



FORM 10-Q

GENERAL MOTORS CORP - GM

Filed: November 10, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2008
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-43

GENERAL MOTORS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE
*(State or other jurisdiction of
Incorporation or Organization)*

38-0572515
*(I.R.S. Employer
Identification No.)*

300 Renaissance Center, Detroit, Michigan
(Address of Principal Executive Offices)

48265-3000
(Zip Code)

(313) 556-5000

Registrant's telephone number, including area code

NA

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

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

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

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

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

As of October 31, 2008, the number of shares outstanding of the Registrant's common stock was 610,463,321 shares.

Website Access to Company's Reports

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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PART I

Item 1. Condensed Consolidated Financial Statements

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales and revenue				
Automotive sales	\$ 37,503	\$ 43,002	\$ 117,120	\$ 131,076
Financial services and insurance revenue	438	700	1,466	2,530
Total net sales and revenue	<u>37,941</u>	<u>43,702</u>	<u>118,586</u>	<u>133,606</u>
Costs and expenses				
Automotive cost of sales	34,521	41,373	116,219	121,768
Selling, general and administrative expense	3,251	3,601	10,704	10,205
Financial services and insurance expense	400	640	1,475	2,334
Other expenses	652	350	4,136	925
Total costs and expenses	<u>38,824</u>	<u>45,964</u>	<u>132,534</u>	<u>135,232</u>
Operating loss	(883)	(2,262)	(13,948)	(1,626)
Equity in loss of GMAC LLC (Note 6)	(1,235)	(809)	(4,777)	(874)
Automotive and other interest expense	(542)	(839)	(2,037)	(2,319)
Automotive interest income and other non-operating income, net	78	572	165	1,775
Loss from continuing operations before income taxes, equity income and minority interests	(2,582)	(3,338)	(20,597)	(3,044)
Income tax expense	68	39,186	1,029	38,805
Equity income, net of tax	50	114	310	440
Minority interests, net of tax	58	(102)	52	(361)
Loss from continuing operations	(2,542)	(42,512)	(21,264)	(41,770)
Discontinued operations (Note 3)				
Income from discontinued operations, net of tax	—	45	—	256
Gain on sale of discontinued operations, net of tax	—	3,504	—	3,504
Income from discontinued operations	<u>—</u>	<u>3,549</u>	<u>—</u>	<u>3,760</u>
Net loss	\$ (2,542)	\$ (38,963)	\$ (21,264)	\$ (38,010)
Earnings (loss) per share, basic and diluted:				
Continuing operations	\$ (4.45)	\$ (75.12)	\$ (37.44)	\$ (73.82)
Discontinued operations	—	6.27	—	6.64
Total	<u>\$ (4.45)</u>	<u>\$ (68.85)</u>	<u>\$ (37.44)</u>	<u>\$ (67.18)</u>
Weighted average common shares outstanding, basic and diluted (millions)	571	566	568	566
Cash dividends per share	<u>\$ —</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>	<u>\$ 0.75</u>

Reference should be made to the notes to the condensed consolidated financial statements.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(Unaudited)

	September 30, 2008	December 31, 2007	September 30, 2007
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 15,831	\$ 24,549	\$ 24,402
Marketable securities	67	2,139	1,978
Total cash and marketable securities	15,898	26,688	26,380
Accounts and notes receivable, net	9,461	9,659	10,728
Inventories	16,914	14,939	15,530
Equipment on operating leases, net	4,312	5,283	5,572
Other current assets and deferred income taxes	3,511	3,566	3,170
Total current assets	50,096	60,135	61,380
Financing and Insurance Operations Assets			
Cash and cash equivalents	176	268	328
Investments in securities	273	215	209
Equipment on operating leases, net	2,892	6,712	7,856
Equity in net assets of GMAC LLC	1,949	7,079	6,852
Other assets	2,034	2,715	3,910
Total Financing and Insurance Operations assets	7,324	16,989	19,155
Non-Current Assets			
Equity in and advances to nonconsolidated affiliates	2,351	1,919	2,031
Property, net	42,156	43,017	42,264
Goodwill and intangible assets, net	949	1,066	1,084
Deferred income taxes	907	2,116	975
Prepaid pension	3,602	20,175	18,920
Other assets	3,040	3,466	3,691
Total non-current assets	53,005	71,759	68,965
Total Assets	\$ 110,425	\$ 148,883	\$ 149,500
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts payable (principally trade)	\$ 27,839	\$ 29,439	\$ 30,514
Short-term borrowings and current portion of long-term debt	7,208	6,047	5,263
Accrued expenses	33,959	34,822	33,927
Total current liabilities	69,006	70,308	69,704
Financing and Insurance Operations Liabilities			
Debt	1,890	4,908	5,962
Other liabilities and deferred income taxes	768	905	1,666
Total Financing and Insurance Operations liabilities	2,658	5,813	7,628
Non-Current Liabilities			
Long-term debt	36,057	33,384	34,670
Postretirement benefits other than pensions	33,714	47,375	48,336
Pensions	11,500	11,381	12,214
Other liabilities and deferred income taxes	16,484	16,102	17,019
Total non-current liabilities	97,755	108,242	112,239
Total liabilities	169,419	184,363	189,571
Commitments and contingencies (Note 11)			
Minority interests	945	1,614	1,700
Stockholders' Deficit			
Preferred stock, no par value, 6,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, \$1 ² / ₃ par value (2,000,000,000 shares authorized, 800,937,541 and 610,462,606 shares issued and outstanding at September 30, 2008, respectively, 756,637,541 and 566,059,249 shares issued and outstanding at December 31, 2007, respectively, and 756,637,541 and 565,877,391 shares issued and outstanding at September 30, 2007, respectively)	1,017	943	943
Capital surplus (principally additional paid-in capital)	15,732	15,319	15,264
Accumulated deficit	(61,014)	(39,392)	(38,528)
Accumulated other comprehensive loss	(15,674)	(13,964)	(19,450)
Total stockholders' deficit	(59,939)	(37,094)	(41,771)
Total Liabilities, Minority Interests and Stockholders' Deficit	\$ 110,425	\$ 148,883	\$ 149,500

Reference should be made to the notes to the condensed consolidated financial statements.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Dollars and shares in millions)
(Unaudited)

	<u>Shares of Common Stock</u>	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Comprehensive Loss</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Deficit</u>
Balance at December 31, 2006	566	\$ 943	\$ 15,336		\$ 195	\$ (22,126)	\$ (5,652)
Net loss	—	—	—	\$ (38,010)	(38,010)	—	(38,010)
Other comprehensive income (loss):							
Foreign currency translation adjustments	—	—	—	563	—	—	—
Unrealized gain on derivatives	—	—	—	73	—	—	—
Unrealized loss on securities	—	—	—	(2)	—	—	—
Defined benefit plans:							
Net prior service costs	—	—	—	212	—	—	—
Net actuarial gain	—	—	—	673	—	—	—
Net transition asset / obligation	—	—	—	4	—	—	—
Other comprehensive income	—	—	—	1,523	—	1,523	1,523
Comprehensive loss				\$ (36,487)			
Effects of accounting change regarding pension plan and OPEB measurement-dates pursuant to SFAS No. 158, net of tax	—	—	—		(425)	1,153	728
Cumulative effect of a change in accounting principle — adoption of FIN No. 48	—	—	—		137	—	137
Stock options	—	—	27		—	—	27
Cash dividends paid	—	—	—		(425)	—	(425)
Purchase of convertible note hedge	—	—	(99)		—	—	(99)
Balance at September 30, 2007	<u>566</u>	<u>\$ 943</u>	<u>\$ 15,264</u>		<u>\$ (38,528)</u>	<u>\$ (19,450)</u>	<u>\$ (41,771)</u>
Balance at December 31, 2007	566	\$ 943	\$ 15,319		\$ (39,392)	\$ (13,964)	\$ (37,094)
Net loss	—	—	—	\$ (21,264)	(21,264)	—	(21,264)
Other comprehensive income (loss):							
Foreign currency translation adjustments	—	—	—	(388)	—	—	—
Unrealized loss on derivatives	—	—	—	(570)	—	—	—
Unrealized loss on securities	—	—	—	(311)	—	—	—
Defined benefit plans:							
Net prior service costs	—	—	—	(4,480)	—	—	—
Net actuarial gain	—	—	—	4,035	—	—	—
Net transition asset / obligation	—	—	—	4	—	—	—
Other comprehensive loss	—	—	—	(1,710)	—	(1,710)	(1,710)
Comprehensive loss				\$ (22,974)			
Effects of GMAC LLC adoption of SFAS No. 157 and No. 159 (Note 6)	—	—	—		(76)	—	(76)
Stock options and other	—	—	9		1	—	10
Common stock issued for settlement of Series D debentures	44	74	404		—	—	478
Cash dividends paid	—	—	—		(283)	—	(283)
Balance at September 30, 2008	<u>610</u>	<u>\$ 1,017</u>	<u>\$ 15,732</u>		<u>\$ (61,014)</u>	<u>\$ (15,674)</u>	<u>\$ (59,939)</u>

Reference should be made to the notes to the condensed consolidated financial statements.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
Net cash provided by (used in) continuing operating activities	\$ (9,661)	\$ 3,641
Cash provided by discontinued operating activities	—	221
Net cash provided by (used in) operating activities	(9,661)	3,862
Cash flows from investing activities		
Expenditures for property	(5,527)	(4,939)
Investments in marketable securities, acquisitions	(3,209)	(8,672)
Investments in marketable securities, liquidations	5,139	6,801
Capital contribution to GMAC LLC	—	(1,022)
Proceeds from sale of business units/equity investments	—	5,354
Operating leases, liquidations	3,014	2,463
Other	28	(23)
Net cash used in continuing investing activities	(555)	(38)
Cash used in discontinued investing activities	—	(22)
Net cash used in investing activities	(555)	(60)
Cash flows from financing activities		
Net decrease in short-term borrowings	(2,730)	(3,732)
Borrowings of long-term debt	5,581	1,919
Payments made on long-term debt	(847)	(1,244)
Cash dividends paid to stockholders	(283)	(425)
Net cash provided by (used in) continuing financing activities	1,721	(3,482)
Cash used in discontinued financing activities	—	(5)
Net cash provided by (used in) financing activities	1,721	(3,487)
Effect of exchange rate changes on cash and cash equivalents	(315)	292
Net increase (decrease) in cash and cash equivalents	(8,810)	607
Cash and cash equivalents at beginning of the period	24,817	24,123
Cash and cash equivalents at end of the period	\$ 16,007	\$ 24,730

Reference should be made to the notes to the condensed consolidated financial statements.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Nature of Operations

We (also General Motors Corporation, GM, the Corporation, our or us) are primarily engaged in the worldwide production and marketing of cars and trucks. We operate in two businesses consisting of Automotive (GM Automotive or GMA) and Financing and Insurance Operations (FIO). We develop, manufacture and market vehicles worldwide through our four automotive segments which consist of GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM) and GM Asia Pacific (GMAP). Our finance and insurance operations are primarily conducted through our 49% equity interest in GMAC LLC (GMAC), which is accounted for under the equity method of accounting. GMAC provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential mortgage services, automobile service contracts, personal automobile insurance coverage and selected commercial insurance coverage.

Note 2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (GAAP) for complete financial statements. In our opinion, these condensed consolidated financial statements include all adjustments, consisting of only normal recurring items, considered necessary for a fair presentation of our financial position and results of operations. 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 unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007 (2007 10-K) as filed with the SEC.

The 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 for which we are the 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 the operating and financial decisions of the affiliate. We use the cost method of accounting if we are not able to exercise significant influence over the operating and financial decisions of the affiliate. All intercompany balances and transactions have been eliminated in consolidation.

Liquidity Matters

We have had significant losses from 2005 through the nine months ended September 30, 2008, attributable to operations and to restructurings and other charges such as support for Delphi and future cost cutting measures. We have managed our liquidity during this time through a series of cost reduction initiatives, capital markets transactions and sales of assets. However, the global credit market crisis has had a dramatic effect on our industry. In the three months ended September 30, 2008, the turmoil in the mortgage and overall credit markets, continued reductions in U.S. housing values, historically high prices for energy, the high likelihood that the United States and Western Europe have entered into a recession and the slowdown of economic growth in the rest of the world, created a substantially more difficult business environment. Vehicle sales in North America and Western Europe contracted severely and the pace of vehicle sales in the rest of the world slowed. Our liquidity position, as well as our operating performance, were negatively affected by these economic and industry conditions and by other financial business factors, many of which are beyond our control. These conditions have generally worsened during October 2008, with sales of vehicles for the U.S. industry falling to 861,000 units, or a seasonally adjusted rate of 10.9 million units, which was the lowest level for October since 1982. We do not believe it is likely that these adverse economic conditions, and their effect on the automotive industry, will improve significantly in the near term, notwithstanding the unprecedented intervention by the U.S. and other governments in the global banking and financial systems.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In the nine months ended September 30, 2008, we used \$9.7 billion of cash in operations and our liquidity position deteriorated by \$11.1 billion. Our cash flow deteriorated primarily due to our significant operating loss, increases in inventory balances of \$2.0 billion and a decrease in accounts payable and accruals of \$2.5 billion.

We have taken far reaching actions to restructure our U.S. business, but the effect of current global economic and credit market conditions on the automotive industry require that we obtain additional near-term liquidity support. Based on our estimated cash requirements through December 31, 2009, we do not expect our operations to generate sufficient cash flow to fund our obligations as they come due, and we do not currently have other traditional sources of liquidity available to fund these obligations.

