following table summarizes information regarding equity in income of and disposition of interest in nonconsolidated affiliates (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 |
| SGM and SGMW (a) | $ 1,071 | $ 195 | $ 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 | 94 | 9 | 6 |
| Total equity in income of nonconsolidated affiliates | $ 1,165 | $ 204 | $ 1,441 |

(a) Includes SGM (49%) in the nine months ended September 30, 2010 and (50%) in the periods July 10, 2009 through September 30, 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 nine 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):

| | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|
| Total net sales and revenue | $ 13,881 | $ 8,657 |
| Net income | $ 1,915 | $ 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

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*Ally Financial Preferred and Common Membership Interests*

The following tables summarize the activity with respect to the investment in Ally Financial Common and Preferred Membership Interests for the period Ally Financial was accounted for as a nonconsolidated affiliate (dollars in millions):

| | Predecessor | |
|---|---|---|
| | Ally Financial Common Membership Interests | Ally Financial Preferred Membership Interests |
| Balance at January 1, 2009 | $ 491 | $ 43 |
| Old GM s proportionate share of Ally Financial s losses (a) | (1,130) | (7) |
| Investment in Ally Financial Common Membership Interests | 884 | |
| Gain on disposition of Ally Financial Common Membership Interests (b) | 2,477 | |
| Conversion of Ally Financial Common Membership Interests (b) | (2,885) | |
| Other, primarily accumulated other comprehensive loss | 163 | |
| Balance at June 30, 2009 | $ | $ 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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through |

| | | | July 9, 2009 |
|---|---|---|---|
| **Results of Operations** | | | |
| Net sales and revenue | $ 2,093 | $ 401* | $ 596 |
| Cost of sales | $ 2,411 | $ 297* | $ 737 |
| Selling, general and administrative expense | $ 3 | $ (9) | $ (19) |
| Interest income and other non-operating income (expense), net | $ 6 | $ 2 | $ (9) |

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

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**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* |

* Amounts originally reported as $594 and $396 in our 2009 Form 10-K. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

| | Successor | | Predecessor |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 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 | | | |
|---|---|---|---|---|
| | GMNA | GMIO | GME | Total |
| 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 | $ 26,410 | $ 1,050 | $ 3,096 | $ 30,556 |

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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 audited consolidated financial statements included elsewhere in this prospectus, 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 | $ 16,103 | $ 3,649 | $ 12,454 | $ 16,188 | $ 1,641 | $ 14,547 |

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes amortization expense related to Intangible assets, net (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 |
| Amortization expense related to intangible assets | $ 2,007 | $ 775 | $ 44 |

The following table summarizes estimated amortization expense related to Intangible assets, net in each of the next five fiscal years (dollars in millions):

| | Estimated Amortization Expense |
|---|---|
| 2011 | $ 1,785 |
| 2012 | $ 1,560 |
| 2013 | $ 1,227 |
| 2014 | $ 611 |
| 2015 | $ 314 |

**Note 10. Variable Interest Entities**

**Consolidated VIEs**

VIEs that we do not control through a majority voting interest that are consolidated because we are or Old GM was the primary beneficiary primarily include: (1) previously divested suppliers for which we provide or Old GM provided guarantees or financial support; (2) a program announced by the UST in March 2009 to provide financial assistance to automotive suppliers (Receivables Program); (3) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles in certain markets; (4) leasing 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 |

(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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 (a)(b) | July 10, 2009 Through September 30, 2009 (a) | January 1, 2009 Through July 9, 2009 (a) |
| Net sales and revenue | $ 560 | $ 19 | $ 31 |
| Cost of sales | 452 | (1) | (1) |
| Selling, general and administrative expense | 26 | 8 | 5 |

| | | | |
|---|---|---|---|
| Other expenses, net | 2 | 1 | 10 |
| Interest expense | 5 | 14 | 22 |
| Interest (income) and other non-operating (income), net | (4) | | |
| Reorganization expenses, net | | | 26 |
| Income tax expense | 10 | | |
| Net income (loss) | $ 69 | $ (3) | $ (31) |

(a) Amounts exclude GM Daewoo.

(b) Amounts recorded in the 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 nine months ended September 30, 2010 GM Egypt recorded Net sales and revenue of $530 million.

