GENERAL MOTORS CORP
Form 425
February 18, 2009

Table of Contents

Filed by General Motors Corporation
Pursuant to Rule 425 under the Securities Act of 1933
Subject Company: General Motors Corporation
Commission File No. 001-00043

General Motors Corporation
2009 2014 Restructuring Plan
Presented to U.S. Department of the Treasury
As Required Under Section 7.20
of the Loan and Security Agreement
Between General Motors and the
U. S. Department of the Treasury
Dated December 31, 2008
February 17, 2009

Table of Contents

GENERAL MOTORS RESTRUCTURING PLAN HIGHLIGHTS

GM s Plan details a return to sustainable profitability in 24 months

Demonstrates GM s viability under conservative economic assumptions

Expands and accelerates the Plan submitted on December 2

Lowers the Company s breakeven to a U.S. market of 11.5-12.0M units annually

GM is comprehensively transforming its business, globally

Brands, nameplates and dealer networks streamlined and focused

Productivity and flexibility gains enabling more facility consolidations

Shared global vehicle architectures creating substantial cost savings

Unprofitable foreign operations addressed

GM s Plan emphasizes the Company s continued focus on great products

Fewer, better vehicles in U.S. supporting Chevrolet, Cadillac, Buick and GMC

Renewed commitment to lead in fuel efficiency, hybrids, advanced propulsion

All major U.S. introductions in 2009-2014 are high-mileage cars and crossovers

GM s Plan calls for considerable sacrifice from all stakeholders

Bondholders and other debtors

Hourly and salaried employees, executives and retirees

Dealers and suppliers

Shareholders

GM s Plan addresses the requirements of the loan agreement with the United States Department of the Treasury

Competitive product mix and cost structure

Compliance with Federal fuel efficiency and emissions requirements

Domestic manufacturer of advanced technology vehicles

Rationalization of costs, capitalization and capacity

Major progress made with the UAW and hourly employees; considerable progress made with bondholders; additional work under way to achieve term sheet requirements and savings targets

Positive net present value (NPV)

Repayment of Federal loans

Reflecting further deterioration in economic, industry and credit markets since December 2, GM s Plan details need for additional Federal funding

Restructuring actions accelerated to mitigate this need

Partial repayment of Federal funding still slated to begin in 2012

General Motors is vital to a robust U.S. economy, and a revitalized GM will greatly advance America s technology leadership and energy independence

Highly focused on a U.S. supply base and U.S. R&D, design and engineering

Directly and indirectly supports 1.3 million U.S. jobs

Committed to investing in advanced technologies and high-tech green jobs

A sound investment for U.S. taxpayers that will be repaid fully

2

TABLE OF CONTENTS

Table of Contents

LIST OF TABLES

LIST OF CHARTS

For information regarding exchange offers and safe harbors related to forward looking statements, see Page 39.

Table of Contents

General Motors Corporation
2009-2014 Restructuring Plan
February 17, 2009

1. Introduction

On December 2, 2008, General Motors submitted a Restructuring Plan for Long-Term Viability to the Senate Banking Committee and the House of Representatives Financial Services Committee. The Plan was a blueprint for a new General Motors in the United States, one that is lean, profitable, self-sustaining and fully competitive. Key elements of the December 2nd Plan included:

* A dramatic shift in the Company s U.S. product portfolio, with 22 of 24 new vehicle launches in 2009-2012 being fuel-efficient cars and crossovers;
* Full compliance with the 2007 Energy Independence and Security Act, and extensive investment in a wide array of advanced propulsion technologies;
* Reduction in brands, nameplates and dealerships to focus available resources and growth strategies on the Company s profitable operations;
* Full labor cost competitiveness with foreign manufacturers in the U.S. by no later than 2012;
* Further manufacturing and structural cost reductions through increased productivity and employment reductions; and
* Balance sheet restructuring and supplementing liquidity via temporary Federal assistance.

The net effect of these and other operational and financial restructuring elements was a plan to restore GM North America (GMNA) to profitability on an adjusted Earnings Before Interest and Taxes (EBIT) basis at U.S. industry sales rates of 12.5-13.0 million units, well below both actual sales levels experienced in the past several years and consensus projections for 2010-2014.

Reflecting a dramatic deterioration in economic and market conditions during 2008, new vehicle sales declined rapidly, falling to their lowest per-capita levels in 50 years. General Motors revenues fell precipitously, in part reflecting escalating public speculation about a potential GM bankruptcy, consuming liquidity that one year prior was considered adequate to fully fund the Company s restructuring efforts. To bridge to more normal market conditions, General Motors requested temporary Federal assistance totaling $18 billion, comprised of a $12 billion term loan and a $6 billion line of credit (as a provision for the Downside scenario) to sustain operations and accelerate implementation of the Restructuring Plan. Given the Baseline industry outlook contained in the December 2 submission to Congress, General Motors planned to begin repayment of the requested Federal loan in 2011.

Subsequent to December 2, the United States Department of the Treasury and General Motors entered into negotiations for the requested Federal loans, reaching agreement on

Table of Contents

December 31, 2008. This agreement provides General Motors with up to $13.4 billion in 3-year term loans to sustain operations through the 1st Quarter of 2009, providing necessary liquidity support while the Company finalizes its Restructuring Plan. In consideration for this temporary loan facility, General Motors is required to submit to the U.S. Department of the Treasury, by February 17, a detailed restructuring plan for the period 2009-2014 that demonstrates long-term viability.

Specifically, as Chart 1 below highlights, Section 7.20 of the loan agreement sets forth key restructuring targets that GM s Plan needs to address in the February 17 and March 31st submissions to the U.S. Department of the Treasury.

Chart 1: Loan Agreement Requirements

Federal Loan Requirements	February 17 Restructuring Plan Status	March 31 Progress Report Status
Product Mix & Cost Structure Competitiveness	Detailed Plan Submitted	Implementation Progress to be Provided
- Competitive Labor Cost Agreement	JOBS Program Suspended Major Progress Made Related to Competitive Gap Closure	Targeting Final Agreement on Competitive Gap Closure
Compliance with Federal Fuel Efficiency and Emission Requirements	Compliance Confirmed in Plan	Status Update
Domestic Manufacture of Advanced Technology Vehicles (Section 136 Applications)	Two Applications Submitted to Department of Energy Third Application Being Developed	Status Update
Rationalization of Cost, Capitalization and Capacity	Detailed Plan Submitted	Status Update
- Agreement on 50% VEBA Equitization	Negotiations Under Way; Confirming Letter Contained in Appendix G	Targeting Final Agreement
- Agreement on Conversion of 2/3rds Unsecured Public Debt to Equity	Negotiations Under Way; Confirming Letter Contained in Appendix G	Targeting Commencement of Bond Exchange Offer
Financial Viability (Positive NPV)	Positive NPV Demonstrated in Plan	Status Update
Repayment of Federal Loans	Under Baseline Scenario, Repayments Begin in 2012	Status Update

The Plan is to include evidence of progress related to both labor cost competitiveness and debt reduction. Specifically, the loan documents require best efforts related to the achievement of hourly and salaried wage compensation and work rule competitiveness by December 31, 2009; conversion of at least half of future VEBA payments to equity; and a reduction in unsecured public indebtedness by at least two-thirds by December 31, 2009 (with the actual exchange offer having commenced by March 31).

This Restructuring Plan addresses the requirements set forth in the loan documents executed with the United States Department of the Treasury on December 31, 2008.

2. Executive Summary

The automotive industry has been the backbone of U.S. manufacturing and a leading investor in research and development for nearly a century. It is a significant factor in the

6

Table of Contents

U.S. economy, employing 1 in 10 workers and a major purchaser of U.S.-made steel, aluminum, iron, glass, plastics and electronics. It is an industry undergoing massive change, and one that can be key to both transforming the U.S. economy and creating high-tech, green jobs that support a healthy and growing middle class. Appendix A presents key facts about the role of the automotive industry on the U.S. economy.

For most of this decade, General Motors has been pursuing a major transformation of its business, working to improve the consumer appeal, quality, safety, and fuel efficiency of its cars and trucks; to achieve cost competitiveness or advantage in labor, manufacturing, product development, procurement and staff functions; and to address the Company s huge legacy cost burden. As noted in the December 2 submission, the Company has made significant progress in all of these areas and, even after rising oil prices and a slowing economy in mid-2008 cut automotive volumes by more than 20%, GM was confident in its ability to self-fund its continuing transformation.