On July 15, 2008, we announced a plan for a combination of operating and related initiatives, as well as asset sales and capital market activities, both to conserve cash and to generate incremental cash flows in a total amount of up to \$15 billion. Reflecting the priority of addressing liquidity in the current financial environment, we announced additional operating changes on November 7, 2008. We expect these additional actions to provide an incremental \$5 billion of cash savings through December 31, 2009, which combined with the previous initiatives announced on July 15, 2008, would conserve or generate cash of up to \$20 billion. These various initiatives are described below, and many of them, particularly asset sales and capital market activities, will be very challenging given the current business and credit market environments. Moreover, the full impact of many of these actions will not be realized until the second half of 2009 or later, even if they are implemented successfully. Our plans also assume that we will not be required to provide additional financial support to Delphi or GMAC beyond the level previously agreed to and that our trade suppliers will continue to conduct business with us on terms consistent with historical practice.

Based on our most recently available information (updated after the Form 8-K filed on November 7, 2008), even if we implement the planned operating actions that are substantially within our control, our estimated liquidity during the remainder of 2008 will be at or near the minimum amount necessary to operate our business. Looking into the first two quarters of 2009, even with our planned actions, our estimated liquidity will fall significantly short of the minimum required to operate our business unless economic and automotive industry conditions significantly improve, we receive substantial proceeds from asset sales, we take more aggressive working capital initiatives, we gain access to capital markets and other private sources of funding, we receive government funding under one or more current or future programs, or some combination of the foregoing. We are actively pursuing all of these possible sources of funding, but there can be no assurance that they will supply funds in amounts and timing sufficient to meet our liquidity requirements in the first two quarters of 2009 and perhaps in later periods.

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on the successful execution of many of the actions referred to above, on the timeline contemplated by our plan. Our interim condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

Management Actions and Plans

From 2005 through 2007, we took a number of steps to restructure our North American operations for sustainable profitability. These included reducing structural costs by \$9 billion per year, with plans to eliminate additional annual structural costs by 2011. In addition, we reached a historic agreement with the UAW in 2007 that provided the basis for a fully competitive manufacturing base in the United States by 2010. The UAW agreement also provided for the funding of retiree health care obligations by an independent VEBA trust, commencing in 2010. We also modified our salaried employee and executive pension plans and health care coverage to reduce our unfunded liability and made significant reductions in North American manufacturing capacity and headcount.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

July 2008 Initiatives

During the period from 2005 to 2007, the U.S. total vehicle market ranged from 16.5 million to 17.5 million units per year, and as recently as May 2008, our operating plans were based on a market assumption of more than 15.5 million units in 2008 in the United States, which was in line with industry analysts' consensus at that time. As global economic conditions deteriorated during 2008, we revised the assumptions underlying our operating plans and recognized that additional actions would be needed to position our operations for the continuing decline in new vehicle sales. A decline in vehicle sales and production results in outflows of cash greater than collections of accounts receivables, which has a negative impact on our working capital. This working capital impact has the effect of reducing our operating cash flow at a higher rate than the decline in vehicle unit volume.

On July 15, 2008, we announced new planning assumptions based on a U.S. total vehicle market of 14.3 million units in 2008 and 2009, which was at or below industry analysts' consensus, and a U.S. market share of 21% in those years. Accordingly, we undertook a number of initiatives aimed at conserving or generating approximately \$15.0 billion of cash on an incremental basis through the end of 2009. These initiatives included approximately \$10 billion of operating actions that are substantially within our control, including structural cost reductions, reducing capital spending, improving working capital, reaching agreement to defer approximately \$1.7 billion of scheduled payments to the UAW VEBA, and eliminating the dividend paid on our common stock. Further information about these actions follows:

- *Salaried employment savings (estimated \$1.5 billion effect)* — We are executing salaried headcount reductions in the U.S. and Canada through normal attrition, early retirements, mutual separation programs and other tools. In September 2008, we extended voluntary early retirement offers under our Salaried Retirement Window Program (Salaried Window Program) to certain of our U.S. salaried employees. Employees accepting the Salaried Retirement Window Program were required to do so no later than October 24, 2008, with the majority of retirements taking place on November 1, 2008. As of October 31, 2008, 3,460 employees had irrevocably accepted the Salaried Retirement Window Program, which was in excess of the 3,000 needed to achieve our financial target. In addition, health care coverage for U.S. salaried retirees over 65 has been eliminated, effective January 1, 2009. Furthermore, there will be no new base compensation increases for U.S. and Canadian salaried employees for the remainder of 2008 and 2009. We are also eliminating discretionary cash bonuses for the executive group in 2008.
- *GMNA structural cost reductions (estimated \$2.5 billion effect)* — Significant progress has been made towards achieving GMNA's structural cost reduction target. We have accelerated cessation of production at two assembly facilities in addition to shift and line-rate reductions at other facilities. Truck capacity is expected to be reduced by 300,000 vehicles by the end of 2009. Promotional and advertising spending is being reduced by 25% and 20%, respectively, and engineering spending is being curtailed as well. In addition, we are implementing significant reductions in discretionary spending (e.g., travel, non-core information technology projects and consulting services).
- *Capital expenditure reductions (estimated \$1.5 billion effect)* — The major components of this reduction are related to a delay in the next generation large pick-up truck and sport utility vehicle programs, as well as V-8 engine development. There will also be reductions in non-product capital spending. These reductions will be partially offset by increases in powertrain spending related to alternative propulsion, small displacement engines and fuel economy technologies.
- *Working capital improvements (estimated \$2.0 billion effect)* — Actions are being taken to improve working capital by approximately \$1.5 billion in North America and \$0.5 billion in Europe by December 31, 2009, primarily by reducing raw material, work-in-progress and finished goods inventory levels as well as implementing lean inventory practices at parts warehouses. All these initiatives are on track for completion prior to December 31, 2009.
- *UAW VEBA payment deferrals (estimated \$1.7 billion effect)* — Approximately \$1.7 billion of payments that had been scheduled to be made to a temporary asset account in 2008 and 2009 for the establishment of the New VEBA has been deferred until 2010. The outstanding payable resulting from this deferral will accrue interest at 9% per annum. The UAW and Class Counsel have agreed that this deferral will not constitute a change in or breach of the Settlement Agreement. Within 20 business days of the Implementation Date, approximately \$7.0 billion of deferred payments, plus interest plus additional contractual amounts will be due to the New VEBA.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

- *Dividend suspension (estimated \$0.8 billion effect)* — Our Board of Directors has suspended dividends on our common stock.

The remaining \$5 billion of our July liquidity plan included \$2 billion to \$4 billion of planned asset sales and \$2 billion to \$3 billion of fundraising in capital markets. We believed that these actions, together with the availability of \$4.5 billion under our secured credit line, would provide sufficient liquidity for the balance of 2008 and 2009 as well. The status of these previously-announced activities as of November 7, 2008, is as follows:

- *Asset sales* — We are exploring the sale of the HUMMER business, Strasbourg transmission plant and the AC Delco business. We expect to shortly commence providing offering materials to potential buyers for the HUMMER and AC Delco businesses pursuant to appropriate confidentiality agreements and have already commenced providing confidential offering materials for the Strasbourg transmission plant to interested parties. We are also in the process of monetizing idle or excess real estate and several individual transactions are in various stages of execution.
- *Capital market activities* — Our plan targeted at least \$2.0 billion to \$3.0 billion of financing during 2008 and 2009. However, due to the prevailing global economic conditions and our current financial condition and near-term outlook, we currently do not have access to the capital markets on acceptable terms. In the three months ended September 30, 2008, we executed \$0.5 billion of debt-for-equity exchanges of our Series D convertible bonds due in June 2009. In addition, we have gross unencumbered assets of over \$20 billion, which could support a secured debt offering, or multiple offerings, in excess of the initially targeted \$2.0 billion to \$3.0 billion, if market conditions recover. These assets include stock of foreign subsidiaries, brands, our investment in GMAC and real estate.

November 2008 Initiatives

Since July, U.S. auto industry sales have continued to erode, with light vehicle sales declining to a seasonally adjusted annual rate of 10.9 million units in October 2008. In addition to the general economic factors discussed above, conditions in the credit markets caused GMAC, like many other lenders, to suspend or severely curtail lease financing and tighten credit standards for traditional retail financing, with the result that consumers find it more difficult to finance purchases of new vehicles. GMAC and other lenders also increasingly restricted dealer financing. In light of the continued deterioration of industry vehicle sales and generally worsening economic conditions, we are now basing our operating plans on what we believe to be a conservative assumption of a 14.0 million unit U.S. total vehicle market in 2008 and 12.0 million for 2009, and we have concluded that our July 2008 initiatives will not be sufficient to ensure adequate liquidity through 2009 without further actions being taken.

As noted above, one consequence of the global economic downturn and credit crisis has been that capital markets have for all practical purposes been closed to GM for purposes of implementing the \$2 billion to \$3 billion of fundraising that was included in our July plan to bolster our liquidity during the remainder of 2008 and the first half of 2009. We explored a number of potential transactions to issue significant debt or equity capital during the three months ended September 30, 2008, but were unable to do so on acceptable terms. In the three months ended September 30, 2008, we exchanged \$0.5 billion of principal amount of our outstanding Series D convertible bonds due in June 2009 for newly issued GM common stock. As it is unlikely we will be able to execute an additional capital markets transaction in the near term, our ability to meet our liquidity needs relies on our ability to successfully implement other initiatives in our liquidity plans. The global credit market further deteriorated in September with the failures of several large financial institutions and the merger of others. Accordingly, on September 24, 2008, in order to have certainty of access to funding, we drew down the remaining \$3.4 billion of funding available under our secured revolving credit facility. We had previously drawn \$1.0 billion on August 1, 2008 to assist in meeting our seasonal working capital needs.

Reflecting the priority of addressing liquidity, we announced additional operating changes and other actions on November 7, 2008. Taken together, we expect these actions to provide an incremental \$5.0 billion of cash savings through December 31,

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2009, which combined with previous initiatives announced on July 15, 2008, would conserve or generate cash of up to \$20.0 billion. These additional actions include:

- *Salaried employment savings (estimated \$0.5 billion effect)* — Additional salaried employment savings will be achieved through incremental workforce reductions in U.S. and Canada, including involuntary separation initiatives. In addition, we have announced the suspension of our matching contribution to certain defined contribution plans starting November 1, 2008 as well as suspension of other reimbursement programs for U.S. and Canadian salaried employees. We also expect to realize salaried employment savings in Western Europe in 2009 through a wage/salary freeze and other cost reduction initiatives.
- *Additional GMNA structural cost reductions (estimated \$1.5 billion effect)* — We expect to reduce GMNA structural cost by an additional \$1.5 billion in 2009. These additional reductions would result from the recently announced acceleration of previously planned capacity actions and other plant operating plan changes, additional efficiencies in engineering resources aligned with further product plan changes, continued marketing spending reductions aligned with expected automotive industry conditions and intensified focus on discretionary spending reductions.
- *Additional working capital reductions (estimated \$0.5 billion effect)* — GMNA is targeting approximately \$0.5 billion of additional working capital reductions beyond the original 2008 target reduction level of \$1.5 billion. This additional target reduction is expected to be achieved by continuing to focus on inventory reductions and initiatives related to accounts payable.
- *Additional capital expenditure reductions (estimated \$2.5 billion effect)* — In the absence of federal funding support, 2009 capital spending will be reduced from the revised target of \$7.2 billion announced on July 15 to \$4.8 billion. This reduction will be achieved primarily through deferrals of selected programs (e.g., the Cadillac CTS coupe and the next generation Chevy Aveo for the global market) and related capacity reduction projects. However, we are still planning to increase global spending for fuel economy improvements, and spending related to the Chevy Volt will continue. Beyond 2009, capital expenditures will stabilize in the \$6.5 billion to \$7.0 billion range (excluding China, which is self funded with our joint venture partner).

These actions are intended to conserve or generate cash of up to \$20.0 billion in response to deterioration in the global economy, particularly the automotive industry, so that we can preserve adequate liquidity throughout the period from September 30, 2008 to December 31, 2009. However, the full effect of many of these actions will not be realized until later in 2009, even if they are successfully implemented. We are committed to exploring all of the initiatives discussed above because there is no assurance that industry or capital markets conditions will improve within that time frame. Our ability to continue as a going concern is substantially dependent on the successful execution of many of the actions referred to above, on the timeline contemplated by our plans.

Change in Presentation of Financial Statements

We reclassified prior period results for the retroactive effect of discontinued operations. Refer to Note 3. In the nine months ended September 30, 2008, we reclassified immaterial amounts related to a vehicle assembly agreement from Automotive cost of sales to Automotive sales to report the arrangement on a net basis for all periods presented. Certain reclassifications, including inter-segment eliminations between Corporate and FIO, have been made to the 2007 financial information to conform to the current period presentation.

Change in Accounting Principles

Fair Value Measurements

On January 1, 2008 we adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS No. 157), which provides a consistent definition of fair value that focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over company-specific inputs. SFAS No. 157 requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the

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observable inputs to the valuation of an asset or liability at the measurement date. The standard also requires that a company consider its own nonperformance risk when measuring liabilities carried at fair value, including derivatives. In February 2008 the Financial Accounting Standards Board (FASB) approved FASB Staff Position (FSP) No. FAS 157-2, "Effective Date of FASB Statement No. 157" (FSP No. FAS 157-2), that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP No. FAS 157-2 does not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. SFAS No. 157 is effective for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 are applied prospectively. We have decided to defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The effect of our adoption of SFAS No. 157 on January 1, 2008 was not material and no adjustment to Accumulated deficit was required. Refer to Note 6 for the effect the adoption by GMAC of this standard had on our financial condition. Refer to Note 13 for more information regarding the effect of our adoption of SFAS No. 157 with respect to financial assets and liabilities. We are currently unable to quantify the effect, if any that the adoption of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities will have on our financial condition and results of operations.

The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS No. 115

On January 1, 2008 we adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" (SFAS No. 159), which permits a company to measure certain financial assets and financial liabilities at fair value that were not previously required to be measured at fair value. We have not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. Therefore, the adoption of this standard has had no effect on our results of operations. Refer to Note 6 for the effect the adoption by GMAC of this standard had on our financial condition.

Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active

In October 2008 the FASB issued FSP No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active" (FSP No. 157-3), which clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The effect of applying the guidance in FSP No. 157-3 at September 30, 2008 was not material.