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***GM Egypt***

GM Egypt is a 31% owned automotive manufacturing organization that was previously accounted for using the equity method. GM Egypt was founded in March 1983 to assemble and manufacture vehicles in Egypt. Certain voting and other rights permit us to direct those activities of GM Egypt that most significantly affect its economic performance. In connection with our adoption of amendments to ASC 810-10, we consolidated GM Egypt in January 2010.

***Receivables Program***

We determined that the Receivables Program was a VIE and that we and Old GM were the primary beneficiary. At December 31, 2009 our equity contributions were $55 million and the UST had outstanding loans of $150 million to the Receivables Program. In the three months ended March 31, 2010 we repaid these loans in full. The Receivables Program was terminated in accordance with its terms in April 2010. Upon termination, we shared residual capital of $25 million in the program equally with the UST and paid a termination fee of $44 million.

**Nonconsolidated VIEs**

VIEs that are not consolidated because we are not or Old GM was not the primary beneficiary primarily include: (1) troubled suppliers for which we provide or Old GM provided guarantees or financial support; (2) vehicle sales and marketing joint ventures that manufacture, market and sell vehicles and related services; (3) leasing entities for which residual value guarantees were made; (4) certain research entities for which annual ongoing funding requirements exist; and (5) Ally Financial.

Guarantees and financial support are provided to certain current or previously divested suppliers in order to ensure that supply needs for production are not disrupted due to a supplier s liquidity concerns or possible shutdowns. Types of financial support that we provide and Old GM provided include, but are not limited to: (1) funding in the form of a loan; (2) guarantees of the supplier s debt or credit facilities; (3) one-time payments to fund prior losses of the supplier; (4) indemnification agreements to fund the suppliers 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the amounts recorded for nonconsolidated VIEs and the related off-balance sheet guarantees and maximum contractual exposure to loss, excluding Ally Financial, which is disclosed in Note 23 (dollars in millions):

| | Successor | | | |
|---|---|---|---|---|
| | September 30, 2010 | | 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.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

**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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| Depreciation and impairment of plants and equipment | $ 1,490 | $ 606 | $ 4,352 |
| Amortization and impairment of special tools | 1,341 | 394 | 2,139 |
| Depreciation and impairment of equipment on operating leases | 353 | 210 | 338 |
| Amortization of intangible assets | 2,007 | 775 | 44 |

| | | | |
|---|---|---|---|
| Total depreciation, amortization and asset impairment charges | $ 5,191 | $ 1,985 | $ 6,873 |

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 $2.8 billion in the period 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 |

(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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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.

**UST Loans and UST Loan Agreement**

As disclosed in our audited consolidated financial statements included elsewhere in this prospectus, Old GM received total proceeds of $19.4 billion from the UST under the UST Loan Agreement entered into on December 31, 2008. In connection with the Chapter 11 Proceedings, Old GM obtained additional funding of $33.3 billion from the UST and EDC under its DIP Facility. From these proceeds, there was no deposit remaining in escrow at 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.

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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) | January 1, 2009 Through July 9, 2009 (b) |
| Interest expense | $ 117 | $ 108 | $ 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.

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

| | Successor<br>Nine Months Ended September 30, 2010 |
|---|---|
| Interest expense | $ 151 |

**Canadian Loan Agreement and EDC Loan Facility**

As disclosed in our audited consolidated financial statements included elsewhere in this prospectus, on July 10, 2009 we entered into the Canadian Loan Agreement and assumed a CAD $1.5 billion (equivalent to $1.3 billion when entered into) term loan (Canadian Loan) maturing on July 10, 2015. In March 2010 and December 2009 we made quarterly payments of $194 million and $192 million on the Canadian Loan. In April 2010 GMCL repaid in full the outstanding amount of the Canadian Loan of $1.1 billion.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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) | January 1, 2009 Through July 9, 2009(b) |
| Interest expense | $ 26 | $ 22 | $ 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.