In the last six months of 2008, housing price declines accelerated, foreclosures rose, credit markets froze, job losses skyrocketed, and consumer confidence tumbled. As the economic crisis intensified, automotive sales fell to their lowest per-capita levels in half a century, putting automakers under enormous financial stress. All automotive manufacturers have been severely affected, with most reporting significant losses in the recent quarter. Under these extraordinary conditions, GM s liquidity fell rapidly to levels below those needed to operate the Company, and GM was compelled to turn to the U.S. Government for assistance.

Since December 2, economic conditions have continued to deteriorate globally. This, combined with public speculation about GM s future, has further reduced the Company s volumes, revenues, and cash flows. In addition, the weakening financial markets have significantly reduced the value of GM s large pension fund assets.

The Company has responded aggressively to these worsening economic and industry circumstances, accelerating, and adding to, the restructuring elements contained in the Company s December 2 Plan (Chart 2 below presents key Plan changes). The revised Plan comprehensively addresses GM s revenues, costs, and balance sheet for its U.S. and foreign operations, and is based on conservative assumptions. It also results in a business that will contribute materially to the national interest by developing and commercializing advanced technologies and vehicles that will reduce petroleum dependency and greenhouse gas emissions, and drive national technological and manufacturing competitiveness.

Table of Contents

Chart 2: Restructuring Plan Summary of Key Changes

Plan Element	December 2	February 17
2009 U.S. GDP Forecast (%)	(1.0)	(2.0)
2009 U.S. Industry Volumes		
Baseline	12.0M	10.5M
Upside	12.0M	12.0M
Downside	10.5M	9.5M
2012 Market Share		
U.S.	20.5%	20.0%
Global	13.1%	13.0%
Labor Cost Competitiveness Obtained	2012	2009
2012 U.S. Manufacturing Plant Count	38	33
2012 U.S. Salaried Headcount	27k	26k
U.S. Breakeven Volume (Adjusted EBIT Basis)	12.5-13.0M	11.5-12.0M
U.S. Brand Reductions Completed	No Date	2011
Foreign Operations Restructuring Comprehended		
Sweden (Saab)	No	Yes
Germany and Europe	No	Yes
Canada	No	Yes
Thailand and India	No	Yes
Financial Projections Through	2012	2014

The revised Plan restructures the Company s business in the U.S. by concentrating on GM s three strongest global brands (Chevrolet, Cadillac and Buick) and its premium truck brand (GMC); by restructuring the retail distribution channel to achieve a strong, healthy dealer network while preserving GM s historical strength in rural areas; by basing the product plan on fewer, better entries; and by continued commitment to be a quality leader. The Company is accelerating the timetable to achieve competitive costs and work rules to 2009, in line with Federal loan requirements. The Company will close additional facilities and reduce employment beyond the December Plan targets, and will continue to leverage already highly efficient manufacturing and product development operations.

GM will also pursue accelerated restructuring of its Canadian, European, and certain Asia-Pacific operations. While the Company intends to retain its global approach to conducting business, additional funding will be required to sustain certain operations outside the U.S., given the global economic slowdown also impacting these markets. The Company is also in discussions with many foreign governments for funding support. Significant restructuring of the Company s liabilities and balance sheet are also vital parts of this Plan, and detailed negotiations related to restructuring of VEBA obligations and unsecured public debt are progressing.

Since the December submission, the Company has been engaged with the UAW, regarding competitive costs/work rules and restructuring VEBA obligations, and advisors to an unofficial committee of major bondholders with regard to conversion of unsecured public debt to equity. As of February 17, the Company and the UAW have made significant progress on costs/work rules, which represent major steps in narrowing the

Table of Contents

competitive gap. However, these revisions do not achieve all of the labor cost savings comprehended in the Company s financial projections.

GM plans to report this progress to the U.S. Secretary of Labor who must certify GM s competitiveness relative to the U.S. transplants. Management will continue to work with the UAW with regard to competitiveness, and will work on additional initiatives to ensure GM achieves the cost reductions and financial targets comprehended in the Plan.

With regard to both the VEBA and bondholder negotiations, while discussions and due diligence are underway, restructuring agreements have not yet been finalized with either party at this point. Negotiations will continue with the objective of achieving successful resolution of these matters no later than March 31, 2009.

The net effect of all Restructuring Plan initiatives is a further reduced breakeven point, allowing for profitable operations in North America (on an adjusted EBIT basis) with a U.S. industry sales rates as low as 11.5-12.0 million units, compared to 12.5-13.0 million units in the December Plan. The Company s operating and balance sheet restructurings are expected to generate positive adjusted EBIT and positive adjusted operating cash flow for its North American operations in 2010 (with a U.S. industry volume of 12.5 million units), with significant improvements occurring over the 2010-2014 period.

Globally, positive adjusted EBIT will also be achieved in 2010, with adjusted operating cash flow approaching breakeven in 2011. Partially offsetting these results are restructuring costs (including provisions for resolution of Delphi), debt retirements, and additional contributions to the Company s U.S. pension plans that may be required in 2013 and 2014.

Financial Viability One important measure of determining long-term financial viability is whether the Company has positive Net Present Value (NPV). Based on the assumptions and methodology set forth in Section 5.3 and Appendix J, the Enterprise Value of GM under the Baseline Scenario is estimated between $59 billion and $70 billion. After deducting the Net Obligations of the Company and adjusting for the pro-forma effects of the two-thirds reduction in public unsecured indebtedness and 50 percent reduction in the UAW Hourly VEBA obligations (per the requirements of the U.S. Department of the Treasury loan agreement), the NPV of the Baseline Scenario of the GM Restructuring Plan is estimated in the range of approximately $5 billion to $14 billion.

Presently, there are additional restructuring initiatives in process inside and outside the U.S. that when successfully concluded, are anticipated to have a further positive effect on the Baseline Scenario NPV range. In the Upside Sensitivity Scenario, in which U.S. industry volumes return to more historical trendline levels by 2014, the NPV analysis yields a range of $30 billion to $41 billion. Further elaboration of the Baseline Scenario and both Upside and Downside sensitivities can be found in Appendix J.

Table of Contents

Federal Funding Request While the accelerated restructuring efforts have, for the most part, offset the massively negative effects of volume and revenue deterioration, Federal support beyond that requested in December will be required to complete the Company s renewal. In the December 2 submission, the Company indicated that General Motors needs to retain the level of targeted global cash balances (approximately $11-$14 billion) to support the normal conduct of business and under a U.S. Downside volume sensitivity, GM would need funding support of approximately $18 billion. In addition, it should be noted that in its December 2 submission, the Company had assumed that the $4.5 billion U.S. secured bank revolver credit facility would be renewed and fully drawn again in 2011.

In the current Baseline forecast, near-term U.S. industry volumes are similar to the December 2 Downside scenario and the Company has not assumed, based upon credit market conditions, that it will be able to rollover and draw the full $4.5 billion secured bank revolver in 2011. On this basis, GM is requesting Baseline federal funding support of $22.5 billion (i.e., the $18 billion prior Downside funding request plus the $4.5 billion incremental required). If the new, even lower Downside volume sensitivity scenario occurs, GM will require further federal funding, estimated currently at an additional $7.5 billion, which could bring total Government support up to $30 billion by 2011.

Under the Company s Baseline outlook, repayment of Federal support is expected to begin in 2012 and be fully repaid by 2017. Additional financial support might be required in 2013 and 2014 if U.S. pension fund contributions are required (as is currently estimated) but, at this time it is premature to plan for such additional funding support until alternatives to address pension funding status are fully explored.

During the 2009-2014 timeframe, General Motors is also requesting funding support from certain foreign governments. Notably, the Company is presently in discussions with the Governments of Canada, Germany, United Kingdom, Sweden and Thailand, and has included an estimate of up to $6 billion in funding support to provide operating liquidity specifically for GM s operations overseas and additional amounts beyond the $6 billion to mitigate legacy obligations.

The dramatic change in the Company s financial outlook over the past 6 months demonstrates the industry s acute sensitivity to volume. As discussed previously, the Company s U.S. industry assumptions are conservative compared to other forecasts, well below levels experienced for most of this decade of approximately 17 million units, and below scrappage rates, estimated to be around 12.5 million units. If industry volumes recover more quickly, as a result of general economic stimulus or industry-specific measures (such as sales tax holidays), U.S. Federal TARP funding support could decline from $18 billion in mid-2009 to $13 billion in 2011, and be fully repaid by 2014.

Table of Contents

3. Key Restructuring Plan Changes: December 2 versus February 17

Significant changes have occurred since General Motors submitted its plan to Congress on December 2. As a result, GM has undertaken even more aggressive action impacting both the scope of the restructuring efforts and the projected results.