Accounting for Uncertainty in Income Taxes

On January 1, 2007 we adopted FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (FIN No. 48), which supplements SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109), by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN No. 48 requires that the tax effect(s) of a position be recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. The more likely than not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The more likely than not threshold must continue to be met in each reporting period to support continued recognition of a benefit. With the adoption of FIN No. 48, companies were required to adjust their financial statements to reflect only those tax positions that are more likely than not to be sustained. We adopted FIN No. 48 at January 1, 2007, and recorded a decrease to Accumulated deficit of \$137 million as a cumulative effect of a change in accounting principle with a corresponding decrease to our liability for uncertain tax positions.

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Accounting Standards Not Yet Adopted

Business Combinations

In December 2007 the FASB issued SFAS No. 141(R), “Business Combinations” (SFAS No. 141(R)), which retained the underlying concepts under existing standards that all business combinations be accounted for at fair value under the acquisition method of accounting. However, SFAS No. 141(R) changes the method of applying the acquisition method in a number of significant aspects. SFAS No. 141(R) will require that: (1) for all business combinations, the acquirer records all assets and liabilities of the acquired business, including goodwill, generally at their fair values; (2) certain pre-acquisition contingent assets and liabilities acquired be recognized at their fair values on the acquisition date; (3) contingent consideration be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value be recognized in earnings until settled; (4) acquisition-related transaction and restructuring costs be expensed rather than treated as part of the cost of the acquisition and included in the amount recorded for assets acquired; (5) in step acquisitions, previous equity interests in an acquiree held prior to obtaining control be re-measured to their acquisition-date fair values, with any gain or loss recognized in earnings; and (6) when making adjustments to finalize initial accounting, companies revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they had been recorded on the acquisition date. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS No. 141(R) amends SFAS No. 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) should also apply the provisions of this standard. Once effective, this standard will be applied to all future business combinations.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007 the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51” (SFAS No. 160), which amends Accounting Research Bulletin (ARB) No. 51, “Consolidated Financial Statements” (ARB No. 51), to establish new standards that will govern the accounting for and reporting of noncontrolling interests in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Also, SFAS No. 160 requires that: (1) noncontrolling interest, previously referred to as minority interest, be reported as part of equity in the consolidated financial statements; (2) losses be allocated to the noncontrolling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest; (3) changes in ownership interests be treated as equity transactions if control is maintained; (4) upon a loss of control, any gain or loss on the interest sold be recognized in earnings; and (5) the noncontrolling interest’s share be recorded at the fair value of net assets acquired, plus its share of goodwill. SFAS No. 160 is effective on a prospective basis for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which will be applied retrospectively. We are currently evaluating the effects that SFAS No. 160 will have on our financial condition and results of operations.

Disclosures about Derivative Instruments and Hedging Activities — an Amendment of FASB Statement No. 133

In March 2008 the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities — an Amendment of FASB Statement No. 133” (SFAS No. 161), which expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS No. 133). SFAS No. 161 requires additional disclosures regarding: (1) how and why a company uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133; and (3) how derivative instruments and related hedged items affect a company’s financial position, financial performance, and cash flows. In addition, SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives described in the context of a company’s risk exposures, quantitative disclosures about the location and fair value of derivative instruments and associated gains and losses, and disclosures about credit-risk-related

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contingent features in derivative instruments. SFAS No. 161 is effective for fiscal years and interim periods within those fiscal years, beginning after November 15, 2008.

Accounting for Convertible Debt Instruments

In May 2008 the FASB ratified FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" (FSP No. APB 14-1), which requires issuers of convertible debt securities within its scope to separate these securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs are also allocated between the debt and equity components. FSP No. APB 14-1 will require that convertible debt within its scope reflect a company's nonconvertible debt borrowing rate when interest expense is recognized. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods. We estimate that upon adoption, interest expense will increase for all periods presented with fiscal year 2009 pre-tax interest expense increasing by approximately \$110 million based on our current level of indebtedness.

Participating Share-Based Payment Awards

In June 2008 the FASB ratified FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" (FSP No. EITF 03-6-1), which addresses whether instruments granted in share-based payment awards are participating securities prior to vesting and, therefore, must be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share" (SFAS No. 128). FSP No. EITF 03-6-1 requires that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend-equivalents be treated as participating securities in calculating earnings per share. FSP No. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods. We are currently evaluating the effects, if any, that FSP No. EITF 03-6-1 may have on our earnings per share.

Determination of Whether an Equity-Linked Financial Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock

In June 2008 the FASB ratified EITF No. 07-5, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock" (EITF No. 07-5), which requires that an instrument's contingent exercise provisions be analyzed first. If this evaluation does not preclude consideration of an instrument as indexed to its own stock, the instrument's settlement provisions are then analyzed. EITF No. 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, with recognition of a cumulative effect of a change in accounting principle for all instruments existing at the effective date to the balance of retained earnings. We are currently evaluating the effects, if any, that EITF No. 07-5 may have on our financial condition and results of operations.

Accounting for Collaborative Arrangements

In December 2007 the FASB ratified EITF No. 07-1, "Accounting for Collaborative Arrangements" (EITF No. 07-1), which requires revenue generated and costs incurred by the parties in the collaborative arrangement be reported in the appropriate line in each company's financial statements pursuant to the guidance in EITF No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" (EITF No. 99-19), and not account for such arrangements using the equity method of accounting. EITF No. 07-1 also includes enhanced disclosure requirements regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, accounting policy, and the amount and income statement classification of collaboration transactions between the parties. EITF No. 07-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively (if practicable) to all prior periods presented for all

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collaborative arrangements existing as of the effective date. We are currently evaluating the effects, if any, that EITF No. 07-1 may have on the presentation and classification of these activities in our consolidated financial statements.

Accounting by Lessees for Nonrefundable Maintenance Deposits

In June 2008 the FASB ratified EITF No. 08-3, "Accounting by Lessees for Nonrefundable Maintenance Deposits" (EITF No. 08-3), which specifies that nonrefundable maintenance deposits that are contractually and substantively related to maintenance of leased assets be accounted for as deposit assets. EITF No. 08-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, with recognition of a cumulative effect of a change in accounting principle to the opening balance of retained earnings for the first year presented. We are currently evaluating the effects, if any, that EITF No. 08-3 may have on our financial condition and results of operations.

Note 3. Divestiture of Business

Sale of Allison Transmission Business

In August 2007, we completed the sale of the commercial and military operations of our Allison Transmission (Allison) business. The results of operations and cash flows of Allison have been reported in our condensed consolidated financial statements as discontinued operations in the three and nine months ended September 30, 2007. Historically, Allison was reported within GMNA.

The following table summarizes the results of discontinued operations:

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
	(Dollars in millions)	
Net sales	\$ 164	\$ 1,225
Operating income from discontinued operations	\$ 73	\$ 409
Income tax provision	\$ 25	\$ 148
Income from discontinued operations, net of tax	\$ 45	\$ 256
Gain on sale of discontinued operations, net of tax	\$ 3,504	\$ 3,504

As part of the transaction, we entered into an agreement with the buyers of Allison whereby we may provide the new parent company of Allison with contingent financing of up to \$100 million. Such financing would be made available if, during a defined period of time, Allison was not in compliance with its financial maintenance covenant under a separate credit agreement. Our financing would be contingent on the stockholders of the new parent company of Allison committing to provide an equivalent amount of funding to Allison, either in the form of equity or a loan, and, if a loan, such loan would be granted on the same terms as our loan to the new parent company of Allison. At September 30, 2008 we have not provided financing pursuant to this agreement. This commitment expires on December 31, 2010. Additionally, both parties have entered into non-compete arrangements for a term of 10 years in the United States and for a term of five years in Europe.

Note 4. Finance Receivables and Securitizations

We generate receivables from sales of vehicles to our dealer network domestically, as well as from service parts and powertrain sales. In connection with the related trade accounts receivables program, in September 2007 we renewed an agreement to sell undivided interests in eligible trade receivables of up to \$600 million directly to banks and to a bank conduit. Under this agreement, the receivables were sold at fair market value and removed from our condensed consolidated balance sheet at the time of sale. This agreement expired in September 2008.

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In September 2008, we entered into a one year revolving securitization borrowing program that provides financing of up to \$197 million. The trade receivables, which serve as security under this agreement, are isolated in wholly-owned bankruptcy remote special purpose entities, which in turn pledge the receivables to lending institutions. The pledged receivables are reported in Accounts and notes receivable, net and borrowings are reported as Short-term borrowings on the condensed consolidated balance sheet. At September 30, 2008, \$451 million of receivables were pledged and borrowings of \$180 million were outstanding under this program.

Note 5. Inventories

The following table summarizes the components of inventory:

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>	<u>September 30,</u> <u>2007</u>
	(Dollars in millions)		
Productive material, work in process and supplies	\$ 6,477	\$ 6,267	\$ 6,434
Finished product, including service parts	<u>11,897</u>	<u>10,095</u>	<u>10,550</u>
Total inventories at FIFO	18,374	16,362	16,984
Less LIFO allowance	<u>(1,460)</u>	<u>(1,423)</u>	<u>(1,454)</u>
Total automotive inventories	16,914	14,939	15,530
FIO off-lease vehicles, included in FIO Other assets	<u>224</u>	<u>254</u>	<u>237</u>
Total inventories	<u>\$ 17,138</u>	<u>\$ 15,193</u>	<u>\$ 15,767</u>

Note 6. Investment in Nonconsolidated Affiliates

The following table summarizes information regarding our share of net income (loss) of our nonconsolidated affiliates:

	<u>Three Months</u> <u>Ended</u> <u>September 30,</u>		<u>Nine Months</u> <u>Ended</u> <u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(Dollars in millions)			
GMAC	\$ (1,235)	\$ (809)	\$ (2,741)	\$ (874)
GMAC Common Membership Interests impairments	—	—	(2,036)	—
Shanghai General Motors Co., Ltd and SAIC-GM-Wuling Automobile Co., Ltd.	47	73	250	306
Others	<u>3</u>	<u>41</u>	<u>60</u>	<u>134</u>
Total	<u>\$ (1,185)</u>	<u>\$ (695)</u>	<u>\$ (4,467)</u>	<u>\$ (434)</u>

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The following tables summarize financial information of GMAC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
(Dollars in millions)				
Condensed Consolidated Statements of Operations:				
Total financing revenue	\$ 4,641	\$ 5,381	\$ 14,395	\$ 15,994
Depreciation expense on operating lease assets	\$ 1,412	\$ 1,276	\$ 4,209	\$ 3,530
Interest expense	\$ 2,906	\$ 3,715	\$ 8,953	\$ 11,122
Loss before income tax expense	\$ (2,621)	\$ (1,664)	\$ (5,500)	\$ (1,367)
Income tax expense (benefit)	\$ (98)	\$ (68)	\$ 94	\$ 241
Net loss	\$ (2,523)	\$ (1,596)	\$ (5,594)	\$ (1,608)
Net loss available to members	\$ (2,523)	\$ (1,649)	\$ (5,594)	\$ (1,765)

	September 30, 2008	December 31, 2007	September 30, 2007
	(Dollars in millions)		
Condensed Consolidated Balance Sheets:			
Loans held for sale	\$ 11,979	\$ 20,559	\$ 23,992
Finance receivables and loans, net	\$ 109,290	\$ 124,759	\$ 143,612
Investment in operating leases, net	\$ 30,628	\$ 32,348	\$ 31,300
Other assets	\$ 26,152	\$ 28,255	\$ 27,570
Total assets	\$ 211,327	\$ 248,939	\$ 278,778
Total debt	\$ 160,631	\$ 193,148	\$ 221,100
Accrued expenses, deposit and other liabilities	\$ 30,525	\$ 28,713	\$ 29,971
Total liabilities	\$ 202,079	\$ 233,374	\$ 262,514
Redeemable preferred membership interests	\$ —	\$ —	\$ 2,226
Preferred interests	\$ 1,052	\$ 1,052	\$ —
Total equity	\$ 9,248	\$ 15,565	\$ 14,038

The following table summarizes information related to our Preferred and Common Membership Interests in GMAC:

	September 30, 2008	December 31, 2007	September 30, 2007
(Dollars in millions)			
Preferred Membership Interests (shares)	1,021,764	1,021,764	1,555,000
Percentage ownership of Preferred Membership Interests issued and outstanding	100%	100%	74%
Carrying value of Preferred Membership Interests	\$ 43	\$ 1,044	\$ 1,594
Carrying value of Common Membership Interests	\$ 1,949	\$ 7,079	\$ 6,852

In the three month periods ended March 31 and June 30, 2008, we determined that our investment in GMAC Common Membership Interests was impaired and in the three month periods ended March 31, June 30 and September 30, 2008 that our investment in GMAC Preferred Membership Interests was impaired and that such impairments were other than temporary.

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The following table summarizes the impairment charges we have recorded against our investment in GMAC Common and Preferred Membership Interests:

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
	(Dollars in millions)	
GMAC Common Membership Interests	\$ —	\$ 2,036
GMAC Preferred Membership Interests	251	1,001
Total	\$ 251	\$ 3,037

Impairment charges are recorded in Equity in loss of GMAC LLC and Automotive interest income and other non-operating income, net for our investment in GMAC Common and Preferred Membership Interests, respectively.

Our measurements of fair value were determined in accordance with SFAS No. 157 utilizing Level 3 inputs of the fair value hierarchy established in SFAS No. 157. Refer to Note 13 for further information on the specific valuation methodology.

In the nine months ended September 30, 2008, GMAC was not required under the terms of the Preferred Membership Interests to, and elected not to, pay a dividend on our Preferred Membership Interests. We accrued dividends of \$39 million and \$116 million in the three and nine months ended September 30, 2007, respectively, related to our Preferred Membership Interests and such dividends were subsequently paid to us by GMAC.