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 | January 1, 2009 Through July 9, |

| | | | | 2009 |
|---|---|---|---|---|
| Interest expense | $ | 23 | $ | 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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

| | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|
| Interest accrued or paid (a) | $ 176 |
| Amortization of discounts | 51 |
| Interest expense | $ 227 |

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

**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 $200 million in the period January 1, 2009 through July 9, 2009 (includes contractual interest expense related to contingent convertible debt of $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 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 14. Product Warranty Liability**

The following table summarizes activity for policy, product warranty, recall campaigns and certified used vehicle warranty liabilities (dollars in millions):

| | 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 | $ 6,756 | $ 7,062 | $ 7,193 |

**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 | | |
|---|---|---|---|
| | Successor | | Predecessor |
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| **Components of (Income) expense** | | | |
| Service cost | $ 387 | $ 119 | $ 243 |
| Interest cost | 4,014 | 1,235 | 3,077 |
| Expected return on plan assets | (4,914) | (1,437) | (3,810) |
| Amortization of prior service cost (credit) | (1) | | 429 |
| Amortization of transition obligation | | | |
| Recognized net actuarial loss | | | 715 |
| Curtailments, settlements and other | | 209 | 1,720 |

| | | | |
|---|---|---|---|
| Net periodic pension (income) expense | $ (514) | $ 126 | $ 2,374 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENDED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

| | Non-U.S. Plans Other Benefits | | |
|---|---|---|---|
| | Successor | | Predecessor |
| | Nine Months Ended | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through |

| | September 30, 2010 | | July 9, 2009 |
|---|---|---|---|
| **Components of (Income) expense** | | | |
| Service cost | $ 22 | $ 7 | $ 12 |
| Interest cost | 149 | 43 | 102 |
| Expected return on plan assets | | | |
| Amortization of prior service cost (credit) | (6) | | (63) |
| Amortization of transition obligation | | | |
| Recognized net actuarial loss | | | 23 |
| Curtailments, settlements and other | 3 | | (123) |
| Net periodic OPEB (income) expense | $ 168 | $ 50 | $ (49) |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Significant Plan Amendments, Benefit Modifications and Related Events**

***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 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.

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**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 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Change in Discount Rate | | Increase (Decrease) Since the Most Recent Remeasurement Date(c) | Gain (Loss) | | |
| Event and Remeasurement Date When Applicable | Affected Plans | From | To | PBO/APBO | Curtailments | Settlements | Termination Benefits and Other |
| 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 | | | | $ 2,745 | $ | $ | $ (197) |

(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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*January 1, 2009 Through July 9, 2009*

| Predecessor | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Change in Discount Rate | | Increase (Decrease) Since the Most Recent Remeasurement Date | Gain (Loss) | | |
| **Event and Remeasurement Date When Applicable** | **Affected Plans** | **From** | **To** | **PBO/APBO** | **Curtailments** | **Settlements** | **Termination Benefits and Other** |
| 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 | | | | $ (457) | $ (1,624) | $ | $ (38) |

*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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

*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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

*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

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

**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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**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 are 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.

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 January 1, 2009 Through July 9, 2009 |
|---|---|
| **Foreign Currency Exchange Contracts** | |
| Sales | $ (351) |
| Cost of sales | 19 |
| Reorganization gains, net | 247 |
| Total gains (losses) reclassified from accumulated other comprehensive income (loss) | $ (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.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 January 1, 2009 Through July 9, 2009 |
|---|---|
| Sales | $ (182) |
| Reorganization gains, net | 247 |
| Total gains (losses) reclassified from accumulated other comprehensive income (loss) | $ 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 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 are 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 period 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.

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 are 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.

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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):

| | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|
| Effective portion of net investment hedge gains (losses) | $ 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.

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 January 1, 2009 Through July 9, 2009 |
|---|---|
| Interest income and other non-operating income, net | $ 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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

| | | Successor | |
|---|---|---|---|
| | | Contract Notional | |
| **Commodity** | **Units** | **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.

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the UST Loan Agreement, Old GM granted warrants to the UST for 122 million shares of its common stock exercisable at $3.57 per share. Old GM recorded the warrants as a liability and recorded gains and losses related to this derivative in Interest income and other non-operating income, net. 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):

| | Successor | | | |
|---|---|---|---|---|
| | September 30, 2010 | | December 31, 2009 | |
| | Asset Derivatives (a)(b) | Liability Derivatives (c) | 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 | $ 121 | $ 222 | $ 115 | $ 568 |
| **Non-Current Portion** | | | | |
| Foreign currency exchange derivatives | $ | $ | $ 19 | $ 146 |
| Other derivatives | 29 | | 25 | |
| Total non-current portion | $ 29 | $ | $ 44 | $ 146 |

(a) Recorded in Other current assets and deferred income taxes.