3.1 External Changes The economic outlook has deteriorated considerably in the past 10 weeks. Whereas GM s December 2 Plan anticipated negative ***GDP growth*** (-1.0%) in the U.S. in 2009, the Company is currently projecting a (-2.0%) decline in GDP for the same period. Global GDP is now expected to also be negative in 2009 (-0.6%) the first such decline in the post-World War II era. All regions have been revised downward with Western Europe, where General Motors has extensive operations, expected to decline by approximately (-1.8%) in 2009. Compared to external forecasts, General Motors GDP assumptions are more conservative.

In combination with rapidly rising unemployment in the United States, these deteriorating economic conditions have had a chilling effect on consumer confidence and on automotive purchases in particular. Compounding the challenge is that the credit markets for consumer credit are still largely frozen, making it difficult for many consumers who have good credit ratings and who want to buy a vehicle to do so.

Oil price forecasts have also been revised downward compared to those assumed in the December 2 Plan, reflecting the lower current price levels. While the Company retains its long-term price view of $130 per barrel, and reflects this level from 2014 onward, somewhat lower interim oil and gasoline prices are reflected in this Plan update, and account for minor changes in industry mix during the 2009-2014 timeframe. General Motors oil price assumptions are in line with, or somewhat higher than, external forecasts.

Finally, reflecting the change in GDP outlook noted above, the Company s outlook for ***industry sales*** has been lowered significantly so in the 2009-2010 period. In December, General Motors projected for U.S. and global industry sales in 2009 of 12 million units and nearly 64 million units, respectively. The Baseline outlook for the U.S. has since been reduced to 10.5 million units, while the global industry outlook has been reduced to 57.5 million units. The current global industry baseline volumes are now below the Downside volumes presented in December for both 2009 and 2010. These industry volume forecasts are conservative compared to outside forecasts.

Details on the current and prior projections for GDP, oil prices, industry volumes and select other economic indicators are presented in Appendix B.

3.2 Internal Changes Changes to GM s restructuring Plan include revisions to market share and GM unit volume assumptions, scope and/or timing of select U.S. restructuring elements, and new restructuring initiatives under way at select foreign operations.

Table of Contents

The Company s ***market share*** outlook has been updated to reflect both resource-driven product portfolio changes and shifts in segment and country percent-of-total sales mix. For the Company s U.S. operations, the revised Plan projects U.S. share of 22.0% in 2009, in line with 2008 actual, and an increase of 0.5 points versus the December Plan. On a global basis, GM s projected market share for 2009 declines slightly to 12.0%, down 0.4 points versus the December Plan.

As noted in the Executive Summary, the Company has reduced its industry outlook in all regions, and now utilizes a Baseline industry volume for the U.S. which is similar, in the near-term, to the Downside scenario contained in the December 2 submission. Table 1 below presents Baseline, Downside and Upside scenarios utilized in this Restructuring Plan.

Table 1: U.S. Industry Volume Scenarios

	U.S. Industry Volumes (million units)					
	2009	2010	2011	2012	2013	2014
Downside						
February 17	9.5	11.5	12.8	14.5	14.9	15.3
December 2	10.5	11.5	12.0	12.8	N/A	N/A
Baseline						
February 17	10.5	12.5	14.3	16.0	16.4	16.8
December 2	12.0	13.5	14.5	15.0	N/A	N/A
Upside						
February 17	12.0	14.3	15.8	17.5	17.9	18.3
December 2	12.0	14.0	15.5	16.2	N/A	N/A

GM s Baseline volume outlook is relatively conservative compared to other external forecasts, which are included in Appendix B. Also, the Congressional Budget Office s most recent GDP forecast contain outlooks for employment and housing starts that, when incorporated into GM s econometric models, suggests similar industry volumes in 2009-2010 and higher volumes (on the order of 1.3 to 1.5 million units annually) in the 2011-2014 timeframe.

Combining current industry volume and GM share projections results in lower forecasted sales for GM in the U.S. and globally. Projected 2009 GM U.S. volumes of 2.3 million units are down by 270,000 units, or 11%, compared to the December 2 submission, while projected GM global volumes of 6.9 million units are down 960,000 units. 2010 and 2011 Baseline volume projections also are below those contained in the December 2 outlook, driving reductions in revenues and inventories. Additional details on GM s sales projections are contained in Appendix C.

Related to the ***scope and/or timing of U.S. restructuring elements***, further reductions in both nameplates offered and manufacturing capacity are now reflected, due to the lower volumes noted above. Specifically, 36 nameplates will be offered in 2012, 4 lower than indicated in the December 2 Plan and down 25% from 2008 levels. The number of U.S. manufacturing facilities has also been further reduced, to 33 in 2012 compared to 38 envisioned in the December 2 submission. Related to these and other actions, total U.S. employment is expected to decline from approximately 92,000 hourly and salaried

Table of Contents

employees at year-end 2008 to 72,000 by 2012. Importantly, as noted earlier, the current Plan assumes an acceleration of labor cost competitiveness (with foreign manufacturers operations in the U.S.) from 2012 to 2009.

The Company s Restructuring Plan is broad based, with total global employment expected to be reduced by over 47,000 employees over the course of the coming year, 26,000 of which will come from outside the U.S. Regarding the Company s ***foreign operations***, several initiatives are under way, briefly summarized as follows:

* **Australia** Continued local production has become more challenging due to changes in market preferences. GM s local subsidiary (Holden) and the Australian government have developed a plan to bring to market a new, more fuel-efficient vehicle, with project funding provided by the Australian Government in the form of permanent grants. With this support, Holden is projected to be a viable operation, making a positive NPV contribution.

* **Canada** The Canadian market as well as GM s Canadian operations (GMCL) are highly integrated into GM s overall North American strategy and operations. Approximately 90% of GMCL s production in 2008 was exported outside of Canada, primarily to the U.S. Approximately 88% of GMCL s domestic sales were imports from the Company s U.S. operations. The recent unprecedented industry volume downturn in North America, coupled with a gap in cost competitiveness related to both active employees and retirees (versus U.S. transplants), have accelerated the need to restructure the Company s Canadian operations in order to achieve long-term viability.

  Discussions are well advanced with the Canadian Federal and Ontario Governments (related to securing long-term financial assistance to execute the necessary restructuring actions for long-term viability) and the Company s Canadian Auto Workers (CAW) union (related to achieving competitive labor costs). Progress is being made on both fronts. Specifically, on the issue of competitive labor costs, the CAW has committed to achieving an hourly cost structure that is consistent with what is ultimately negotiated with the UAW.

  Relative to the funding required to support GMCL s ongoing viability, progress has also been made with the Canadian Federal and Ontario Governments toward an agreement based on the principle of maintaining proportional levels of manufacturing in Canada and GMCL receiving long-term financial assistance proportional to the total support provided to GM by the U.S. Government. GMCL is continuing its dialogue with both its Unions and the Canadian Government with a target to finalize agreements on both funding support and competitive labor costs in March 2009.

Table of Contents

GM remains optimistic that both agreements can be completed by that time, which would support and sustain GM s long and rich history in Canada. The finalization of such agreements would enable GMCL to achieve long-term viability and enhance the value of General Motors. In the event agreements cannot be reached, GM will be required to re-evaluate its future strategy for GMCL, as the subsidiary would not be viable on a stand-alone basis.

* **Sweden/Saab** The Company has conducted a strategic review of its global Saab business and has offered it for sale. Given the urgency of stemming sizeable outflows associated with Saab operations, GM is requesting Swedish Government support prior to any sale. The Company has developed a specific proposal that would have the effect of capping GM s financial support, with Saab s operations effectively becoming an independent business entity effective January 1, 2010. While GM is hopeful that an agreement can be reached with the Swedish Government to support this direction, the Saab Automobile AB subsidiary could file for Reorganization as early as this month.

* **Europe** Europe is a highly competitive automotive market, and currently unprofitable for many vehicle manufacturers, and has a relatively costly restructuring environment. General Motors has engaged its European labor partners to achieve $1.2 billion in cost reductions, which include several possible closures/spinoffs of manufacturing facilities in high cost locations. In addition, GM is restructuring its sales organization to become more brand focused and better optimize its advertising spend. General Motors is also in discussions with the German Government for operating and balance sheet support. A sustainable strategy for GM s European operations may include partnerships with the German Government and/or other European governments. The Company expects to resolve solvency issues for its European operations prior to March 31, 2009.