On January 1, 2008 GMAC adopted SFAS No. 157 and No. 159. As a result of its adoption of SFAS No. 157, GMAC recorded an adjustment to retained earnings related to the recognition of day-one gains on purchased mortgage servicing rights and certain residential loan commitments. As a result of its adoption of SFAS No. 159, GMAC elected to measure, at fair value, certain financial assets and liabilities including certain collateralized debt obligations and certain mortgage loans held for investment in financing securitization structures. As a result, we reduced our Equity in net assets of GMAC LLC and increased our Accumulated deficit by \$76 million in the nine months ended September 30, 2008 reflecting our proportionate share of the cumulative effect of GMAC's adoption of SFAS No. 157 and No. 159.

Refer to Note 18 for a description of the related party transactions with GMAC.

Electro-Motive Diesel, Inc.

In April 2008 we converted a note receivable with a basis of \$37 million, which resulted from the sale of our Electro-Motive Division in April 2005, into a 30% common equity interest in Electro-Motive Diesel, Inc. the successor company (EMD). We subsequently sold our common equity interest in EMD for \$80 million in cash and a note receivable of \$7 million, due in December 2008. In the nine months ended September 30, 2008, we recognized a gain on the sale of our common equity interest of \$50 million, which is recorded in Automotive interest income and other non-operating income, net.

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Note 7. Depreciation and Amortization

The following table summarizes depreciation and amortization, including asset impairment charges, included in Automotive cost of sales, Selling, general and administrative expense, and Financial services and insurance expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Automotive				
Depreciation and impairment	\$ 1,175	\$ 1,237	\$ 3,580	\$ 3,725
Amortization and impairment of special tools	749	744	2,348	2,327
Amortization of intangible assets	21	16	61	51
Total	<u>1,945</u>	<u>1,997</u>	<u>5,989</u>	<u>6,103</u>
Financing and Insurance Operations				
Depreciation and impairment	23	297	519	1,010
Total consolidated depreciation and amortization	<u>\$ 1,968</u>	<u>\$ 2,294</u>	<u>\$ 6,508</u>	<u>\$ 7,113</u>

Note 8. Long-Term Debt and Revolving Credit Agreements***Convertible Debt***

In September 2008, we entered into agreements with a qualified institutional holder of our 1.50% Series D convertible senior debentures due in 2009 (Series D debentures). Pursuant to these agreements, we issued an aggregate of 44 million shares of our common stock in exchange for \$498 million principal amount of our Series D debentures. In accordance with the agreements, the amount of our common stock exchanged for the Series D debentures was based on the daily volume weighted average price of our common stock on the New York Stock Exchange (NYSE) in the contractual three- and four-day pricing periods.

We entered into the agreements, in part, to reduce our debt and interest costs, increase our equity, and thereby improve our liquidity. We did not receive any cash proceeds from the exchange of our common stock for the Series D debentures, which have been retired and cancelled. As a result of this exchange, we recorded a settlement gain of \$19 million in Automotive interest income and other non-operating income, net in the three and nine months ended September 30, 2008.

On March 6, 2007, Series A convertible debentures in the amount of \$1.1 billion were put to us and settled entirely in cash. At September 30, 2008 and 2007, the principal amount of outstanding Series A convertible debentures was \$39 million.

Borrowings Under Revolving Credit Agreements

On August 1, 2008 and September 24, 2008, we borrowed \$1.0 billion and \$3.4 billion, respectively, against our \$4.5 billion standby revolving credit facility, which terminates in 2011. Under the secured facility, borrowings are limited to an amount based on the value of the underlying collateral. At September 30, 2008, \$4.4 billion was outstanding under this facility, with no further availability.

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Note 9. Product Warranty Liability

The following table summarizes activity for policy, product warranty, recall campaigns and certified used vehicle warranty liabilities:

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007	Nine Months Ended September 30, 2007
	(Dollars in millions)		
Beginning balance	\$ 9,615	\$ 9,064	\$ 9,064
Warranties issued during period	3,351	5,135	3,742
Payments	(3,938)	(4,539)	(3,395)
Adjustments to pre-existing warranties	203	(165)	(97)
Effect of foreign currency translation	(190)	223	301
Liabilities transferred in the sale of Allison (Note 3)	—	(103)	(103)
Ending balance	<u>\$ 9,041</u>	<u>\$ 9,615</u>	<u>\$ 9,512</u>

We review and adjust these estimates on a regular basis based on the differences between actual experience and historical estimates or other available information.

Note 10. Pensions and Other Postretirement Benefits

The following tables summarize the components of Net periodic pension and other postretirement benefits (OPEB) (income) expense from continuing operations:

	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		U.S. Other Benefits		Non-U.S. Other Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions)							
Components of (income) expense								
Service cost	\$ 122	\$ 155	\$ 113	\$ 134	\$ 54	\$ 92	\$ 7	\$ 11
Interest cost	1,398	1,216	310	279	845	901	57	51
Expected return on plan assets	(2,006)	(1,986)	(234)	(240)	(325)	(350)	—	—
Amortization of prior service cost (credit)	207	1,686	29	7	(494)	(455)	(27)	(22)
Amortization of transition obligation	—	—	2	2	—	—	—	—
Recognized net actuarial loss	73	208	71	82	116	337	35	31
Curtailments, settlements and other	47	23	15	12	(3,192)	(214)	—	—
Divestiture of Allison	—	(20)	—	—	—	216	—	—
Net periodic pension and OPEB (income) expense from continuing operations	<u>\$ (159)</u>	<u>\$ 1,282</u>	<u>\$ 306</u>	<u>\$ 276</u>	<u>\$ (2,996)</u>	<u>\$ 527</u>	<u>\$ 72</u>	<u>\$ 71</u>

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	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		U.S. Other Benefits		Non-U.S. Other Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions)							
Components of (income) expense								
Service cost	\$ 412	\$ 475	\$ 315	\$ 363	\$ 199	\$ 278	\$ 26	\$ 33
Interest cost	3,993	3,648	943	800	2,678	2,704	175	144
Expected return on plan assets	(6,120)	(5,958)	(730)	(688)	(1,010)	(1,050)	—	—
Amortization of prior service cost (credit)	615	1,946	388	21	(1,424)	(1,378)	(77)	(63)
Amortization of transition obligation	—	—	5	5	—	—	—	—
Recognized net actuarial loss	201	630	210	250	490	1,016	92	89
Curtailments, settlements and other	3,313	25	237	51	(3,225)	(213)	—	—
Divestiture of Allison	—	(30)	—	—	—	211	—	—
Net periodic pension and OPEB (income) expense from continuing operations	<u>\$ 2,414</u>	<u>\$ 736</u>	<u>\$ 1,368</u>	<u>\$ 802</u>	<u>\$ (2,292)</u>	<u>\$ 1,568</u>	<u>\$ 216</u>	<u>\$ 203</u>

Adoption of SFAS No. 158

We recognize the funded status of our defined benefit plans in accordance with the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS No. 158). Additionally, we elected to early adopt the measurement date provisions of SFAS No. 158 at January 1, 2007. Those provisions require the measurement date for plan assets and obligations to coincide with the sponsor's year end. Using the "two-measurement" approach for those defined benefit plans where the measurement date was not historically consistent with our year end, we recorded an increase to Accumulated deficit of \$728 million, \$425 million after-tax, representing the net periodic benefit expense for the period between the measurement date utilized in 2006 and the beginning of 2007, which previously would have been recorded in the three months ended March 31, 2007 on a delayed basis. We also performed a measurement at January 1, 2007 for those benefit plans whose previous measurement dates were not historically consistent with our year end. As a result of the January 1, 2007 measurement, we recorded a decrease to Accumulated other comprehensive loss of \$2.3 billion, \$1.5 billion after-tax, representing other changes in the fair value of the plan assets and the benefit obligations for the period between the measurement date utilized in 2006 and January 1, 2007. These amounts are offset partially by an immaterial adjustment of \$390 million, \$250 million after-tax, to correct certain demographic information used in determining the amount of the cumulative effect of a change in accounting principle reported at December 31, 2006 to adopt the recognition provisions of SFAS No. 158.

Divestiture of Allison

As a result of the Allison divestiture discussed in Note 3, we recorded an adjustment to the unamortized prior service cost of our U.S. hourly and salaried pension plans of \$18 million and our U.S. hourly and salaried OPEB plans of \$223 million in the three and nine months ended September 30, 2007. Those adjustments were included in the determination of the gain recognized on the sale of Allison. The net periodic pension and OPEB (income) expenses related to Allison were reported as a component of Discontinued operations. All such amounts related to Allison are reflected in the tables 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.

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Significant Plan Amendments, Benefit Modifications and Related Events

In the nine months ended September 30, 2008 a number of significant events related to our benefit plans occurred, many of which required remeasurements of our various pension and OPEB plans. The more significant events included:

- The Settlement Agreement became effective, which transfers to the UAW our obligation to provide retiree health care coverage for GM-UAW retirees effective January 1, 2010. In conjunction with the Settlement Agreement, we remeasured our UAW hourly medical plan, our Mitigation Plan and our U.S. hourly pension plan at September 1, 2008.
- We implemented special attrition programs to further reduce the number of hourly employees. These programs required that we remeasure our U.S. hourly pension plan and UAW hourly medical plan at May 31, 2008.
- We amended our U.S. salaried retiree medical and pension plans to eliminate health care coverage for U.S. salaried retirees over age 65. These amendments required that we remeasure our U.S. salaried retiree medical and U.S. salaried pension plans at July 1, 2008.
- We assumed certain pension and OPEB obligations for Delphi employees, which required that we remeasure certain OPEB plans and our U.S. hourly pension plan at September 30, 2008.
- An agreement to increase pension benefits to certain Canadian hourly workers and certain facility idlings required that we remeasure our Canadian hourly and salaried pension plans and the Canadian hourly retiree plan at May 31, 2008.
- In the intervening time period, from May 31, 2008 to September 30, 2008 we experienced actual plan asset losses of \$6.0 billion in our U.S. hourly pension plan based on the foregoing remeasurements.

2008 GM-UAW Settlement Agreement

In October 2007, we signed a Memorandum of Understanding — Post-Retirement Medical Care (Retiree MOU) with the International Union, United Automotive, Aerospace and Agricultural Implement Workers of America (UAW), now superseded by the settlement agreement entered into in February 2008 (Settlement Agreement). The Settlement Agreement provides that responsibility for providing retiree healthcare will permanently shift from us to a new retiree plan (New Plan) funded by a new independent Voluntary Employee Beneficiary Association (New VEBA). The United States District Court for the Eastern District of Michigan (Court) certified the class and granted preliminary approval of the Settlement Agreement and we mailed notices to the class in March 2008. The fairness hearing was held on June 3, 2008 and on July 31, 2008 the Court approved the Settlement Agreement. Before it could become effective, the Settlement Agreement was subject to the exhaustion of any appeals of the July 31, 2008 Court approval and the completion of discussions between us and the staff of the SEC regarding the accounting treatment for the transactions contemplated by the Settlement Agreement on a basis we believe to be reasonably satisfactory.

On September 2, 2008 (Final Effective Date), the judgment became final as the period to file appeals related to the Court's order expired, with no appeals filed. In September 2008, we determined that discussions between us and the staff of the SEC regarding the accounting treatment for the transaction contemplated by the Settlement Agreement were completed on a basis we believe to be reasonably satisfactory. Therefore, the Settlement Agreement is now effective and under the terms of the Settlement Agreement, on January 1, 2010 (Implementation Date), our obligation to provide retiree healthcare coverage for GM-UAW retirees and beneficiaries will terminate. The obligation for retiree medical claims incurred on or after such date will be the responsibility of the New Plan and New VEBA.

As a result of the Settlement Agreement becoming effective, we remeasured the obligations and plan assets of our UAW hourly medical plan and Mitigation Plan (as defined in the 2007 10-K) using updated assumptions at September 1, 2008. The remeasured accumulated postretirement benefit obligation (APBO) included: (1) the expected benefit payments from the Final Effective Date to the Implementation Date, discounted at a rate of 5.1%; (2) the expected payments to the New VEBA, on or after the Implementation Date, as agreed to in the Settlement Agreement, discounted at the contractual discount rate of 9.0%; and (3) a \$450 million payment to the New VEBA which is contingent upon substantial consummation of a plan of reorganization (POR) by Delphi Corporation (Delphi). The discount rate of 5.1% was determined based on the yield of an optimized hypothetical portfolio of high-quality bonds rated AA or higher by a recognized rating agency with maturities

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through December 31, 2009 sufficient to fully defease the obligation for expected benefit payments before the Implementation Date. Additionally, the expected payments to the New VEBA after the Implementation Date assume that we will: (1) be required to make all twenty annual shortfall payments of \$165 million to the New VEBA (discussed below); (2) not elect to prepay any contributions to the New VEBA; and (3) contribute the \$450 million payment to the New VEBA which is contingent upon Delphi's POR. The rereasurement of the UAW hourly medical plan resulted in a reduction of our APBO of \$13.1 billion from the May 31, 2008 plan rereasurement, substantially all of which was recorded as an actuarial gain in Other comprehensive loss that will be amortized with other net actuarial gains and losses over the remaining life expectancy of plan participants. The decrease in APBO includes \$1.7 billion of reduced retiree healthcare benefits that were offset by a flat monthly special lifetime benefit of \$66.70 commencing January 1, 2010 to be paid to plan participants out of the U.S. hourly pension plan (discussed below). This has been recorded as an actuarial gain in Other comprehensive loss and will be recognized as a component of the settlement gain or loss for the UAW hourly medical plan recorded at the Implementation Date. Additionally, we recorded a \$622 million benefit in the three and nine months ended September 30, 2008 pursuant to the Settlement Agreement for the reduction of our post-Implementation Date liability related to our assumption of the Delphi healthcare obligation for certain active and retired Delphi-UAW employees. The rereasurement of the Mitigation Plan resulted in a \$200 million reduction of that plan's APBO, which we recorded as an actuarial gain in Other comprehensive loss that will be subject to amortization with other net actuarial gains and losses over the expected period of economic benefit for that plan. Refer to Note 11 for additional information regarding Delphi.