(b) Recorded in Other assets.

(c) Recorded in Accrued expenses.

(d) Recorded in Other liabilities and deferred income taxes.

***Gains and (Losses) on Nondesignated Derivatives***

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

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

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Net Change in Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the net change in Accumulated other comprehensive income (loss) related to cash flow hedging activities (dollars in millions):

| | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|
| Beginning net unrealized gain (loss) on derivatives | $ (490) |
| Change in fair value | |
| Reclassification to earnings | 99 |
| Ending net unrealized gain (loss) on derivatives | $ (391) |

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 |

* Amount originally reported as $43 in our 2009 Form 10-K. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

(a) Calculated as future undiscounted payments.

(b) Excludes residual support and risk sharing programs related to Ally Financial.

(c) At December 31, 2009 includes $127 million related to a guarantee provided to Ally Financial in Brazil in connection with dealer floor plan financing. At December 31, 2009 this guarantee was collateralized by certificates of deposit of $127 million purchased from Ally Financial to which we have title and which are recorded in Restricted cash and marketable securities. The purchase of the certificates of deposit was funded in part by contributions from dealers for which we have recorded a corresponding deposit liability of $104 million, which was recorded in Other liabilities at December 31, 2009. In the six months ended June 30, 2010 this guarantee was terminated.

| | Successor | |
|---|---|---|
| | **September 30, 2010** | **December 31, 2009** |
| | **Liability Recorded** | **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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Guarantees**

We have provided guarantees related to the residual value of certain operating leases. These guarantees terminate in years ranging from 2011 to 2035. Certain leases contain renewal options.

We have agreements with third parties that guarantee the fulfillment of certain suppliers commitments and other related obligations. These guarantees expire in years ranging from 2010 to 2013, or 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.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees expire in 2022.

**Environmental**

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. We are in various stages of investigation or remediation for sites where contamination has been alleged. We are involved in a number of actions to remediate hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. An environmental reserve is recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. This practice is followed whether the claims are asserted or unasserted. Liabilities have been recorded for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

For many sites, the remediation costs and other damages for which we ultimately may be responsible may vary because of uncertainties with respect to factors such as the connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation).

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The final outcome of environmental matters cannot be predicted with certainty at this time. Accordingly, it is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition and results of operations. At 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.

**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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

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;

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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):

| | Successor<br>July 10, 2009<br>Through<br>September 30, 2009 | Predecessor<br>January 1, 2009<br>Through<br>July 9, 2009 |
|---|---|---|
| Other expenses, net | $ 8 | $ 184 |
| Cost of sales | 88 | 142 |
| Reorganization gains, net | | 662 |

| | | |
|---|---|---|
| Total Delphi charges | $ 96 | $ 988 |

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

### 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 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.

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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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*.

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.

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**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 | $ 5,979 | $ 17,123 | $ 31 | $ 23,133 |
| **Liabilities** | | | | |
| Other liabilities | | | | |
| Options | $ | $ | $ 24 | $ 24 |
| Derivatives | | | | |
| Foreign currency | | 8 | 214 | 222 |
| Total liabilities | $ | $ 8 | $ 238 | $ 246 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Successor Fair Value Measurements on a Recurring Basis at December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **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 |

* Amount originally reported as $0 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

** Amount originally reported as $12,662 in our 2009 Form 10-K. The column and row totals have been corrected accordingly. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***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.

| | Successor<br>Level 3 Financial Assets and Liabilities | | | | | |
|---|---|---|---|---|---|---|
| | Mortgage-backed Securities (a) | Commodity Derivatives, Net (b) | Foreign Currency Derivatives (c) | Options (d) | Other Securities (a) | Total Net Liabilities |
| Balance at January 1, 2010 | $ | $ | $ (672) | $ | $ | $ (672) |
| Total realized/unrealized gains (losses) | | | | | | |
| Included in earnings | | | 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 | $ | $ | $ (183) | $ (24) | $ | $ (207) |
| 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 | $ | $ | $ 40 | $ (3) | $ | $ 37 |

| | Successor<br>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 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 | $ | $ | $ (977) | $ | $ | $ (977) |
| 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 | $ | $ | $ 163 | $ | $ | $ 163 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**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 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.

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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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.