* **Asia-Pacific** Lower GDP and industry volume outlooks have prompted reconsideration of the pace of the Company s capacity expansion plans in India, which had been planned to be self-funded. In addition, two sizeable manufacturing expansion projects in Thailand for tooling and assembly of a new mid-sized pickup model, and for a diesel engine facility are no longer feasible without support from the Government of Thailand and local banks, or other partners, and are suspended indefinitely.

Consistent with the requirements of the Federal loan, the Company s Plan will make its foreign operations competitive and sustainable.

14

Table of Contents

4. Restructuring Plan: Federal Requirements

In its December 2 submission to Congress, General Motors summarized its considerable progress over the past few years related to product quality, productivity, and fuel efficiency, and in building a full range of striking, award-winning cars, crossovers, and trucks. There is more to be done in overcoming the gap between perception and reality around these accomplishments, but General Motors remains focused on delivering the further improvements contained in this Plan. As noted in December, General Motors is investing significantly in reinventing the automobile, with emphasis being given to further improving safety, increasing fuel efficiency and reducing America s dependency on foreign oil, and reducing green house gas emissions.

4.1 Competitive Product Mix and Cost Structure General Motors Restructuring Plan calls for rationalizing vehicle sales and marketing operations in the United States through reducing brands, nameplates and retail outlets. This will help to concentrate product development resources on fewer, better entries, and generate more competitive dealer economics.

Brands and Channels The Company has committed to focus its resources primarily on its core brands: Chevrolet, Cadillac, Buick and GMC. Of the remaining brands, Pontiac which is part of the Buick-Pontiac-GMC retail channel will be a highly focused niche brand. Hummer and Saab, stand-alone retail channels and brands, are subject to strategic reviews , including their potential sale. A Hummer sale or phase out decision will be made in Q1 2009, with final resolution expected for both no later than 2010. Saturn will remain in operation through the end of the planned lifecycle for all Saturn products (2010-2011). In the interim, should Saturn retailers as a group or other investors present a plan that would allow a spin off or sale of Saturn Distribution Corporation (SDC), GM would be open to any such possibility. If a spin off or sale does not occur, it is GM s intention to phase out the Saturn brand at the end of the current product lifecycle.

Provisions have been made in the pro-forma financial statements for all brand-related restructuring costs related to an assumed phase-out of the Saturn, Saab and Hummer retail channels and brands, should a sale or spin-off prove unachievable. The impact of moving from six to three retail channels, and eight to four core brands will not only result in structural costs savings in areas such as marketing and human resources, but will enable GM to achieve greater focus on core brands and channels. The Company believes the ongoing effect of fewer brands to be limited in terms of unit sales, while improving profitability, as over 90% of the Company s U.S. aggregate contribution margin (revenue less variable cost) is derived from core brands.

Nameplates General Motors product plan calls for a 25% reduction in the number of vehicle nameplates from today s levels by 2012. This reflects both the reduction in brands supported and continued emphasis on fewer, better, and better supported entries. As shown in Table 2, nameplates have declined from 63 in 2004 to 48 in 2008, and will be reduced further to 36 by 2012.

Table of Contents

Table 2: GM North American Marketing Strategy U.S.

	GM North America Marketing Strategy - U.S.					
	2000	2004	2008	2012		2014
				Dec. 2nd Plan	Revised Plan	
Brands	9	8	8	5	5	5
Total Nameplates	51	63	48	40	36	36
Car/Crossovers	31	33	31	29	25	29
Trucks	20	30	17	11	11	7
Car/Crossovers (%)	61%	52%	65%	73%	69%	81%
New Vehicle Launches	10	14	7	12	5	10

Consistent with the long-term outlook for higher oil prices, increasing fuel economy standards, and the Company s objective of fuel economy leadership, the mix of General Motors nameplates will continue to shift in favor of more fuel efficient car and crossover entries. Approximately 70% of the Company s nameplates in 2012 will be cars or crossovers, increasing further to around 80% by 2014. Notably, all new vehicle launches in the United States during the 2009-2014 timeframe are cars or crossovers, a sampling of which is presented in Appendix D. Also, as will be discussed in Section 4.3, GM will bring to market many new fuel saving technologies during the Plan period, importantly benefiting the Company s very successful truck line-up.

Dealers Historically, the scope and size of the dealer body has been a strength of General Motors due to excellent customer access and convenience. As the industry has grown, so too has the competition. Due to the Company s long operating history and legacy locations, many GM dealerships now operate from outdated facilities that are also no longer in the prime locations required to succeed. As a result, the traditional strength of GM s broad dealer network in major markets has become a disadvantage for both the dealerships and the Company. GM has long recognized this issue and, since 1970, has reduced the U.S. dealer body by over 6,000 dealerships. Key drivers have been natural attrition, consolidation of franchises in smaller markets and, more recently, actions to phase out 2,800 U.S. Oldsmobile franchises and realign Buick, Pontiac and GMC into a single channel. Oldsmobile has been successfully concluded, and over 80% of Buick-Pontiac-GMC sales now come from aligned dealerships. With the exception of Oldsmobile, most dealer consolidation has utilized private capital rather than relying solely on GM funds.

To continue to address this issue, GM will accelerate the right-sizing and re-shaping of its dealer network in major markets, increasing volume throughput in better locations. Fewer, better located dealerships increase dealer profits, allowing for recruitment and retention of the best retail talent and more effective local marketing initiatives. Improving the profitability of GM s independent dealers helps the Company by increasing sales, attracting private investment, and driving greater customer loyalty. In the major markets GM will continue to benchmark key locations, facilities, and throughput versus target competitors. The Company s objective is to have the right number of dealers in the right locations operated by the right entrepreneurs.

Table of Contents

In small town markets, GM intends to preserve its historic and competitive strength. Right-sizing will evolve primarily from normal attrition and from dealer initiated consolidations which are a minimal cost to GM.

As noted in Table 3, from 2004 to 2008, GM dealerships declined by 15% (from 7,367 to 6,246). Over the next four years, GM dealerships will be reduced at an accelerated rate, declining by a further 25% (from 6,246 to 4,700). Most of this reduction will take place in metro and suburban markets where dealership overcapacity is most prevalent. While current economic conditions have resulted in dealer attrition well above normal levels, the Company s Plan includes actions and investments necessary to achieve indicated targets.

Table 3: Dealerships by Brand, Market Type and Throughput

	Dealerships								
	2004	**2006**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Total GM Dealerships	7,367	6,907	6,246	5,750	5,300	5,000	4,700	4,400	4,100
Major Market	4,062	3,884	3,513	3,100	2,800	2,600	2,400	2,200	1,925
Metro	2,339	2,330	2,036	1,890	1,640	1,570	1,400	1,250	1,100
Hubtown	1,723	1,554	1,477	1,210	1,160	1,030	1,000	950	825
Rural Market	3,305	3,033	2,733	2,650	2,500	2,400	2,300	2,200	2,175

	Dealerships By Brand, Market Type and Throughput								
	2004	**2006**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Metro Markets									
Chevrolet	782	802	720	715	710	705	700	630	575
Throughput	***1,071***	***918***	***666***	***597***	***713***	***844***	***975***	***1,186***	***1,365***
Buick-Pontiac-GMC	241	336	332	415	395	370	350	310	285
Throughput	***737***	***624***	***381***	***319***	***443***	***545***	***667***	***759***	***795***
Cadillac	134	135	120	118	120	120	120	110	100
Throughput	***469***	***453***	***355***	***348***	***474***	***535***	***664***	***923***	***1,310***
Multi & Saturn, Saab, Hummer	1,182	1,057	864	642	415	375	230	200	140
Throughput	***549***	***562***	***587***	***408***	***613***	***536***	***731***	***721***	***833***
Hubtowns									
GM Multi-Line (partial)	1,723	1,544	1,477	1,210	1,160	1,030	1,000	950	825
Throughput	***421***	***388***	***320***	***293***	***363***	***460***	***529***	***585***	***685***
Rural									
GM Multi-Line (partial)	3,305	3,033	2,733	2,650	2,500	2,400	2,300	2,200	2,175
Throughput (Blended)	***275***	***239***	***196***	***152***	***191***	***224***	***261***	***287***	***295***

Retail outlets are independently owned and capitalized. As such, this effort is based on individual negotiations on a market by market basis. The Company is accelerating its existing trend to consolidate and relocate dealerships, in many cases leveraging private capital. Dealers who relocate or who replace other dealers with their private capital expect an opportunity for adequate return on their investment. Exiting dealers generally expect GM s assistance with respect to their facilities and other dealership investments, such as new vehicles, parts, tools, and third-party long term contracts.