Also, as part of the September 1, 2008 plan rereasurements, we recorded a net curtailment gain of \$4.9 billion in the three and nine months ended September 30, 2008, included in Automotive cost of sales, representing the accelerated recognition of the portion of net prior service credits which had previously been scheduled for amortization after the Implementation Date. The net curtailment gain was comprised of a curtailment gain of \$6.3 billion related to the UAW hourly medical plan partially offset by a \$1.4 billion curtailment loss related to the Mitigation Plan.

From the Final Effective Date to the Implementation Date we will record net periodic postretirement healthcare cost, including service cost for UAW hourly medical plan participants working toward eligibility and the amortization of remaining net prior service credits. After the Implementation Date, no service cost will be recorded for active UAW participants who continue to work toward eligibility in the New Plan.

At the Implementation Date, we will account for the establishment and funding of the New VEBA as a termination of our UAW hourly medical plan and Mitigation Plan in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). The settlement gain or loss to be recognized on the Implementation Date will include: (1) the difference between fair value of the consideration to be provided to the New VEBA and the carrying value of the UAW hourly medical plan and Mitigation Plan obligations; (2) the unamortized actuarial gains or losses remaining in Accumulated other comprehensive loss at that date; and (3) the cost of the increased pension benefit described below.

The U.S. hourly pension plan was amended as part of the Settlement Agreement to reflect a flat monthly special lifetime benefit of \$66.70 commencing January 1, 2010 to be paid to plan participants to help offset the costs of monthly contributions required under the terms of the New VEBA. As a result, we rereasured our U.S. hourly pension plan at September 1, 2008 to reflect this change in benefits using a discount rate of 6.70%, which reflects a 25 basis point increase from the May 31, 2008 plan rereasurement. The rereasurement resulted in an increase to the projected benefit obligation (PBO) of \$563 million. The cost of the flat monthly benefit, which was \$2.7 billion at September 1, 2008, has been recorded as a component of net actuarial loss and will be recognized as a component of the settlement gain or loss for the UAW hourly medical plan recorded at the Implementation Date. We also experienced actual plan asset losses of \$2.1 billion at the September 1, 2008 rereasurement date since the previous measurement date of May 31, 2008.

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In exchange for the transfer of our UAW hourly medical plan and Mitigation Plan obligations to the New Plan, the terms of the Settlement Agreement, as amended and agreed to by Class Counsel, require us to make contributions to the New VEBA as described below:

- We may contribute \$5.6 billion on the Implementation Date or we may elect to make annual payments in varying amounts between \$421 million and \$3.3 billion through 2020. At any time after the Implementation Date we will have the option to prepay all remaining payments at a discount rate of 9%.
- In February 2008, we issued a \$4.0 billion short-term note (Short-Term Note) to LBK, LLC, a Delaware limited liability company of which we are the sole member (LBK). The Short-Term Note pays interest at a rate of 9.0% and matures on or before the 20th business day after the Implementation Date. LBK will hold the Short-Term Note until maturity at which point the proceeds will be transferred to the New VEBA (or any other holder of the Convertible Note).
- In February 2008, we issued \$4.4 billion principal amount of our 6.75% Series U Convertible Senior Debentures due December 31, 2012 (Convertible Note) to LBK. LBK will hold the Convertible Note until it is transferred to the New VEBA. The Convertible Note is convertible into 109 million shares of our common stock. Interest on the Convertible Note is payable semiannually. Interest payments of \$296 million due in 2010, 2011 and 2012, after the Convertible Note is contributed to the New VEBA, will be made directly to the New VEBA (or any other holder of the Convertible Note).
- In conjunction with the issuance of the Convertible Note, we entered into certain cash-settled derivative instruments maturing on June 30, 2011 with LBK that will have the economic effect of reducing the conversion price of the Convertible Note from \$40 to \$36 per share. These derivative instruments will also entitle us to partially recover the additional economic value provided if our common stock price appreciates to between \$63.48 and \$70.53 per share by June 30, 2011 and to fully recover the additional economic value provided if our common stock price reaches \$70.53 per share or above by June 30, 2011. LBK will transfer its interests in the derivatives to the New VEBA when the Convertible Note is transferred from LBK to the New VEBA following the Implementation Date.
- Because LBK is a wholly-owned consolidated subsidiary, the Short-Term Note, Convertible Note, derivatives and related interest income and expense have been and will continue to be eliminated in our condensed consolidated financial statements until the Implementation Date.
- Existing assets of the Mitigation Plan and a remaining \$1.0 billion contribution due in 2011.
- Approximately \$285 million of other payments to be made on the Implementation Date.
- We may be required to contribute \$165 million per year (Shortfall Payments), limited to a maximum of 20 payments, to the New VEBA if annual cash flow projections show that the New VEBA will become insolvent on a rolling 25-year basis. When measuring our obligation at September 1, 2008, we assumed we will be required to make all 20 payments. At any time after the Implementation Date we will have the option to prepay all remaining payments at a discount rate of 9%.
- Effective January 1, 2008, we divided the existing internal VEBA into two bookkeeping accounts. One account consists of the percentage of the existing internal VEBA's assets that is equal to the estimated percentage of our hourly OPEB obligation covered by the existing internal VEBA attributable to non-UAW represented employees and retirees, their eligible spouses, surviving spouses and dependents (Non-UAW Related Account). The second account consists of the remaining percentage of the assets in the existing internal VEBA (UAW Related Account). No amounts will be withdrawn from the UAW Related Account, including its investment returns, until the transfer of assets to the New VEBA. The UAW Related Account had a balance of \$13.4 billion at September 1, 2008.

The foregoing description of the required timing of the payments reflects the deferral of \$1.7 billion of payments which were originally required to be contributed in 2008 and 2009, as allowed by the Settlement Agreement and consented to by the Class Counsel. This includes interest on the Convertible Note, the Shortfall Payment of \$165 million due in 2008 and other of the required annual payments. These payments are deferred until the Implementation Date and will be increased by an annual interest rate factor of 9.0%.

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2008 Special Attrition Programs

In February 2008, we entered into agreements with the UAW and the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers of America — Communication Workers of America (IUE-CWA) regarding special attrition programs which were intended to further reduce the number of hourly employees. The UAW attrition program (2008 UAW Special Attrition Program) offered to our 74,000 UAW-represented employees consists of wage and benefit packages for normal and voluntary retirements, buyouts or pre-retirement leaves for employees with 26 to 29 years of service. In addition to their vested pension benefits, those employees that are retirement eligible will receive a lump sum payment, depending upon job classification, that will be funded from our U.S. hourly pension plan. For those employees not retirement eligible, other buyout options were offered. The terms offered to the 2,300 IUE-CWA-represented employees (2008 IUE-CWA Special Attrition Program) are similar to those offered through the 2008 UAW Special Attrition Program. As a result of the 2008 UAW Special Attrition Program and 2008 IUE-CWA Special Attrition Program (2008 Special Attrition Programs), in the nine months ended September 30, 2008 we recognized a curtailment loss on the U.S. hourly pension plan in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS No. 88), of \$2.4 billion (measured at May 31, 2008) due to the significant reduction in the expected aggregate years of future service as a result of the employees accepting the voluntary program. In addition, we recorded special termination benefits of \$800 million for irrevocable employee acceptances in the nine months ended September 30, 2008. The combined curtailment loss and other special termination benefit charges of \$3.2 billion were recorded in Automotive cost of sales in the nine months ended September 30, 2008.

In addition to the expenses discussed above, the remeasurement of the U.S. hourly pension plan at May 31, 2008 generated an immaterial increase in net periodic pension income in the nine months ended September 30, 2008, as compared to the amount determined in connection with the December 31, 2007 remeasurement. The U.S. hourly pension plan remeasurement resulted in an increase to the PBO of \$842 million at May 31, 2008, which includes the effect of other previously announced facility idlings in the U.S. as well as changes in certain actuarial assumptions. The discount rate used to determine the PBO at May 31, 2008 was 6.45%. This represents a 15 basis point increase from the 6.30% used at December 31, 2007. The effect of this change is reflected in Net periodic pension and OPEB (income) expense from continuing operations.

In anticipation of the possibility of a curtailment as a result of the 2008 UAW Special Attrition Program, we remeasured the UAW hourly medical plan at May 31, 2008. Subsequent to the remeasurement we determined that a curtailment did not occur; however, as required by SFAS No. 106, we have recorded the effects of the May 31, 2008 remeasurement of the UAW hourly medical plan in our condensed consolidated financial statements. This remeasurement resulted in an immaterial adjustment to the APBO and Net periodic pension and OPEB (income) expense from continuing operations. As a result of the 2008 Special Attrition Programs a number of smaller OPEB plans were curtailed in accordance with SFAS No. 106. The remeasurements of these plans in the nine months ended September 30, 2008 resulted in a \$104 million curtailment gain. In addition, we recorded special termination benefits and other costs of \$68 million in the nine months ended September 30, 2008 related to OPEB plans.

Salaried Retiree Benefit Plan Changes

In July 2008, we amended our U.S. salaried retiree medical and pension plans, effective January 1, 2009, to eliminate healthcare coverage for U.S. salaried retirees over age 65. Upon reaching age 65, affected retirees and surviving spouses will receive a pension increase of \$300 per month to partially offset the cost of Medicare and supplemental healthcare coverage. As a result of these plan changes, we remeasured our U.S. salaried retiree medical and U.S. salaried pension plans at July 1, 2008. For participants who are age 65 or over on January 1, 2009, the elimination of medical benefits, after considering the cost of the increased pension benefits provided, resulted in a settlement loss of \$1.7 billion, which is substantially comprised of the recognition of \$1.8 billion of actuarial losses. The \$1.7 billion settlement loss was recorded in Automotive cost of sales in the three and nine months ended September 30, 2008. For participants who are under the age of 65, the future elimination of healthcare benefits upon their 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 pension plan. The U.S.

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salaried retiree medical plan APBO was reduced by a net \$4.0 billion at the July 1, 2008 remeasurement date from December 31, 2007, which included a \$2.8 billion reduction attributable to the settlement and a \$900 million reduction due to the negative plan amendment. The negative plan amendment for the U.S. salaried retiree medical plan and the positive plan amendment for the U.S. salaried pension plan will both be amortized over seven years, which represents the average remaining years to full eligibility for U.S. salaried retiree medical plan participants. The U.S. salaried retiree medical plan was remeasured using a discount rate of 6.75%, which represents a 35 basis point increase from December 31, 2007. The U.S. salaried pension plan PBO increased by a net \$3.2 billion at the July 1, 2008 remeasurement date from December 31, 2007, which included a \$2.6 billion increase attributable to the settlement and a \$956 million increase due to the positive plan amendment. We also experienced actual plan asset losses of \$700 million at the July 1, 2008 remeasurement date since the previous measurement. The pension plan was remeasured using a discount rate of 6.60% which represents a 15 basis point increase from December 31, 2007. As a result of the elimination of healthcare benefits for participants age 65 and over in the U.S. salaried retiree medical plan, all or almost all of the participants in the plan are no longer inactive. Accordingly, we have changed the U.S. salaried retiree medical plan's amortization period for plan amendments and actuarial gains and losses effective with the July 1, 2008 remeasurement. Plan amendments on or after July 1, 2008 will now be amortized over the period to full eligibility and actuarial gains and losses amortized over the average years of future service.

Salaried Retirement Window Program

In September 2008, we extended voluntary early retirement offers under our Salaried Retirement Window Program (Salaried Window Program) to certain of our U.S. salaried employees as part of our July 15, 2008 plan to reduce salary related costs. Employees accepting the Salaried Window Program were originally required to do so by October 24, 2008, however, the acceptance period was subsequently extended to November 7, 2008, with the majority of retirements taking place on November 1, 2008 and December 1, 2008. At September 30, 2008, 600 employees irrevocably accepted the Salaried Window Program, and as such, we recorded special termination benefit charges of \$47 million in Automotive cost of sales in the three and nine months ended September 30, 2008 in accordance with SFAS No. 88 and SFAS No. 106. Because the offer period for the Salaried Window Program extended into November 2008, additional acceptances were received in the three months ending December 31, 2008 and accordingly, additional amounts will be expensed in those three months. Such amounts are expected to be at least \$231 million.

Delphi-GM Settlement Agreements

As discussed in Note 11, we 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 Hourly-Rate Employee Pension Plan (Delphi HRP); the cessation by Delphi of OPEB for Delphi hourly union-represented employees and retirees; and transfers pursuant to Internal Revenue Service (IRS) Code Section 414(l) of certain assets and obligations from the Delphi HRP to our U.S. hourly pension plan. As a result of assuming Delphi OPEB obligations, we transferred liabilities from our Delphi related accrual of \$2.7 billion. We remeasured certain of our OPEB plans at September 30, 2008 to include Delphi hourly employees, the effects of other announced facility idlings in the U.S., as well as changes in certain actuarial assumptions that increased our APBO by \$1.2 billion. These plans were remeasured at September 30, 2008 using a weighted average discount rate of 6.85%, which reflects a 45 basis point increase from December 31, 2007.

The transfer of certain assets and obligations from the Delphi HRP to our U.S. hourly pension plan pursuant to IRS Code Section 414(l) resulted in a decrease in our Delphi related accrual and an offsetting increase in the PBO of \$2.8 billion, which includes \$100 million for our obligation to provide for up to seven years of credited service to certain Delphi employees. Accordingly, we remeasured our U.S. hourly pension plan at September 30, 2008 to include assets and liabilities of certain employees transferred in accordance with the Settlement Agreement, our obligation under the Benefit Guarantee to provide up to seven years of credited service to Covered Employees, and the effects of other announced facility idlings in the U.S., as well as changes in certain actuarial assumptions including a discount rate of 7.10%, which reflects a 40 basis point increase from September 1, 2008. The remeasurement including the above transfer of certain obligations resulted in a net increase in the PBO

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of \$1.1 billion from September 1, 2008. We also experienced actual plan asset losses of \$3.9 billion at the September 30, 2008 remeasurement date since the previous measurement date of September 1, 2008.