**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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

| | Successor | | | |
|---|---|---|---|---|
| | **GMNA** | **GMIO** | **GME** | **Total** |
| Balance at January 1, 2010 | $ 2,088 | $ 7 | $ 451 | $ 2,546 |
| Additions | 42 | 2 | 605 | 649 |
| Interest accretion and other | 28 | | 88 | 116 |
| Payments | (590) | (8) | (378) | (976) |
| Revisions to estimates | (178) | 1 | (10) | (187) |
| Effect of foreign currency translation | 16 | | (24) | (8) |
| Balance at September 30, 2010 (a) | $ 1,406 | $ 2 | $ 732 | $ 2,140 |

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

***GMNA***

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

***GME***

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

- Separation charges of $445 million in the 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 $28 million in the nine months ended September 30, 2010 related to a voluntary separation program in the United Kingdom.

Separation charges of $32 million and interest accretion and other of $81 million in the 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

| | Successor | | |
|---|---|---|---|
| | U.S. | Canada and Mexico | Total |
| Balance at January 1, 2010 | $ 460 | $ 41 | $ 501 |
| Additions | 9 | 9 | 18 |
| Payments | (257) | (41) | (298) |
| Effect of foreign currency translation | | 2 | 2 |
| Revisions to estimates | (8) | | (8) |
| Balance at September 30, 2010 | $ 204 | $ 11 | $ 215 |

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 | | | |
|---|---|---|---|---|
| | GMNA | GME | GMIO | Total |
| 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) | $ 2,192 | $ 447 | $ 36 | $ 2,675 |

(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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 | | |
|---|---|---|---|
| | **U.S.** | **Canada and Mexico** | **Total** |
| 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 | $ 452 | $ 100 | $ 552 |

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.

**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 | | | |
|---|---|---|---|---|
| | **GMNA** | **GME** | **GMIO** | **Total** |
| 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) | $ 2,905 | $ 433 | $ 48 | $ 3,386 |

(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;

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

***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):

| | U.S. | Predecessor Canada and Mexico | Total |
|---|---|---|---|
| Balance at January 1, 2009 | $ | $ | $ |
| Additions | 398 | 120 | 518 |
| Payments | | (2) | (2) |
| Effect of foreign currency translation | | | |
| Balance at July 9, 2009 | $ 398 | $ 118 | $ 516 |

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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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| **GMNA** | | | |
| Intangible assets | $ | $ 21 | $ |
| Product-specific tooling assets | 188 | | 278 |
| Cancelled powertrain programs | | | 42 |
| Equity and cost method investments | | | 28 |
| Vehicles leased to rental car companies | | | 11 |
| Total GMNA impairment charges | 188 | 21 | 359 |
| **GMIO** | | | |
| Product-specific tooling assets | 6 | 1 | 7 |
| Other long-lived assets | | | 2 |
| Total GMIO impairment charges | 6 | 1 | 9 |
| **GME** | | | |
| Product-specific tooling assets | | | 237 |
| Vehicles leased to rental car companies | 32 | 12 | 36 |
| Total GME impairment charges | 32 | 12 | 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 | $ 226 | $ 34 | $ 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.

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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**

***Nine Months Ended September 30, 2010***

| | Nine Months Ended September 30, 2010(a) | Successor Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Nine Months Ended September 30, 2010 Total Losses |
|---|---|---|---|---|---|
| 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 $188 million in the 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 $32 million in the nine months ended September 30, 2010. Fair value measurements utilized projected cash flows from vehicle sales at auction.

***July 10, 2009 Through September 30, 2009***

| | Period Ended September 30, 2009(a) | Successor Fair Value Measurements Using: Quoted Prices in Active Markets | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | July 10, 2009 Through September 30, |
|---|---|---|---|---|---|

| | | for Identical Assets (Level 1) | | | 2009 Total Losses |
|---|---|---|---|---|---|
| Product-specific tooling assets | $ | $ | $ | $ | $ (1) |
| Vehicles leased to rental car companies | $ 543 | $ | $ | $ 543 | (12) |
| Intangible assets | $ | $ | $ | $ | (21) |
| Total | | | | | $ (34) |

(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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

***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 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) | January 1, 2009 Through July 9, 2009 Total Losses |
| 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 | | | | | $ (657) |

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

***GMNA***

Product-specific tooling assets were adjusted to their fair value at the time of impairment, resulting in impairment charges of $278 million in the 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 $36 million in the period January 1, 2009 through July 9, 2009. Fair value measurements utilized projected cash flows from vehicles sales at auctions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*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.