Additional information on GM s U.S. brand and network plans are contained in Appendix E.

Cost Competitiveness The focus on fewer, better brands, nameplates and retail outlets will increase the Company s overall effectiveness enhancing revenue, and

17

Table of Contents

providing further gains in product quality due to simplification in engineering and manufacturing operations. Such simplification contributes to GM s overall ***cost competitiveness*** over time, as have the Company s initiatives related to product development, manufacturing and labor cost, described in the following sections.

Product Development In 2005, General Motors completed a long-term initiative to transform the Company s operations from a collection of semi-autonomous regions into a cohesive global enterprise. This change is enabling GM to reap enormous benefits from its significant global scale. Whereas, historically, each of the Company s four regions managed their own product development (PD) activities, GM now manages all product development activities globally. Working in concert with global purchasing and global manufacturing operations, the new PD organization has developed a succession of high-volume global vehicle architectures.

Vehicles and powertrains are now planned, designed, engineered and sourced once for all markets. The benefit of this approach is that it maximizes economies of scale, leverages the best and most experienced engineering talent for a given class of vehicle, and lowers PD costs for all regions. Each architecture is configured to meet the needs of all vehicles to be built from it, including specific regional variants. GM s global architectures are flexible to meet changing market conditions and allow for different sizes and classes of vehicles to share assembly tooling and be built in the same facility. Only four automobile companies appear to operate currently in this fashion, GM, Toyota, Honda and Volkswagen. Through the analysis related to a succession of potential cooperative ventures over the past 3 years, GM has confirmed that the Company s capabilities and economies of scale achieved from managing product development globally appear to significantly exceed those of most competitors.

By 2012, over 50% of GM s U.S. passenger car sales will be derived from new, global architectures, and this increases to nearly 90% by 2014. The benefits to GM s U.S. operations include material cost savings, lower engineering and capital investment, and better and faster execution all of which enable greater returns on investment.

Manufacturing Productivity General Motors is a leader in North American manufacturing productivity. According to The Harbour Report North America, the industry s competitive assessment study, General Motors has overtaken Toyota in North American vehicle assembly productivity.

Table 4: North America Productivity The Harbour Report

	North American Productivity - The Harbour Report			
	Hours Per Vehicle		**Segment Winners**	
	2000	2008*	2000	2008*
GM	26.75	22.19	4	11
Toyota	21.60	22.35	1	0

* Reflects 2007 performance; 2008 performance data will be available Q2 2009

As indicated in Table 4, in 2000, General Motors productivity was clearly behind Toyota s North American assembly productivity levels. Considerable improvements in

18

the Company s processes have been made since then, resulting in the Company now having eleven vehicle segment winners and three of the top ten assembly plants compared with none on both counts for Toyota. GM has also demonstrated improvements in stamping and powertrain operations, having five of the top ten most efficient engine plants and the overall leading automatic transmission plant.

Labor Cost The lower hours per vehicle noted above, combined with negotiated changes to the Company s labor agreements in 2005 and 2007, have reduced total labor cost per vehicle by 26% from 2004 to 2008. Despite this improvement, GM still had a competitive disadvantage. Legacy costs figure prominently in the competitive gap, due in part to the far greater number of retirees GM supports with pension and health care benefits. GM spent over $100 billion on retiree benefits over the past 15 years, while the foreign competitors transplant operations have not had commensurate obligations or commitments. Other competitive gap factors include the higher mix of indirect and skilled trade employees and the lower percentage of GM workers earning lower, Tier II wages compared to competition.

In this regard, in the Company s December 2 submission, a commitment was made to resolve the competitive labor cost gap by 2012. The loan documents require GM to make progress sooner, specifically requiring General Motors and its Unions to make best efforts to reach agreement in principle to closing the gap to competition by the end of 2009.

Since execution of the loan agreement, the UAW and GM s management have been in intense discussions relative to competitive improvements. Agreements concerning two items have been completed and are now being implemented. First, a special attrition program has been negotiated to assist restructuring efforts by reducing excess employment costs through voluntary incentivized attrition of the current hourly workforce. Second, the UAW and GM s management have also agreed to suspend the JOBS program, which provided full income and benefit protection in lieu of layoff for an indefinite period of time.

In addition to the above, GM s management and the UAW have reached a tentative agreement regarding modification to the GM/UAW labor agreement. This tentative agreement is subject to ratification by the UAW membership. The terms of the tentative agreement are not being disclosed pending such ratification.

These competitive improvements will further substantially reduce GM s labor costs and represent a major move to close the competitive gap with U.S. transplant competitors. In addition, GM and the UAW have agreed to improve competitive work rules, which will also significantly reduce labor costs.

While these changes materially improve GM s competitiveness and help the Company realize a substantial portion of the labor cost savings targeted in the financial projections, further progress will be required to achieve the full targeted savings. GM plans to report

Table of Contents

these changes to the U.S. Secretary of Labor who must certify GM s competitiveness relative to the U.S. transplants.

4.2 Compliance with Federal Fuel Economy and Emissions Regulations

4.2 Compliance with Federal Fuel Economy and Emissions Regulations General Motors is among the industry leaders in fuel efficiency, and committed to a wide variety of technologies to reduce petroleum consumption. Given the Company s long history as a full-line manufacturer, producing a wide variety of cars, trucks, and SUVs, the Company s contributions to significantly improving fuel economy are frequently not well understood. As indicated in Table 5, for the 2008 calendar year, the Company offers 20 models obtaining 30 miles per gallons or more in highway driving, more than any other manufacturer. Included in this number is Chevrolet s all new Malibu which achieves better fuel economy than Toyota Camry.

Table 5: GM Fuel Efficient Models (Calendar Year)

	GM Fuel Efficient Models					
	2000	2004	2008	2012 Dec. 2nd Plan	2012 Revised Plan	2014
Models > 30 MPG (Highway)	8	8	20	24	23	33
Alternative Fuel Models (% of Sales)	2%	6%	17%	55%	61%	65%
Hybrid and Plug-In Models	0	2	6	15	14	26

General Motors has also been at the forefront in the development of ***alternative fuel vehicles***, leveraging experience and capability developed around these technologies in the Company s operations in Brazil. Alternative fuels offer the greatest near-term potential to reduce petroleum consumption in the transportation sector, especially as cellulosic sources of ethanol become more readily and affordably available in the United States. An increasing percentage of the General Motors sales will be alternative fuel capable offerings, increasing from 17% in 2008 to approximately 65% in 2014.

General Motors is also investing significantly in ***hybrid and plug-in vehicles***, for both cars and trucks, and offers 9 hybrid models in 2009 (more than any other manufacturer), a number which will increase to 14 models in 2012 and 26 models in 2014. The Chevrolet Volt is included in this count, as are two additional models sharing the Volt s extended range electric vehicle (EREV) technology. With a majority of Americans driving their vehicles less than 40 miles per day, the Chevrolet Volt providing up to 40 miles on a single electrical charge should be attractive to those seeking to use little if any gasoline. The development costs of high-technology vehicles like the Volt are significant, but so are the long-term benefits that come from increased energy efficiency and independence. Working together, the industry and the Federal Government can and should explore ways and means of accelerating the adoption of such fuel-saving technologies.

Specifically related to fuel economy, the Company has complied with Federal fuel economy rules since their inception in 1978, and is fully committed to meeting the requirements in the 2007 Energy Independence and Security Act (which specifies the

Table of Contents

2020 fuel economy requirement). Going forward, the Company will work closely with the Administration on future requirements, and work to meet them in the most cost effective way. Compliance with other regulatory schemes, including the California CO_2 program, will be addressed as any such programs are finalized. General Motors will work with the Administration, and others, to develop any changes needed to the Company s product and financial plans to meet such additional requirements.

As shown in Table 6, in the 2010-2015 model years, General Motors anticipates steadily improving fuel economy for both its car and truck fleets (the only exception being the 2011 truck fleet, where, in part, a regulation change related to large SUVs and vans reduces the Company s truck fleet average from the prior year). These fuel economy values include full usage of all credit flexibilities under the U.S. Corporate Average Fuel Economy program.

Table 6: GM Fleet Average Fuel Economy (Model Year)

	GM Fleet Average Fuel Economy (MPG)					
	2010	2011	2012	2013	2014	2015
Car	31.0	32.5	33.7	36.8	38.6	38.6
Truck	24.0	23.6	23.8	25.4	26.8	27.6

Car values include both domestic and import car fleets; all values include full usage of all credit flexibilities under the CAFÉ program.