Canada Facility Idlings and Canadian Auto Workers Union Negotiations

In the three months ended June 30, 2008, we reached an agreement with the Canadian Auto Workers Union (CAW) (2008 CAW Agreement) which resulted in increased pension benefits. Additionally, subsequent to reaching an agreement with the CAW, we announced our plan to cease production at the Oshawa Truck Facility (Oshawa) in Canada due to a decrease in consumer demand for fullsize trucks which triggered a curtailment of the Canadian hourly and salaried pension plans (Canadian Pension Plans). Accordingly, we remeasured the Canadian Pension Plans at May 31, 2008 using a discount rate of 6.0%, which reflects a 25 basis point increase from December 31, 2007. Also included in the remeasurement were the effects of other previously announced facility idlings as well as changes in certain other actuarial assumptions. In the nine months ended September 30, 2008, the remeasurements resulted in a curtailment loss of \$177 million in accordance with SFAS No. 88 related to the Canadian Pension Plans and, before foreign exchange effects, an increase to the PBO of \$262 million. In addition, we recorded \$37 million of contractual termination benefits in the nine months ended September 30, 2008 in Automotive cost of sales.

Prior to the 2008 CAW Agreement, we amortized prior service cost related to our Canadian hourly defined benefit pension plan in Canada over the remaining service period for active employees at the time of the amendment, previously estimated to be 10 years. In conjunction with entering into the 2008 CAW Agreement, we 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 our collectively bargained agreement. Therefore, we are amortizing these amounts over three years. We recorded additional net periodic pension expense of \$334 million in the nine months ended September 30, 2008 related to the accelerated recognition of previously unamortized prior service costs related to pension increases in Canada from prior collectively bargained agreements. This additional expense is primarily related to a change in the amortization period of existing prior service costs at the time of the 2008 CAW Agreement. The combined pension related charges of \$548 million were recorded in Automotive cost of sales in the nine months ended September 30, 2008.

Additionally, we remeasured the Canadian hourly retiree medical plan at May 31, 2008. The remeasurement reflected the plan amendment in the 2008 CAW Agreement as well as the announced capacity reductions and utilized updated actuarial assumptions, including the discount rate. The discount rate used to determine the APBO at May 31, 2008 was 6.0%. This reflects a 25 basis point increase from the discount rate used at December 31, 2007. The remeasurement resulted in an immaterial adjustment to the APBO and to Net periodic pension and OPEB (income) expense from continuing operations in the nine months ended September 30, 2008.

Note 11. Commitments and Contingencies

Commitments

We have provided guarantees related to the residual value of certain operating leases. At September 30, 2008, the maximum potential amount of future undiscounted payments that we could be required to pay under these guarantees was \$127 million. These guarantees terminate during years ranging from 2008 to 2035. Certain leases contain renewal options. In May 2008, we purchased our headquarters building in Detroit. Prior to the purchase, we leased the building under an operating lease and had guaranteed \$626 million related to its residual value. We performed on the guarantee in conjunction with the acquisition.

We have agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and related obligations. At September 30, 2008, the maximum potential future undiscounted payments that we could be required to pay under these guarantees was \$559 million. Included in this amount is \$513 million which relates to a guarantee provided to

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GMAC in Brazil in connection with dealer floor plan financing. This guarantee is secured by a \$565 million certificate of deposit purchased from GMAC to which we have title. These guarantees expire during years ranging from 2008 to 2017, or upon the occurrence of specific events, such as a company's cessation of business. At September 30, 2008 we have recorded liabilities of \$22 million related to these guarantees.

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 GMAC and outstanding with certain third parties, such as dealers or rental car companies. At September 30, 2008, the maximum commercial obligations we guaranteed related to these loans was \$110 million, and expire during years ranging from 2008 to 2012. We determined the value ascribed to the guarantees to be insignificant based on the credit worthiness of the third parties.

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. Also, 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. Aside from indemnifications and guarantees related to Delphi or a specific divested unit, both of which are discussed below, 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 and estimable at this time.

In addition to the guarantees and indemnifying agreements mentioned above, 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 and estimable at this time.

Refer to Note 18 for additional information on guarantees that we provide to GMAC.

Environmental

Our 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 cleanup. We are in various stages of investigation or remediation for sites where contamination has been alleged. We are involved in a number of remediation actions to clean up 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. We record an environmental reserve 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. We expect that the amounts reserved will 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 cannot be reasonably estimated because of uncertainties with respect to factors such as our 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). As a result, we are unable to determine or reasonably estimate the amount of costs or other damages for which we are potentially responsible in connection with these sites, although that total could be substantial.

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While the final outcome of environmental matters cannot be predicted with certainty, it is our opinion that none of these items, when finally resolved, is expected to have a material adverse effect on our financial position. However, 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 results of operations in any particular reporting period.

Asbestos Claims

Like most automobile manufacturers, we have been subject to asbestos-related claims in recent years. We have seen these claims primarily arise from three circumstances:

- A majority of these claims seek 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 we owned.

While we have resolved many of the asbestos-related cases over the years and continue to do so for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts, we believe that only a small proportion of the claimants has or will develop any asbestos-related physical impairment. Only a small percentage of the claims pending against us allege causation of a disease associated with asbestos exposure. The amount expended on asbestos-related matters in any year depends on the number of claims filed, the amount of pretrial proceedings and the number of trials and settlements during the period.

We record the estimated liability associated with asbestos personal injury claims where the expected loss is both probable and can reasonably be estimated. In the three months ended December 31, 2007, we retained Hamilton, Rabinovitz & Associates, Inc. (HRA), a firm specializing in estimating asbestos claims to assist us in determining our potential liability for pending and unasserted future asbestos personal injury claims. The analysis relies on and includes 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;
- Data concerning claims filed against us and resolved, amounts paid, and the nature of the asbestos-related disease or condition asserted during approximately the last four years (Asbestos Claims Experience);
- The estimated rate of asbestos-related claims likely to be asserted against us in the future based on our 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 our Asbestos Claims Experience; and
- The estimated indemnity value of the projected claims based on our Asbestos Claims Experience, adjusted for inflation.

We reviewed a number of factors, including the analysis provided by HRA and increased our reserve by \$349 million in the three months ended December 31, 2007 to record a reasonable estimate of our probable liability for pending and future asbestos-related claims projected to be asserted over the next ten years, including legal defense costs. We will monitor our actual claims experience for consistency with this estimate and make periodic adjustments as appropriate.

We believe that our analysis was based on the most relevant information available combined with reasonable assumptions, and that we may prudently rely on its conclusions to determine the estimated liability for asbestos-related claims. We note, however, that the analysis is inherently subject to significant uncertainties. The data sources and assumptions used in connection with the analysis may not prove to be reliable predictors with respect to claims asserted against us. Our experience in the recent past includes 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

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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.

At September 30, 2008, December 31, 2007 and September 30, 2007, our liability recorded for asbestos-related matters was \$660 million, \$637 million and \$531 million, respectively. The reserve balance between September 30, 2007 and December 31, 2007 increased primarily as a result of a \$349 million increase in the reserve for probable pending and future asbestos claims, which was partially offset by a reduction in the reserve for existing claims of \$251 million resulting from fewer claims and lower expenses than previously estimated.

Contingent Matters — Litigation

Various legal actions, governmental investigations, claims and proceedings are pending against us, including a number of shareholder class actions, bondholder class actions, shareholder derivative suits and class actions under the U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA), 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 and environmental matters. In certain cases we are the plaintiff or appellant related to these types of matters.

With regard to the litigation matters discussed in the previous paragraph, we have established reserves for matters in which we believe that losses are probable and can be reasonably estimated. Some of the matters may involve compensatory, punitive or other treble damage claims or demands for recall campaigns, incurred but not reported asbestos-related 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, 2008. We believe that we have appropriately accrued for such matters in accordance with SFAS No. 5, "Accounting for Contingencies" (SFAS No. 5), or, for matters not requiring accrual, that such matters will not have a material adverse effect on our results of operations or financial position based on information currently available to us. 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 us with respect to our results of operations in any particular reporting period.

In July 2008 we reached a tentative settlement of the General Motors Securities Litigation suit and recorded a charge of \$277 million in the nine months ended September 30, 2008. In the three and nine months ended September 30, 2008, we 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.

Delphi Corporation

Benefit Guarantee

In 1999, we spun-off Delphi Automotive Systems Corporation (DASC), which became Delphi. Delphi is our largest supplier of automotive systems, components and parts, and we are Delphi's largest customer. At the time of the spin-off, employees of DASC became employees of Delphi. As part of the separation agreements, Delphi assumed the pension and other postretirement benefit obligations for these transferred U.S. hourly employees who retired after October 1, 2000 and we 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, we entered into separate agreements with the UAW, the IUE-CWA and the United Steel Workers (USW) (individually, the UAW, IUE-CWA and USW Benefit Guarantee Agreements and, collectively, the Benefit Guarantee Agreements) providing contingent benefit guarantees whereby we would make payments for certain pension benefits and OPEB to certain former U.S. hourly employees that became employees of Delphi (Covered Employees). Each Benefit

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Guarantee Agreement contains separate benefit guarantees relating to pension and OPEB obligations, with different triggering events. The UAW, IUE-CWA and USW required through the Benefit Guarantee Agreements that in the event that Delphi or its successor companies ceases doing business or becomes subject to financial distress we could be liable if Delphi fails to provide the corresponding benefits at the required level. The Benefit Guarantee Agreements do not obligate us to guarantee any benefits for Delphi retirees in excess of the corresponding benefits we provide at the time to our own hourly retirees. Accordingly, any reduction in the benefits we provide our hourly retirees reduces our obligation under the corresponding benefit guarantee. In turn, Delphi entered into an agreement (Indemnification Agreement) with us that required Delphi to indemnify us if we are required to perform under the UAW Benefit Guarantee Agreement. In addition, with respect to pension benefits, our guarantee arises only to the extent that the pension benefits provided by Delphi and the Pension Benefit Guaranty Corporation fall short of the guaranteed amount.

We received notice from Delphi, dated October 8, 2005, that it was more likely than not that we would become obligated to provide benefits pursuant to the Benefit Guarantee Agreements, in connection with its commencement on that date of Chapter 11 proceedings under the U.S. Bankruptcy Code. The notice stated that Delphi was unable to estimate the timing and scope of any benefits we might be required to provide under the Benefit Guarantee Agreements but did not trigger the Benefit Guarantee Agreements; however, in 2005, we believed it was probable that we had incurred a liability under the Benefit Guarantee Agreements.

In June 2007 we entered into a Memorandum of Understanding with Delphi and the UAW (Delphi UAW MOU) that included terms relating to the consensual triggering of the UAW Benefit Guarantee Agreement as well as additional terms relating to Delphi's restructuring. Under the Delphi UAW MOU we 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 our retirees and their beneficiaries from the Mitigation Plan. We also committed to pay \$450 million to settle a UAW claim asserted against Delphi, which the UAW has directed us to pay directly to either the Mitigation Plan or New VEBA, depending upon the timing of the payment. This amount is to be paid upon substantial consummation of a Delphi POR consistent with the Delphi UAW MOU and the Delphi-GM Settlement Agreements, as defined below. In August 2007, we entered into a Memorandum of Understanding with Delphi and the IUE-CWA (Delphi IUE-CWA MOU), and we entered into two separate Memoranda of Understanding with Delphi and the USW (collectively the USW MOUs). The terms of the Delphi IUE-CWA MOU and the USW MOUs are similar to the Delphi UAW MOU with regard to the consensual triggering of the Benefit Guarantee Agreements.

Delphi-GM Settlement Agreements

In September 2007, as amended in October and December, 2007, we entered into comprehensive settlement agreements with Delphi (Delphi-GM Settlement Agreements) consisting of a Global Settlement Agreement, as amended (GSA) and a Master Restructuring Agreement, as amended (MRA). The GSA was intended to resolve outstanding issues between Delphi and us that have arisen or may arise before Delphi's emergence from Chapter 11. The MRA was intended to govern certain aspects of our ongoing commercial relationship with Delphi. The memoranda of understanding discussed in the preceding paragraph were incorporated into these agreements.

On September 12, 2008 we amended the terms of the GSA (Amended GSA) and MRA (Amended MRA) (collectively, Amended Delphi-GM Settlement Agreements). On September 26, 2008, the United States District Court for the Southern District of New York entered an order approving the implementation of the Amended Delphi-GM Settlement Agreements which then became effective on September 29, 2008. In connection with the Amended GSA, we and Delphi reached agreements with each of Delphi's unions regarding the plan to freeze benefits related to the Delphi HRP, the cessation by Delphi of OPEB for Delphi hourly union represented employees and retirees, transfers pursuant to IRS Code Section 414(l) of net liabilities from the Delphi HRP to our U.S. hourly pension plan, and the release by the unions, their members and their retirees of Delphi and us from claims related to such matters.

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In addition, the more significant items contained in the Amended Delphi-GM Settlement Agreements include our 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 will assume responsibility for OPEB going forward;
- 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;
- Transfer, under IRS Code Section 414(l), \$2.1 billion of net liabilities from the Delphi HRP to our U.S. hourly pension plan on September 29, 2008 (First Hourly Pension Transfer) and the remaining net liabilities, which are estimated to be \$1.3 billion at September 30, 2008, upon Delphi's substantial consummation of its POR consistent with the Amended Delphi-GM Settlement Agreements (Second Hourly Pension Transfer). Actual amounts of the Second Hourly Pension Transfer will depend on, among other factors, the valuation of the pension liability at transfer date and performance of pension plan assets;
- 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 our ability to re-source certain production to alternative suppliers;
- Reimburse certain U.S. hourly labor costs incurred to produce systems, components and parts for us from October 1, 2006 through September 14, 2015 at certain U.S. facilities owned or to be divested by Delphi (Labor Cost Subsidy);
- Reimburse Delphi's cash flow deficiency attributable to production at certain U.S. facilities that continue to produce systems, components and parts for us until the facilities are either closed or sold by Delphi (Production Cash Burn Support);
- Pay Delphi \$110 million in both 2009 and 2010 in quarterly installments in connection with certain U.S. facilities owned by Delphi (Facilitation Support);
- Temporarily accelerate payment terms for Delphi's North American sales to us upon substantial consummation of its POR, until 2012;
- Beginning January 1, 2009, reimburse Delphi for actual cash payments related to workers compensation, disability, supplemental employment 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.