**Contract Cancellations**

The following table summarizes net contract cancellation charges primarily related to the cancellation of product programs (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 |
| GMNA | $ 31 | $ 77 | $ 157 |
| GMIO | | | 8 |
| GME | 3 | | 12 |
| Total contract cancellations | $ 34 | $ 77 | $ 177 |

**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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010(a)(b) | July 10, 2009 Through September 30, 2009(a)(c) | January 1, 2009 Through July 9, 2009 |

| | | | |
|---|---|---|---|
| **Basic** | | | |
| Net income (loss) attributable to common stockholders | $ 2.77 | $ (0.73) | $ 178.63 |
| Weighted-average common shares outstanding | 1,500 | 1,238 | 611 |
| **Diluted** | | | |
| Net income (loss) attributable to common stockholders | $ 2.62 | $ (0.73) | $ 178.55 |
| Weighted-average common shares outstanding | 1,588 | 1,238 | 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 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**GM**

During the 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 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 88 million dilutive shares for the 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 period January 1, 2009 through July 9, 2009 diluted earnings per share included the potential effect of the assumed exercise of certain stock options. The 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 208 million in the period 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 in the period January 1, 2009 through July 9, 2009 as the conversion options in various series of convertible debentures were not in-the-money.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 23. Transactions with Ally Financial**

Old GM entered into various operating and financing arrangements with Ally Financial, a related party. In connection with the 363 Sale, we assumed the terms and conditions of these agreements as more fully discussed in this prospectus. The following tables describe the financial statement effects of and maximum obligations under these agreements (dollars in millions):

| | Successor | |
|---|---|---|
| | 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 |

* Amount originally reported as $14,058 in our 2009 Form 10-K. Refer to Note 3 to the 2009 audited consolidated financial statements included in this prospectus.

(a) Represents liabilities (receivables) recorded and maximum obligations for agreements entered into prior to December 31, 2008. Agreements entered into in 2010 and 2009 do not include residual support or risk sharing programs. During the 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 |
|---|---|---|---|
| | Nine Months Ended | July 10, 2009 | January 1, 2009 |

| | September 30, 2010 | Through September 30, 2009 | Through July 9, 2009 |
|---|---|---|---|
| Marketing incentives and operating lease residual payments(a) | $ 793 | $ 387 | $ 601 |
| Exclusivity fee revenue | $ 75 | $ 23 | $ 52 |
| Royalty income | $ 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.

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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.

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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 |
|---|---|---|---|
| | Nine Months Through September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| Net sales and revenue (reduction) (a) | $ (638) | $ (205) | $ 207 |
| Cost of sales and other expenses (b) | $ 32 | $ 68 | $ 180 |
| Interest income and other non-operating income, net (c) | $ 172 | $ 62 | $ 166 |
| Interest expense (d) | $ 174 | $ 51 | $ 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 audited consolidated financial statements included elsewhere in this prospectus. 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 | |
|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 |
| Cost of sales (a) | $ (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.

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Balance Sheet**

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

| | Successor | |
|---|---|---|
| | **September 30, 2010** | **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):

| | Successor | |
|---|---|---|
| | **Nine Months Ended September 30, 2010** | **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

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**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 | Daewoo | Holden | Opel |
| Cadillac | GMC | Isuzu | Vauxhall |
| Chevrolet | | | |

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 | Daewoo | GMC | Jiefang |
| Cadillac | FAW | Holden | Wuling |
| Chevrolet | | | |

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

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

All intersegment balances and transactions have been eliminated in consolidation.