General Motors is committed to meeting or exceeding all Federal fuel economy standards in the 2010-2015 model years. The Company will achieve this through a combination of strategies, including: extensive technology improvements to conventional powertrains, and increased use of smaller displacement engines and 6-speed automatic transmissions; vehicle improvements, including increased use of lighter, front-wheel drive architectures; increased hybrid offerings, and the launch of General Motors first extended-range electric vehicle, the Chevrolet Volt in late 2010; portfolio changes, including the increasing car/crossover mix referred to previously, and dropping select larger vehicles in favor of smaller, more fuel-efficient offerings.

Oil prices figure prominently in the attainment of these projected fleet average fuel economy results because they heavily influence consumer purchase decisions, as was evident in the second half of 2008 when oil prices soared to approximately $150/barrel. As the global economy faltered, and oil prices collapsed, consumer preferences shifted again, with truck purchases taking an increasing percentage of total sales.

4.3 Domestic Manufacturer of Advanced Technology Vehicles

4.3 Domestic Manufacturer of Advanced Technology Vehicles As noted in the Company s December 2 submission, General Motors fully understands and appreciates the challenges to energy security and the climate from increased global consumption of petroleum. GM believes that as a business necessity it must do everything it can to help reduce the nation s petroleum dependency and greenhouse gas emissions, with an emphasis on fuel efficiency, bio-fuels and vehicle electrification.

In the December 2 submission, the Company highlighted that it would invest heavily in alternative fuel and advanced propulsion technologies during the 2009-2012 timeframe. This investment is substantially to support the expansion in hybrid offerings, and for the

Table of Contents

Volt s EREV technology. The Company is developing these and other technologies, shown in Chart 3, consistent with its objective of being the recognized industry leader in fuel efficiency.

Chart 3: GM Technology and Fuel Economy Leadership

Current Underway	**Medium Term** Starting in 2012 CY	**Long Term** Starting in 2015 CY
Cylinder deactivation	**Gen 2 strong hybrids**	Fuel cell
Direct injection	Dry dual clutch transmission	Lean combustion / homogeneous charge compression ignition gas engines
Turbo-charging with engine downsizing	New 4 cylinder gas engines	**Gen 3 hybrid systems**
6-speed transmission	**Potential compressed natural gas applications**	
E85 roll-out	Additional Extended Range Electric Vehicles	
Gen 2 Belt-Alternator-Starter hybrids	2-step variable valve lift	
Gen 1 strong hybrids		
Extended Range Electric Vehicles (Volt)		
Variable valve timing		

Bold represents Powertrain initiatives which favorably impact truck fuel economy

One item of particular note is the Company s announcement on January 12, 2009 to construct a new manufacturing facility in the United States to build Lithium-Ion battery packs for the Chevrolet Volt. Lithium Ion batteries are an essential technology for electric vehicles to be viable and, more generally, an important energy storage capability for this country in the long run. Despite restructuring efforts that will reduce overall salaried employment levels in the United States, General Motors is increasing its investment in electric vehicle/Lithium-Ion battery development, with over 1,000 engineers and technicians directly involved with this program.

The Company has already submitted two Section 136 applications to the Department of Energy in support of various advanced technology vehicle programs contained in General Motors product portfolio, which include some of the alternative fuel and advanced propulsion investment described above. These two requests combined total $8.4 billion, and a third application is planned for submission by March 31, 2009.

The investments contained in this restructuring plan will allow GM to become a long-term global leader in the development of fuel efficient and advanced technology vehicles. In so doing, the Company will contribute to the development of this country s advanced manufacturing capabilities in line with the important, long-term emphasis on developing green economic growth.

4.4 Rationalization of Costs, Capitalization and Capacity

4.4 Rationalization of Costs, Capitalization and Capacity General Motors has been engaged in significant restructuring of its core North American business for the past few years, including significant plant closings, workforce reductions, and renegotiation of labor contracts with its unions. This Restructuring Plan contains accelerated labor cost parity with foreign manufacturers operations in the United States, as discussed earlier in this report. The loan documents also require documentation of salaried cost competitiveness, the restructuring of the Company s VEBA obligations, and a conversion

of two-thirds of the unsecured public debt to equity by year-end 2009. This section addresses those requirements, and provides an update on the scope of GM s North American manufacturing operations, structural cost outlook and breakeven point.

Salaried Competitiveness Over the past several years, GM has significantly reduced the compensation cost of salaried employment in the U.S. Merit increases have been paid in only two of the past five years, and variable pay (well below target) has only been paid in three of the past five years. Additionally, there have been reductions in the level of benefits over the same time period.

The Company has completed an analysis of salaried employee compensation in comparison with the domestic operations of Honda, Nissan and Toyota. This analysis, performed by Watson Wyatt, confirms that GM employees are paid at competitive rates, with salaries being slightly above the 3-competitor average (0.2%) but total cash compensation trailing by approximately 6%. Benefit comparisons with the three transplant competitors are not available. GM s internal analysis shows the Company does not exceed competitive benchmarks.

Between 2000 and 2008, GM has reduced the number salaried employees in the U.S. by 40%. This Restructuring Plan includes a further reduction in GM salaried employees, globally, by approximately 10,000 (14%) compared to year-end 2008 levels. Most of this reduction is expected to occur in 2009, and will result in annualized savings of $1 billion. Historical and projected U.S. employment data is presented in presented in Table 7. More details are provided in Appendix F.

Table 7: GM U.S. Employment

	GM U.S. Employment					
	2000	2004	2008	2012		2014
				Dec. 2nd Plan	Revised Plan	
Hourly	146,026*	118,787*	62,403*		46,300	46,400
Salaried	49,348	41,464	29,650		26,250	26,250
Total	195,374	160,251	92,053	65,000-75,000	72,550	72,650

* These figures include headcounts for 2000-2008 for GM s subsidiary operations which were subsequently sold and not included in the December 2 submission figures.

Manufacturing Operations General Motors has significantly reduced and consolidated manufacturing facilities in the past 8 years. Reflecting further productivity and manufacturing flexibility improvements, GM will achieve further reductions over the next 4 years. As indicated in Table 8, the Company reduced the total number of powertrain, stamping and assembly plants by 12 in the U.S. (from 59 in 2000 to 47 at 2008 year-end), and has plans to idle an additional 14 facilities by 2012.

Table of Contents

Table 8: GM U.S. Manufacturing Operations

	GM U.S. Manufacturing Operations					
	2000	2004	2008	2012		2014
				Dec. 2nd Plan	Revised Plan	
Powertrain, Stamping and Assembly Plants	59	64	47	38	33	32
Flexible Plants (Assembly)	22%	26%	60%	77%	83%	82%

In addition to these consolidations, General Motors has been implementing an integrated Global Manufacturing Strategy, based on common lean manufacturing principles and processes. Implementation of this Strategy provides the infrastructure for flexible production in its assembly facilities where multiple body styles from different architectures can be built in a given plant. Also, GM s flexible powertrain facilities are capable of building multiple unique engine variants and transmission variants on the same machining and assembly line. As indicated in Table 8, assembly flexibility has tripled from 22% in 2000 to 60% in 2008, with a further increase to 82% planned by 2014. Flexible manufacturing enables the Company to respond to changing market conditions more quickly and contributes to higher overall capacity utilization and lower and more efficient capital investment. These benefits are built into the pro-forma financial projections contained in this Plan.

Manufacturing consolidation initiatives, along with other, enterprise-wide cost reduction activities have produced significant reductions in the Company s structural costs. As shown in Chart 4, the Company s North American structural costs have been reduced from nearly $36 billion in 2006 to approximately $30 billion in 2008.

Chart 4: GM North America Structural Cost Outlook

* 2008 data is preliminary

Note: 2006 and 2007 data vary from numbers reported in the December 2 submission due to changes in GAAP classification of certain revenue and other income items previously reflected as structural cost offsets in-line with prior management reporting

Table of Contents

By 2011, reflecting the positive impact of the initiatives and plans previously discussed (e.g., facilities, brand and nameplate reductions, headcount reductions, competitive work rules), GM s structural costs will decline by another $6 billion and remain at that level through 2014 despite an approximate 30% increase in factory unit sales over the 2010 calendar year level. At these more normal levels of production and sales, the Company s structural cost expressed as a percentage of revenue will fall to approximately 24%, considerably lower than the roughly 30% level experienced in 2006 and 2007.