Delphi agreed to provide us or our designee with an option to purchase all or any of certain Delphi businesses for one dollar if such businesses have not been sold by certain specified deadlines. If such a business is not sold either to a third party or to us or any affiliate pursuant to the option by the applicable deadline, we (or at our option, an affiliate) will be deemed to have exercised the purchase option, and the unsold business, including materially all of its assets and liabilities, will automatically transfer to the GM "buyer." Similarly, under the Delphi UAW MOU if such a transfer has not occurred by the applicable deadline, responsibility for the affected UAW hourly employees of such an unsold business would automatically transfer to us or our designated affiliate. Upon emergence, Delphi also agreed to provide us with the right to access and operate four Delphi U.S. manufacturing facilities under certain circumstances.

The Amended GSA also resolves all claims in existence as of the effective date of the Amended Delphi-GM Settlement Agreements (with certain limited exceptions) that either Delphi or we have or may have against the other, including Delphi's motion in March 2006 under the U.S. Bankruptcy Code to reject certain supply contracts with us. The Amended GSA and related agreements with Delphi's unions releases us 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. Also pursuant to the Amended GSA, we have released Delphi and its related parties, as defined, from claims by us or our related parties, as defined.

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Additionally, the Amended GSA provides that we will receive:

- An administrative claim regarding the First Hourly Pension Transfer of \$1.6 billion, of which we will share equally with the general unsecured creditors up to only the first \$600 million in recoveries in the event Delphi does not emerge from bankruptcy;
- An administrative claim for \$2.1 billion for the total Delphi HRP transfer (inclusive of the administrative claim for the First Hourly Pension Transfer) to be paid in preferred stock upon substantial consummation of Delphi's POR in which Delphi emerges with: (1) its principal core businesses; (2) exit financing that does not exceed \$3.0 billion (plus a revolving credit facility); and (3) equity securities that are not senior to or pari passu with the preferred stock issued to us; and
- A general unsecured claim in the amount of \$2.5 billion that is subordinated until general unsecured creditors receive recoveries equal to 20% of their general unsecured claims after which we will receive 20% of our general unsecured claim in preferred stock, with any further recovery shared ratably between us and general unsecured creditors.

The ultimate value of any consideration that we may receive is contingent on the fair market value of Delphi's assets in the event Delphi fails to emerge from bankruptcy or upon the fair market value of Delphi's securities if Delphi emerges from bankruptcy.

As a result of the implementation of the Amended Delphi-GM Settlement Agreements, we paid \$1.2 billion to Delphi in the three and nine months ended September 30, 2008 in settlement of the amounts accrued to date against our commitments.

Delphi POR

The Bankruptcy Court entered an order on January 25, 2008 confirming Delphi's POR. On April 4, 2008, Delphi announced that although it had met the conditions required to substantially consummate its POR, including obtaining \$6.1 billion in exit financing, Delphi's plan investors refused to participate in the closing of the transaction contemplated by the POR, which was commenced but not completed because of the plan investors' position. We continued to work with Delphi and its stakeholders to facilitate Delphi's efforts to emerge from bankruptcy, including the implementation of the Amended Delphi-GM Settlement Agreements. On October 3, 2008 Delphi filed a modified POR, which contemplates Delphi obtaining \$3.8 billion in exit financing to consummate its modified POR. Given the current credit markets and the challenges facing the automotive industry, there can be no assurance that Delphi will be successful in obtaining \$3.8 billion in exit financing to emerge from bankruptcy.

In May 2008, we agreed to advance up to \$650 million to Delphi in 2008, which is within the amounts we would have owed under the Delphi-GM Settlement Agreements had Delphi emerged from bankruptcy in April 2008. In August 2008 we entered into a new agreement to advance up to an additional \$300 million. This increased the amount we could advance to \$950 million in 2008, which is within the amounts we would owe under the Delphi-GM Settlement Agreements if Delphi was to emerge from bankruptcy in December 2008. Upon the effectiveness of the Amended Delphi-GM Settlement Agreements, the original \$650 million advance agreement matured, leaving a \$300 million advance agreement. At September 30, 2008, no amounts were outstanding under our advance agreement with Delphi. Further, in October 2008, subject to Delphi obtaining an extension or other accommodation of its Debtor-in-Possession (DIP) financing through June 30, 2009, we agreed to extend the \$300 million advance agreement through June 30, 2009 and to temporarily accelerate our North American payables to Delphi in the three months ending June 30, 2009, which is expected to result in additional liquidity to Delphi of \$100 million in each of April, May and June of 2009. The potential temporary acceleration of payment terms, which was to occur upon substantial consummation of Delphi's POR under the Amended Delphi-GM Settlement Agreements, is also subject to Delphi's actual liquidity requirements.

In the three and nine months ended September 30, 2008, we recorded charges in Other expenses of \$652 million and \$4.1 billion, respectively, and charges in Automotive cost of sales of \$105 million and \$444 million, respectively. In the three and nine months ended September 30, 2007, we recorded charges in Other expenses of \$350 million and \$925 million, respectively. These charges reflect our best estimate of our obligations associated with the Benefit Guarantee Agreements and

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other amounts due under the Amended Delphi-GM Settlement Agreements. The charge recorded in the three months ended September 30, 2008 reflects our estimated obligations under the Amended Delphi-GM Settlement Agreements, net of estimated recoveries, updated to reflect current conditions related to the credit markets and challenges in the auto industry. In addition, the charge reflects a benefit of \$622 million due to a reduction in our estimated liability associated with Delphi OPEB related costs for Delphi active employees and retirees, based on the terms of the New VEBA as discussed in Note 10, who were not previously participants in our plans. Changes in the estimated OPEB liability for these individuals were recognized in earnings. The terms of the New VEBA also reduced our \$3.6 billion OPEB obligation for Delphi employees who flowed back to us and became participants in the UAW hourly medical plan primarily in 2006, however, that benefit is included in the actuarial gain recorded in our UAW hourly medical plan as discussed in Note 10.

Since 2005, we have recorded total charges of \$11.7 billion in Other expenses in connection with the Benefit Guarantee Agreements and Amended Delphi-GM Settlement Agreements which, at September 30, 2008, reflects an estimate of no recovery for our unsecured bankruptcy claims. Our commitments under the Amended Delphi-GM Settlement Agreements for workers compensation, disability, and supplemental employment benefits are included in the amounts recorded in Other expenses. In addition, our commitment for the Labor Cost Subsidy, Production Cash Burn Support and Facilitation Support in the three and nine months ended September 30, 2008 are included in the amounts recorded in Automotive cost of sales and are expected to result in additional expense of between \$250 million and \$400 million annually in 2009 through 2015, which will be treated as a period cost and expensed as incurred. Due to the uncertainties surrounding Delphi's ability to emerge from bankruptcy it is reasonably possible that additional losses, which may be substantial, could arise in the future, but we currently are unable to estimate the amount or range of such losses, if any.

Benefit Guarantees Related to Divested Facilities

We have entered into various guarantees regarding benefits for our former employees at two previously divested facilities that manufacture component parts whose results continue to be included in our consolidated financial statements in accordance with FIN No. 46(R), "Consolidation of Variable Interest Entities — an interpretation of ARB No. 51" (FIN No. 46(R)). For these divested facilities, we entered into agreements with both of the purchasers to indemnify, defend and hold each purchaser harmless for any liabilities arising out of the divested facilities and with the UAW guaranteeing certain postretirement health care benefits and payment of postemployment benefits.

In 2007, we recognized favorable adjustments of \$44 million related to these facility idlings, in addition to a \$38 million curtailment gain with respect to OPEB.

Note 12. Income Taxes

Effective Tax Rate

In accordance with Accounting Principles Board Opinion No. 28, "Interim Financial Reporting" (APB No. 28), we adjust our effective tax rate each quarter to be consistent with the estimated annual effective tax rate. We also record the tax effect of unusual or infrequently occurring discrete items including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year to date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The effect of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Deferred Tax Assets

We have established valuation allowances for deferred tax assets based on a "more likely than not" threshold. Our ability to realize our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward

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periods provided for in the tax law for each applicable tax jurisdiction. We consider the following possible sources of taxable income when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

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. We utilize a rolling three years of actual and current year anticipated results as our primary measure of our cumulative losses in recent years. However, because a substantial portion of those cumulative losses relate to various non-recurring matters and the implementation of our North American Turnaround Plan, we adjust those three-year cumulative results for the effect of these items. The analysis performed in the three months ended September 30, 2007 and March 31, 2008 indicated that in Canada, Germany, the United Kingdom and the United States, we had cumulative three-year losses on an adjusted basis. In Spain, we anticipated being in a cumulative three-year loss position in the near-term. This was considered significant negative evidence that is objective and verifiable and therefore, difficult to overcome. In addition our near-term financial outlook in these jurisdictions had deteriorated. Furthermore, as it relates to our assessment in the United States, many factors in our evaluation are not within our control, particularly:

- The possibility for continued or increasing price competition in the highly competitive U.S. market;
- Volatile fuel prices and the effect that may have on consumer preferences related to our most profitable products, fullsize pick-up trucks and sport utility vehicles;
- Uncertainty over the effect on our cost structure from more stringent U.S. fuel economy and global emissions standards which may require us to sell a significant volume of alternative fuel vehicles across our portfolio;
- Uncertainty as to the future operating results of GMAC; and
- Turmoil in the mortgage and credit markets and continued reductions in housing values.

Accordingly, in the three months ended September 30, 2007, we concluded that the objectively verifiable negative evidence of our historical losses combined with our challenging near-term outlook out-weighed other factors and that it was more likely than not that we would not generate sufficient taxable income to realize our net deferred tax assets, in whole or in part in Canada, Germany and the United States. As such, we recorded full valuation allowances against our net deferred tax assets in Canada, Germany and the United States of \$39.0 billion in the three and nine months ended September 30, 2007.

In the three months ended March 31, 2008, we determined that it was more likely than not that we would not realize our net deferred tax assets, in whole or in part, in Spain and the United Kingdom and recorded full valuation allowances of \$379 million against our net deferred tax assets in these tax jurisdictions. The following summarizes the significant changes occurring in the three months ended March 31, 2008, which resulted in our decision to record these full valuation allowances.

In the United Kingdom, we were in a three-year adjusted cumulative loss position and our near-term and mid-term financial outlook for automotive market conditions was more challenging than we believed in the three months ended December 31, 2007. Our outlook deteriorated based on our projections of the combined effects of the challenging foreign exchange environment and unfavorable commodity prices. Additionally, we increased our estimate of the potential costs that may arise from the regulatory and tax environment relating to carbon dioxide (CO₂) emissions in the European Union, including legislation enacted or announced in 2008.

In Spain, although we were not in a three-year adjusted cumulative loss position our near-term and mid-term financial outlook deteriorated significantly in the three months ended March 31, 2008 such that we anticipated being in a three-year adjusted cumulative loss position in the near- and mid-term. In Spain, as in the United Kingdom, our outlook deteriorated based on our projections of the combined effects of the foreign exchange environment and commodity prices, including our estimate of the potential costs that may arise from the regulatory and tax environment relating to CO₂ emissions.

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We currently have recorded full valuation allowances against our net deferred tax assets in Brazil. Such valuation allowances were initially recorded in 2005. In 2006, 2007 and in the nine months ended September 30, 2008, we generated taxable income in Brazil and accordingly, had reversed a portion of that valuation allowance to offset the tax provision for income earned in those periods. It is reasonably possible that our Brazilian operations will generate taxable income in 2008 and may show a forecast of future taxable income at that time, which may result in a change in our judgment regarding the need for a full valuation allowance in Brazil. However, global economic conditions have become increasingly unstable and it is not possible to objectively verify this information at September 30, 2008. Accordingly, we have continued to conclude that it is more likely than not that we will not realize our net deferred tax assets in Brazil.

If, in the future, we generate taxable income in Brazil, Canada, Germany, Spain, the United Kingdom, the United States or other tax jurisdictions where we have recorded full valuation allowances on a sustained basis, 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 our Canadian, German, Spanish, United Kingdom, U.S. or operations in other tax jurisdictions generate taxable income prior to reaching profitability on a sustained basis, we would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing our conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

In the three and nine months ended September 30, 2008 we recognized income tax expense on Loss from continuing operations before income taxes, equity income and minority interests due to the effect of no longer recording tax benefits for losses incurred in Canada, Germany, Spain, the United Kingdom and the United States, unless offset by pretax income from other than continuing operations, based on the valuation allowances established in the three months ended September 30, 2007 and March 31, 2008, as disclosed in our 2007 Form 10-K and Quarterly Report on Form 10-Q for the three months ended March 31, 2008, respectively.

Tax Examinations and Uncertain Tax Positions

At September 30, 2008 and December 31, 2007, the amount of consolidated gross unrecognized tax benefits before valuation allowances was \$3.1 billion and \$2.8 billion, respectively, and the amounts that would favorably affect the effective income tax rate in future periods after valuation allowances were \$265 million and \$68 million, respectively. The increase in the amounts that would favorably affect the effective tax rate is primarily related to adjustments resulting from our annual review of intercompany transfer pricing arrangements. At September 30, 2007, the amounts 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 were \$2.5 billion and \$50 million, respectively. These amounts consider the guidance in FSP No. FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" (FSP No. FIN 48-1). At September 30, 2008, \$2.2 billion of the liability for uncertain tax positions is netted against deferred tax assets relating to the same tax jurisdictions. The remainder of the liability for uncertain tax positions is classified as a non-current liability.