| | GMNA | GMIO | GME | Successor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **At and 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 | $ 61,045 | $ 25,366 | $ 17,162 | $ (5,005) | $ 142 | $ 98,710 |
| Earnings (loss) attributable to stockholders before interest and income taxes | $ 4,935 | $ 2,484 | $ (1,196) | $ (49) | $ (42) | $ 6,132 |
| Interest income | | | | | 329 | 329 |
| Interest expense | | | | | 850 | 850 |
| Income tax expense (benefit) | | | | | 845 | 845 |
| Net income (loss) attributable to stockholders | | | | | $ (1,408) | $ 4,766 |
| Equity in net assets of non consolidated 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 | $ 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 | $ 188 | $ 6 | $ 32 | $ | $ | $ 226 |

| | GMNA | GMIO | GME | Successor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **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 | $ 14,151 | $ 6,395 | $ 5,238 | $ (724) | $ 87 | $ 25,147 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Income (loss) attributable to stockholders before interest and income taxes | $ (1,377) | $ 474 | $ (15) | $ (33) | $ 210 | $ (741) |
| Interest income | | | | | 109 | 109 |
| Interest expense | | | | | 365 | 365 |
| Income tax expense (benefit) | | | | | (139) | (139) |
| Net income (loss) attributable to stockholders | | | | | $ 93 | $ (858) |
| Depreciation, amortization and impairment | $ 1,348 | $ 177 | $ 394 | $ | $ 66 | $ 1,985 |
| Equity income (loss), net of tax | $ (5) | $ 204 | $ 6 | $ | $ (1) | $ 204 |

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**GENERAL MOTORS COMPANY AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | GMNA | GMIO | GME | Predecessor Eliminations | Corporate | Total |
|---|---|---|---|---|---|---|
| **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 audited consolidated financial statements included elsewhere in this prospectus.

**GM**

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan as amended October 5, 2010 (2009 GMLTIP) and the Salary Stock Plan as amended October 5, 2010 (GMSSP). Both plans are administered by the Executive Compensation Committee of our Board of Directors.

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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 | |
|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 |
| Compensation expense | $ 136 | $ |
| Income tax expense (a) | $ 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):

| | Successor | | | |
|---|---|---|---|---|
| | Shares | Weighted-Average Grant-Date Fair Value | Weighted-Average 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 | 17.5 | $ 18.67 | 2.1 | $ |
| RSUs expected to vest at September 30, 2010 | 12.8 | $ 18.80 | 2.5 | $ |
| RSUs vested and payable at September 30, 2010 | 4.0 | $ 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 194.6 thousand RSUs vested under the GMSSP in the nine months ended September 30, 2010 (dollars in millions):

| | Successor Nine Months Ended September 30, 2010 |
|---|---|
| Total payments | $ 4 |

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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 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 | $ |

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**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 | Shares(a) | Predecessor 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.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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):

| | Predecessor January 1, 2009 Through July 9, 2009 |
|---|---|
| Number of GMCRSUs granted | |
| Weighted-average date of grant fair value | $ 2.24 |
| Total payments made for GMCRSUs vested (millions) | $ 10 |

| | Predecessor July 9, 2009 |
|---|---|
| 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.

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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 period 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 |
|---|---|---|---|
| | Nine Months Ended September 30, 2010 | July 10, 2009 Through September 30, 2009 | January 1, 2009 Through July 9, 2009 |
| Total net sales and revenue | $ 99,807 | $ 25,519 | $ 48,098 |
| Net income (loss) attributable to stockholders | $ 4,966 | $ (835) | $ 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 nine months ended September 30, 2010. 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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GENERAL MOTORS COMPANY AND SUBSIDIARIES

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.

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chairman and CEO and our Vice Chairman and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at December 31, 2009 and September 30, 2010. Based on these evaluations, our CEO and CFO concluded that, as of those dates, our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were not effective at the reasonable assurance level because of a material weakness in internal control over financial reporting which we view as an integral part of our disclosure controls and procedures.

### Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management performed an assessment of the effectiveness of our internal control over financial reporting at December 31, 2009, utilizing the criteria discussed in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at December 31, 2009.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting at December 31, 2009, we identified the following material weakness:

Controls over the period-end financial reporting process were not effective. Specifically, certain controls designed and implemented to address the identified material weakness in the period-end financial reporting process, as subsequently discussed, have not had a sufficient period of time to operate for our management to conclude that they are operating effectively. This inability to conclude is largely due to the challenging accounting environment associated with the combination of the Chapter 11 Proceedings, the related application of fresh-start reporting at a mid-month date, and the need for concurrent preparation of U.S. GAAP financial statements for multiple accounting periods during the six month period after the completion of the 363 Sale. As such, it is reasonably possible that our consolidated financial statements could contain a material misstatement or that we could miss a filing deadline in the future.