Breakeven Volume In the December 2nd submission, General Motors Plan targeted breakeven operations (at the adjusted EBIT level) with U.S. industry volumes in the range of 12.5-13.0 million units, well below the 17+ million levels experienced for most of this decade, and below projected future volumes as well. With the further facility consolidations and other cost reductions incorporated in this revised Plan, the Company projects it will now lower its breakeven point to the equivalent of a U.S. industry SAAR (seasonal adjusted annual rate) of around 11.5-12.0 million units.

Capitalization On January 28, a draft term sheet for the conversion of both a substantial portion of the Company s VEBA obligations (50% or more) and current unsecured public debt (two-thirds or more) to equity was presented to the UAW and their advisors, and to the advisors to the unofficial committee of bondholders, followed by a revised term sheet on February 12. Pursuant to these terms, unsecured public debt on the Company s current balance sheet would be converted to a combination of new debt and equity, for a net debt reduction of at least $18 billion. In addition, the current VEBA and retiree Paygo healthcare obligations having a present value of $20 billion would be converted into a new VEBA contribution schedule covering one-half of the current obligations, with the other half to be met with an equity ownership in GM by the VEBA trust. Under the term sheet proposal, a substantial majority of the pro-forma equity in General Motors would be distributed to exchanging bondholders and the UAW VEBA.

At this moment, negotiations are progressing with the advisors to the unofficial committee of unsecured bondholders and due diligence regarding GM s financial conditions has commenced. A letter of understanding summarizing the progress to date on these discussions specific to the most recent term sheet is attached in Appendix G. Reflecting necessary filings with the SEC, and related review time, the bond exchange offer is now scheduled to commence in late March, consistent with required timeline. Closing on both VEBA obligations and bond exchange would follow judicial and regulatory reviews of the VEBA transaction, which should be complete in May of this year.

Discussions with representatives of the UAW VEBA have also been progressing, and due diligence is also proceeding. Similar to the unsecured bondholders, a letter of understanding summarizing progress to date related the VEBA discussions is also attached in Appendix G.

Table of Contents

5. Restructuring Plan: Financial Viability and Federal Loan Repayment

The Company s current pro-forma financial outlook builds on the Restructuring Plan presented to Congress on December 2, incorporating updated economic and industry outlooks discussed earlier, performance requirements included in the loan documents, and new restructuring initiatives undertaken by General Motors both in the United States and in select foreign operations. The deterioration in both U.S. and global economic conditions stands out as the largest negative development since the prior Plan submission to Congress, significantly lowering near-term volumes and revenues, and significantly reducing asset values in the Company s pension plans.

The accelerated and additional restructurings undertaken by General Motors partially offset these effects. Nonetheless, liquidity in the 2009-2014 Plan window while steadily improving is adversely impacted by industry volumes mirroring the Company s Downside scenario contained in the December 2 submission, requiring increased Federal support beyond that requested at that time. The specifics of the current outlook prompting GM s request for additional Federal support are presented later in this section. Appendix H outlines select Restructuring Plan s milestones.

As noted, volume remains the most significant variable in the Company s Plan, with the GDP and industry volume assumptions employed being quite conservative relative to outside forecasts, including those of the Federal Government. Any material improvement in the U.S. and global economies in 2009 and 2010, owing to a bottoming out of mortgage foreclosures, more normal credit flows (especially important to the automobile business) or Government stimulus programs, will have a significant beneficial impact on the Company s financial projections presented herein and, in turn, on the ultimate level and duration of Federal support ultimately needed.

5.1 GMNA Financial Outlook

5.1 GMNA Financial Outlook Table 9 presents a summary of key metrics for General Motors North American operations for the period 2009-2014. Reflecting a strong product plan, and the restructuring initiatives described earlier in this report, the Company will achieve breakeven at the adjusted EBIT level in 2010 despite still depressed economic conditions. As industry volumes improve (although still below levels experienced earlier this decade), adjusted EBIT levels increase significantly to over $3 billion in 2011, and to the $6.0-$7.6 billion level in the 2012-14 timeframe.

Table of Contents

Table 9: GM North America Key Metrics

	Actual			**Restructuring Plan**					
($ billions)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Industry Volume (mil. units)	20.2	19.6	16.6	13.0	15.2	17.1	18.9	19.4	19.8
Memo: U.S. Industry	*17.1*	*16.5*	*13.5*	*10.5*	*12.5*	*14.3*	*16.0*	*16.4*	*16.8*
GMNA Market Share	23.8%	23.0%	21.5%	21.1%	20.4%	19.5%	19.4%	19.3%	19.1%
GM Factory Unit Sales (000s)	4,928	4,487		2,615	3,187	3,521	3,933	4,023	4,097
Net Sales	116.7	112.4		67.6	81.3	87.9	97.0	100.1	102.9
Aggregate Contribution Margin	35.4	34.2		20.8	24.9	26.8	29.7	30.9	31.2
ACM as % of Net Sales	*30.4%*	*30.4%*		*30.8%*	*30.7%*	*30.5%*	*30.6%*	*30.9%*	*30.3%*
Structural Cost	35.6	33.8		26.3	25.0	24.0	24.0	24.0	24.0
SC as a % of Net Sales	*30.5%*	*30.0%*		*39.0%*	*30.8%*	*27.4%*	*24.8%*	*24.0%*	*23.3%*
Adjusted Earnings Before Interest and Taxes (EBIT)	0.3	0.2		(5.2)	0.3	3.2	6.0	7.3	7.6
Adjusted Earnings Before Taxes (EBT)	(1.6)	(1.5)		(7.8)	(2.6)	0.4	3.3	5.2	5.7
Adjusted Operating Cash Flows (OCF)	(3.2)	(2.1)		(8.2)	1.0	2.1	6.0	7.0	7.3

* 2008 year-end financial data has not been released yet

In 2009, reflecting total U.S. industry volume (including medium and heavy duty trucks and buses) below a 10 million unit SAAR, 1^{st} Quarter adjusted operating cash flow (OCF) is expected to be ($10.8) billion, with all subsequent quarters generating positive adjusted cash flow. The 1^{st} Quarter adjusted OCF result is directly related to a softer overall industry outlook and the Company s dramatic reduction in production (and hence dealer inventories) in the 1^{st} Quarter. Adjusted OCF turns positive in 2010, increasing steadily over ensuing years owing to improved industry sales and the full effect of restructuring activities, reaching $7 billion in 2013-2014.

Table 10: General Motors North America Adjusted Operating Cash Flow

	General Motors North America			
	2009	2010	2011	2012

N.A. Industry (million units)				
Current Outlook	13.0	15.2	17.1	18.9
O/(U) December 2				
Baseline	(1.8)	(1.2)	(0.4)	0.8
Downside	(0.3)	0.8	2.1	3.0
Adjusted OCF ($ billions)				
Current Outlook	(8.2)	1.0	2.1	6.0
O/(U) December 2				
Baseline	(4.6)	(1.9)	(2.5)	(1.3)
Downside	(1.7)	1.3	1.1	1.8

Table 10 compares currently projected adjusted OCF for the Company s North American operations with that contained in the Company s December 2 Baseline submission. As noted, given the significant reductions in industry volumes, (which approximates the Downside sensitivity scenario in the December 2 submission), adjusted OCF has deteriorated by approximately $10 billion in the 2009-2012 period. The adjusted OCF deterioration is most pronounced in 2009, especially in the 1st Quarter where production activity has been dramatically reduced in line with depressed new vehicle demand, which effectively brought down U.S. dealer stock by over 100,000 units versus the Company s

27

Table of Contents

December 2 submission. It is this severe industry deterioration that underlies the Company s request for Federal loan support described in Section 5.4.

5.2 GM Global Financial Outlook

5.2 GM Global Financial Outlook Overall global financial results generally are expected to develop along the same lines as the Company s North American operations, with breakeven adjusted EBIT reached in 2010 and improving over the Plan window, exceeding $10 billion in 2013 and 2014, as indicated in Table 11.