Based on our assessment, and because of the material weakness previously discussed, we have concluded that our internal control over financial reporting was not effective at December 31, 2009.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included herein.

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**Material Weakness, Remediation and Changes in Internal Controls**

At December 31, 2008, Old GM determined that its internal control over financial reporting was not effective because of a material weakness related to ineffective controls over the period-end financial reporting process. This ineffective process resulted in a significant number and magnitude of out-of-period adjustments to Old GM s consolidated financial statements. Specifically, controls were not effective to ensure that accounting estimates and other adjustments were appropriately reviewed, analyzed and monitored by competent accounting staff on a timely basis. Additionally, some of the adjustments recorded related to account reconciliations not being performed effectively. These ineffective controls continued to exist at the Company after the 363 Sale.

In the year ended 2009, there was significant progress made in remediating the material weakness, including the following:

- Improved trial balance and account ownership;
- Improved adherence to account reconciliation policies and procedures;
- Documented roles and responsibilities for close processes;
- Implemented new consolidation software;
- Implemented consolidation procedures;
- Improved management reporting and analysis procedures;
- Implemented a new issue management process;
- Implemented a standardized account reconciliation quality assurance program;
- Implemented improved manual journal entry procedures; and
- Implemented improved disclosure procedures.

We believe that the remediation activities previously discussed would have been sufficient to allow us to conclude that the previously identified material weakness no longer existed at December 31, 2009. However, as discussed in Note 2 to our unaudited condensed consolidated interim financial statements, in the year ended 2009 Old GM entered into the Chapter 11 Proceedings and we acquired substantially all of Old GM s assets and certain of its liabilities in the 363 Sale, necessitating the development and implementation of additional processes related to accounting for bankruptcy and subsequent fresh-start reporting. We introduced additional processes and controls designed to ensure the accuracy, validity and completeness of the fresh-start reporting adjustments. Additionally, we prepared financial statements for multiple accounting periods concurrently during the six month period after the completion of the 363 Sale. The sheer complexity of the fresh-start reporting adjustments, and the number of accounting periods open at one time, did not allow our management to have clear visibility into the operational effectiveness of the newly remediated controls within the period-end financial reporting process and in some cases did not provide our management with sufficient opportunities to test the operating effectiveness of these remediated controls prior to year-end. Because of the inability to sufficiently test the operating effectiveness of certain remediated internal controls, we concluded that a material weakness in the period-end financial reporting process exists at December 31, 2009.

As a result of the material weakness identified at December 31, 2009, during 2010 management has begun testing the operational effectiveness of the newly remediated controls within the period-end financial reporting process and has led various initiatives, including training, to help ensure those controls would operate as they had been designed and deployed during the 2009 material weakness remediation efforts. Management has identified additional improvements necessary to ensure the operating effectiveness and efficiency of the Company s internal controls related to the period-end financial reporting process, including procedures and controls related to the preparation of the statement of cash flows. Management will not conclude as to whether the material weakness in the period-end financial reporting process has been remediated until completion of our annual control testing and assessment process.

Corporate Accounting and other key departments augmented their resources by utilizing external resources and performing additional closing and bankruptcy related procedures in the year ended 2009 and additional closing procedures in the first nine months of 2010. As a result, we believe that there are no material inaccuracies or omissions of material fact and, to the best of our knowledge, believe that our consolidated financial statements at and for the period July 10, 2009 through December 31, 2009 and for the nine months ended September 30, 2010 and Old GM s consolidated financial statements at and for the period January 1, 2009 through July 9, 2009, fairly present in all material respects the financial condition and results of operations in conformity with U.S. GAAP.

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

| | |
|---|---|
| /s/ DANIEL F. AKERSON | /s/ CHRISTOPHER P. LIDDELL |
| Daniel F. Akerson | Christopher P. Liddell |
| Chief Executive Officer | Vice Chairman and Chief Financial Officer |
| November 10, 2010 | November 10, 2010 |

**Limitations on the Effectiveness of Controls**

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent or detect all errors and all fraud. A control system cannot provide absolute assurance due to its inherent limitations; it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. A control system also can be circumvented by collusion or improper management override. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of such limitations, disclosure controls and procedures and internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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# 478,000,000 Shares

# Common Stock

**PROSPECTUS**

**November 17, 2010**