Table 11: GM Global Metrics

	Actual			Restructuring Plan					
($ billions)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Industry Volume (mil. units)	67.6	70.7	67.2	57.5	62.3	68.3	74.3	78.6	82.5
GM Wholesale Volume (mil. units)	8.4	8.3	7.2	5.4	6.3	6.9	7.7	7.9	8.0
GM Market Share	13.5%	13.3%	12.4%	12.0%	12.7%	12.7%	13.0%	13.0%	12.6%
Net Sales	171.2	178.2		111.2	130.1	142.4	158.1	160.6	162.1
Aggregate Contribution Margin	52.9	54.9		33.4	40.0	44.3	49.5	50.5	50.4
ACM as % of Net Sales	*30.9%*	*30.9%*		*30.0%*	*30.7%*	*31.1%*	*31.3%*	*31.4%*	*31.1%*
Structural Cost	52.9	53.5		43.3	40.0	39.6	40.2	40.4	40.3
SC as a % of Net Sales	*30.9%*	*30.1%*		*39.0%*	*30.8%*	*27.8%*	*25.5%*	*25.2%*	*24.9%*
Adjusted EBIT	0.8	1.2		(10.2)	0.3	5.1	9.4	10.3	10.6
Adjusted EBT	(1.6)	(0.7)		(14.2)	(5.0)	(0.1)	4.3	5.9	6.2
Adjusted OCF	(4.4)	(2.4)		(14.0)	(3.8)	(0.6)	6.6	6.5	6.4

* 2008 year-end financial data has not been released yet

Adjusted operating cash flows approach breakeven levels in 2011, and improve to in excess of $6 billion in the 2012-2014 period reflecting both improving industry volumes and the full-effect of the global restructuring initiatives. While all regions are cash flow positive, on an adjusted basis, in this timeframe, GM s North American operations are the most significant contributor to this result. Detailed financial projections are provided in Appendix I.

GM Europe Similar to the U.S., the Company s European operations are also expected to produce significant negative earnings and cash flow in 2009 and 2010. Reflecting a very strong product program, and significant reductions in structural costs (including significant manufacturing consolidation and labor cost savings), GM s operations in Europe are expected to produce positive financial results in 2011-2014. The principal issue for GM in Europe is the near-term lack of liquidity, solutions for which are presently being discussed with select European governments.

5.3 Financial Viability

5.3 Financial Viability One important measure of determining long-term viability is whether the Company has positive Net Present Value (NPV). Based on the assumptions and methodology set forth in Appendix J, Evercore

Partners has performed a discounted cash flow (DCF) analysis of the GM Restructuring Plan as part of the submission to the U.S. Department of the Treasury. This analysis resulted in an estimated net present value (NPV) of GM after giving effect to the implementation of the Restructuring Plan, calculated as the estimated Enterprise Value of GM less the estimated Net Obligations of GM as of December 31, 2008 (Valuation Date).

Table of Contents

The Enterprise Value of GM was calculated as the estimated value of GM s operations on a going concern basis taking into account the projected operating cash flows of the business (Core Enterprise Value) adjusted for (i) the estimated value of GM s investments in unconsolidated subsidiaries (including GMAC and GM s joint ventures in China) and the present value of expected asset sales and of the asset carve-out from GMAC (ii) the present value of estimated cash outflows from GM to Delphi and other estimated cash restructuring costs, and (iii) the estimated value of GM s minority interests.

The Net Obligations of GM were calculated as the sum of (i) GM s total debt less cash in excess of the amount required for working capital, plus (ii) the present value of expected cash contributions by GM to U.S. and international pension funds, plus (iii) the present value of the VEBA obligations.

The NPV analysis was performed pro-forma for (i) the effects of the two-thirds reduction in public unsecured indebtedness, and (ii) a 50 percent reduction in the VEBA. The valuation analysis is presented as of December 31, 2008 and is based on projections and other information provided by GM management as well as publicly available information.

Based on the Baseline Scenario financial projections developed to reflect the GM Restructuring Plan, Evercore estimated that the Enterprise Value falls within a range of approximately $59 billion to $70 billion, with a midpoint of $65 billion. Evercore estimated that Net Obligations as of the Valuation Date fall within a range of approximately $54 billion to $57 billion, with a midpoint of $55 billion, implying an estimated NPV range for GM of approximately $5 billion to $14 billion, with a midpoint of $9 billion.

The NPV range does not reflect the incremental value that may be generated by balance sheet restructuring actions in Canada and Germany which are anticipated to have an incremental positive effect on the NPV analysis. In addition, the U.S. Hourly and Salaried Pension plans are reflected as an $8-9 billion liability in the NPV analysis and GM is currently reviewing various options to mitigate this impact.

In addition to the Baseline Scenario, Evercore analyzed Upside and Downside Sensitivity Scenarios as described in Section 3.2. Using a comparable methodology to the Baseline Scenario, and based on the Upside Sensitivity Scenario financial projections, Evercore estimated that the NPV range would increase to approximately $30 billion to $41 billion, with a midpoint of $35 billion. Based on the Downside Sensitivity Scenario financial projections, the estimated NPV is negative.

Appendix J sets forth the assumptions and valuation methodology used by Evercore to calculate the NPV of GM.

5.4 Liquidity While the Restructuring Plan shows positive NPV, more challenging U.S. and global economic conditions and reduced industry vehicle demand result in higher liquidity requirements than anticipated in the December 2 Baseline outlook. The current global liquidity outlook for General Motors retains the level of targeted cash balances of approximately $11-14 billion identified in the December 2 submission necessary to support the normal conduct of business. Adjusted operating cash flows are impacted by special items, such as restructuring costs or additional pension fund contributions, VEBA contributions (which assumes 50% conversion to equity), scheduled debt repayments (which assumes two-thirds conversion to equity of the unsecured public debt), loans or other support from foreign governments to the Company s local operations, and assumed Section 136 support. Projected Federal support is also noted. Table 12 summarizes these flows for the 2008-2014 timeframe.

Table 12: GM Global Cash Flow

				GM Global Cash Flow			
($ billions)	2008*	2009	2010	2011	2012	2013	2014
Adjusted Operating Cash Flow		(14.0)	(3.8)	(0.6)	6.6	6.5	6.4
Special Items#		(4.1)	(1.4)	(0.5)	(0.3)	(5.8)	(6.3)
GMAC and Related		1.1	0.6	0.5	0.2	0.2	0.2
VEBA Contributions			(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt /Foreign Gov t. Financing, Maturities		2.3	1.7	(5.3)	(3.2)	(3.6)	(2.7)
Section 136 Funding**		2.0	2.0	1.8	1.4	0.5	
Pension Funding						5.9	6.4
U.S. TARP Funding		12.0	2.0	4.5	(3.0)	(2.9)	(2.9)
Other		(0.1)	(0.2)				
Net Cash Flow		**(0.8)**		**(0.7)**	**0.5**	**(0.4)**	
Memo: Cash Balance		13.3	13.3	12.6	13.1	12.7	12.7
Memo: U.S. TARP Balance+		16.0	18.0	22.5	19.5	16.6	13.7

* 2008 year-end financial results have not been released.

** GM has submitted two applications, and will be submitting an additional application before March 31, seeking in total more than the $7.7 billion shown. Funding GM s applications at this level is subject to available funds and government approval. Assuming future funding of the Section 136 program, GM will consider additional project applications.

\# Includes restructuring costs, Delphi, asset sales, U.S. pension contributions + excludes $0.7 billion of warrant note and $0.9 billion of GMAC note

As previously noted, tough economic and industry conditions contribute to significantly unfavorable adjusted Operating Cash Flow (OCF) of ($14) billion in 2009, with liquidity further pressured due to special items, primarily restructuring costs. The Company anticipates offsetting these cash outflows through debt/foreign government funding, Section 136 loans and increased TARP funding support of $16-$18 billion in the 2009 to 2010 timeframe (in addition to $0.7 billion warrant and $0.9 billion GMAC notes).

Adjusted OCF improves significantly in 2010-2011 (approaching breakeven by 2011), and special item-related costs are greatly reduced. However, scheduled debt repayments begin, including the paydown of the U.S. secured bank revolver facility in 2011 and cash contributions to the VEBA in 2010. To maintain adequate cash balances during the beginning of a global economic and industry recovery, additional funding from foreign governments, Section 136 facilities and the Federal TARP program are assumed. By year-end 2011, Federal TARP funding support increases to a total of $22.5 billion.

During the 2012-2014 period, industry and GM volumes while not yet at levels experienced earlier this decade contribute to adjusted OCF of approximately $6 billion annually. Absent any special items under the Baseline scenario, this level of adjusted operating cash flow would service the ongoing VEBA obligations and scheduled debt repayments, and enable partial repayment of Federal support. In fact, the Baseline

Table of Contents

liquidity forecast anticipates making a partial repayment of Federal TARP funding support in 2012 ($3 billion) with full repayment by 2017.

Pension Fund Status As noted earlier, asset values have declined significantly over the last 6 months, especially so over the last quarter. Table 13 below tracks the value of GM s obligations and pension fund assets for the 2005 2008 period, according to the metrics prescribed by Generally Accepted Accounting Principles (GAAP).

Table 13: U.S. Pension Funds

Est.