We file income tax returns in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. In the U.S., our federal income tax returns for 2001 through 2003 have been reviewed by the IRS, and except for one transfer pricing matter, this examination is expected to conclude in 2008. We have submitted requests for Competent Authority assistance on the transfer pricing matter. Competent authorities interpret the implementation of treaties to achieve the effect of eliminating double taxation. The IRS is currently reviewing our 2004 through 2006 federal income tax returns. In addition, our previously filed tax returns are currently under review in Argentina, Australia, Belgium, Canada, Ecuador, France, Germany, Hungary, India, Indonesia, Italy, Korea, Mexico, New Zealand, Russia, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom and Venezuela. It is reasonably possible that the reviews of our previously filed tax returns in Korea will conclude in the three months ended December 31, 2008 and it is possible that we will be required to make cash payments as part of this settlement. Tax audits in Greece, Mexico, the United Kingdom and certain U.S. states concluded in 2008. The conclusion of these audits resulted in the release of amounts accrued for interest and penalties of \$62 million and \$23 million, respectively, in the nine months ended September 30, 2008. At September 30, 2008 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits over the next twelve months.

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We have open tax years from 1999 to 2007 with various significant taxing jurisdictions including the U.S., Australia, Canada, Mexico, Germany, the United Kingdom, Korea and Brazil. 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. We have recorded a tax benefit only for those positions that meet the more likely than not standard.

Note 13. Fair Value Measurements

In September 2006 the FASB issued SFAS No. 157 and in February 2007 issued SFAS No. 159. Both standards address aspects of the expanding application of fair value accounting. Effective January 1, 2008, we adopted SFAS No. 157 and SFAS No. 159. In accordance with the provisions of FSP No. FAS 157-2, we have decided to defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. There was no adjustment to Accumulated deficit as a result of our adoption of SFAS No. 157. SFAS No. 159 permits a company to measure certain financial assets and financial liabilities at fair value that were not previously required to be measured at fair value. We have not elected to measure any financial assets or financial liabilities at fair value which were not previously required to be measured at fair value.

SFAS No. 157 provides for the following:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the observable inputs to the valuation of an asset or liability at the measurement date;
- Requires consideration of our nonperformance risk when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

SFAS No. 157 also establishes a three-level valuation hierarchy for fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. 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*.

Following is a description of the valuation methodologies we used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities

We classify our securities within Level 1 of the valuation hierarchy where quoted prices are available in an active market. Level 1 securities include exchange-traded equities. We generally classify our securities within Level 2 of the valuation hierarchy where quoted market prices are not available. If quoted market prices are not available, we determine the fair values of our securities using pricing models, quoted prices of securities with similar characteristics or discounted cash flow models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. Examples of such securities include U. S. government and agency securities, certificates of deposit, commercial paper, and corporate debt securities. We classify our securities within Level 3 of the valuation hierarchy in certain cases where there is limited activity or less observable inputs to the valuation. Inputs to the Level 3 security fair value measurements consider various assumptions, including time value, yield curve, prepayment speeds, default rates, loss severity, current market and contractual prices for underlying financial instruments as well as other relevant economic measures. Securities classified within Level 3 include certain mortgage-backed securities and other securities.

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Derivatives

The majority of our derivatives are valued using internal models that 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 exchange rates. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps, cross currency swaps, foreign currency derivatives and commodity derivatives. We classify derivative contracts that are valued based upon models with significant unobservable market inputs as Level 3 of the valuation hierarchy. Examples include certain long-dated commodity derivatives and interest rate swaps with notional amounts that fluctuate over time. Models for these fair value measurements include unobservable inputs based on estimated forward rates and prepayment speeds.

SFAS No. 157 requires that the valuation of derivative liabilities must take into account the company's own nonperformance risk. Effective January 1, 2008, we updated our derivative liability valuation methodology to consider our own nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. Subsequent to September 30, 2008, credit market volatility increased significantly, creating broad credit market concerns. If this condition persists, it will affect our ability to manage risks related to market changes in foreign currency exchange rates, interest rates and commodity prices to which we are exposed in the ordinary course of our business as some derivative counterparties have been and may be unwilling to enter into transactions with us due to our credit rating.

The following table summarizes the financial instruments measured at fair value on a recurring basis:

	Fair Value Measurements on a Recurring Basis at September 30, 2008			
	Level 1	Level 2	Level 3	Total
(Dollars in millions)				
Assets				
Securities				
Equity	\$ 317	\$ 21	\$ —	\$ 338
United States government and agency	—	401	—	401
Mortgage-backed	—	—	79	79
Certificates of deposit	—	4,507	—	4,507
Commercial paper	—	6,490	—	6,490
Corporate debt	—	42	—	42
Other	—	53	20	73
Derivatives				
Cross currency swaps	—	—	—	—
Interest rate swaps	—	98	3	101
Foreign currency derivatives	—	566	—	566
Commodity derivatives	—	125	21	146
Total Assets	\$ 317	\$ 12,303	\$ 123	\$ 12,743
Liabilities				
Derivatives				
Cross currency swaps	\$ —	\$ 155	\$ —	\$ 155
Interest rate swaps	—	43	3	46
Foreign currency derivatives	—	2,448	—	2,448
Commodity derivatives	—	757	34	791
Total Liabilities	\$ —	\$ 3,403	\$ 37	\$ 3,440

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The tables below summarize the activity in our balance sheet accounts for financial instruments classified within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3, the determination is 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 or Level 3 components, observable components which are validated to external sources.

	Level 3 Financial Assets and Liabilities Three Months Ended September 30, 2008					
	Mortgage-backed Securities(a)	Interest Rate Swaps, Net	Commodity Derivatives, Net(b)	Corporate Debt Securities	Other Securities(a)	Total Net Assets
	(Dollars in millions)					
Beginning balance	\$ 248	\$ —	\$ 341	\$ —	\$ 234	\$ 823
Total realized/unrealized gains (losses):						
Included in earnings	(22)	—	(103)	—	(41)	(166)
Included in other comprehensive income	(1)	—	—	—	—	(1)
Purchases, issuances, and settlements	(146)	—	(251)	—	(173)	(570)
Transfer in and/or out of Level 3	—	—	—	—	—	—
Ending balance	<u>\$ 79</u>	<u>\$ —</u>	<u>\$ (13)</u>	<u>\$ —</u>	<u>\$ 20</u>	<u>\$ 86</u>
Amount of total gains and (losses) for the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (103)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (103)</u>

- (a) Realized gains (losses) on marketable securities are recorded in Automotive interest and other non-operating income, net.
- (b) Realized and unrealized gains (losses) on commodity derivatives are recorded in Automotive cost of sales and changes in fair value are attributable to changes in base metal and precious metal prices.

	Level 3 Financial Assets and Liabilities Nine Months Ended September 30, 2008					
	Mortgage-backed Securities(a)	Interest Rate Swaps, Net(b)	Commodity Derivatives, Net(c)	Corporate Debt Securities(a)	Other Securities(a)	Total Net Assets
	(Dollars in millions)					
Beginning balance	\$ 283	\$ 2	\$ 257	\$ 28	\$ 258	\$ 828
Total realized/unrealized gains (losses):						
Included in earnings	(31)	—	31	23	(65)	(42)
Included in other comprehensive income	—	—	—	—	8	8
Purchases, issuances, and settlements	(173)	(2)	(301)	(51)	(181)	(708)
Transfer in and/or out of Level 3	—	—	—	—	—	—
Ending balance	<u>\$ 79</u>	<u>\$ —</u>	<u>\$ (13)</u>	<u>\$ —</u>	<u>\$ 20</u>	<u>\$ 86</u>
Amount of total gains and (losses) for the period included in earnings attributable	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 33</u>

to the change in
unrealized gains or
(losses) relating to
assets still held at
the reporting date

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- (a) Realized gains (losses) and other than temporary impairments on marketable securities are recorded in Automotive interest and other non-operating income, net.
- (b) Reflects fair value of interest rate swap assets, net of liabilities.
- (c) Realized and unrealized gains (losses) on commodity derivatives are recorded in Automotive cost of sales. Changes in fair value are attributable to changes in base metal and precious metal prices.

Unrealized securities holding gains and losses are excluded from earnings and reported in Other comprehensive income until realized. Gains and losses are not realized until an instrument is settled or sold. On a monthly basis, we evaluate whether unrealized losses related to investments in debt and equity securities are other than temporary. Factors considered in determining whether a loss is other than temporary include the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If losses are determined to be other than temporary, the loss is recognized and the investment carrying amount is adjusted to a revised fair value. Other than temporary impairment losses of \$29 million were recorded in the nine months ended September 30, 2008. There were no other than temporary impairment losses recorded in the three months ended September 30, 2008.

The following table summarizes the financial instruments measured at fair value on a nonrecurring basis in periods subsequent to initial recognition:

September 30, 2008	Fair Value Measurements Using			Three Months Ended September 30, 2008 Total Losses	Nine Months Ended September 30, 2008 Total Losses
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
(Dollars in millions)					
Assets					
Investment in GMAC Common Membership Interests	\$ 1,949	\$ —	\$ —	\$ —	\$ (2,036)
Investment in GMAC Preferred Membership Interests	43	—	43	(251)	(1,001)
Total	\$ 1,992	\$ —	\$ 1,992	\$ (251)	\$ (3,037)

In accordance with the provisions of APB No. 18, "The Equity Method of Accounting for Investments in Common Stock" (APB No. 18), we review the carrying values of our investments when events and circumstances warrant. This review requires the comparison of the fair values of our investments to their respective carrying values. The fair value of our investments is determined based on valuation techniques using the best information that is available, and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge would be recorded whenever a decline in fair value below the carrying value is determined to be other than temporary.

At December 31, 2007 we disclosed that we did not believe our investment in GMAC was impaired; however, there were many economic factors which were unstable at that time. Such factors included the instability of the global credit and mortgage markets, deteriorating conditions in the residential and home building markets, and credit downgrades of GMAC and GMAC's subsidiary, Residential Capital, LLC (ResCap).

Through June 30, 2008 the economic factors mentioned above deteriorated beyond our previous expectations. The instability in the global credit and mortgage markets increased in North America and spread throughout Europe, and the

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residential and home building markets continued to deteriorate in both continents. These factors were exacerbated by the volatility in the cost of fuel, which led to a decline in consumer demand for automobiles, particularly fullsize pick-up trucks and sport utility vehicles. This negatively affected GMAC's North American automotive business, as the decline in certain residual values resulted in an impairment of vehicles on operating leases, and an overall decline in automotive sales resulted in a decline in the leasing and financing of vehicles.

In the three months ended September 30, 2008 the instability of the financial and credit markets intensified in North America and Europe and resulted in an extreme lack of liquidity in the global credit markets resulting in prominent North American financial institutions declaring bankruptcy, being seized by the Federal Deposit Insurance Corporation (FDIC), or being sold at distressed valuations.

These economic factors negatively affected GMAC's North American automotive business as well as ResCap's residential mortgage business, which resulted in significant losses for both GMAC's North American automotive operations and ResCap. Additionally, it was necessary for GMAC to continue to provide support to ResCap, and GMAC's and ResCap's credit ratings were each further downgraded several times.

In the three month periods ended March 31 and June 30, 2008, we determined that our investment in GMAC Common Membership Interests was impaired and in the three month periods ended March 31, June 30 and September 30, 2008 that our investment in GMAC Preferred Membership Interests was impaired and that such impairments were other than temporary.

The following table summarizes the impairment charges we have recorded against our investment in GMAC Common and Preferred Membership Interests:

	<u>Three Months Ended September 30, 2008</u>	<u>Nine Months Ended September 30, 2008</u>
	(Dollars in millions)	
GMAC Common Membership Interests	\$ —	\$ 2,036
GMAC Preferred Membership Interests	<u>251</u>	<u>1,001</u>
Total	<u>\$ 251</u>	<u>\$ 3,037</u>

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The following table summarizes the activity with respect to our investment in GMAC Common and Preferred Membership Interests:

	<u>GMAC Common Membership Interests</u>	<u>GMAC Preferred Membership Interests</u>
	(Dollars in millions)	
Balance at January 1, 2008	\$ 7,079	\$ 1,044
Our proportionate share of GMAC's losses	(302)	—
Impairment charges	(1,310)	(142)
Other, primarily Accumulated other comprehensive income (loss)	(76)	—
Balance at March 31, 2008	5,391	902
Our proportionate share of GMAC's losses	(1,204)	—
Impairment charges	(726)	(608)
Other, primarily Accumulated other comprehensive income (loss)	(7)	—
Balance at June 30, 2008	3,454	294
Our proportionate share of GMAC's losses	(1,235)	—
Impairment charges	—	(251)
Other, primarily Accumulated other comprehensive income (loss)	(270)	—
Balance at September 30, 2008	<u>\$ 1,949</u>	<u>\$ 43</u>

Impairment charges are recorded in Equity in loss of GMAC LLC and Automotive interest income and other non-operating income, net for our investment in GMAC Common and Preferred Membership Interests, respectively.

Continued low or decreased demand for automobiles, continued or increased instability of the global credit and mortgage markets, the lack of available credit, or a recession in North America, Europe, South America or Asia could further negatively affect GMAC's lines of business, and result in future impairments of our investment in GMAC Common and Preferred Membership Interests. Additionally, as GMAC provides financing to our dealers as well as retail purchasers of our vehicles, further deterioration in these economic factors could cause our vehicle sales to decline.

In order to determine the fair value of our investment in GMAC Common Membership Interests, we first determined a fair value of GMAC by applying various valuation techniques to its significant business units, and then applied our 49% equity interest to the resulting fair value. Our determination of the fair value of GMAC encompassed applying valuation techniques, which included Level 3 inputs, to GMAC's significant business units as follows:

- Auto Finance — We 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 — We developed a peer group, based upon such factors as equity and earnings ratios and developed average multiples for these companies.
- ResCap — We previously obtained industry data for an industry participant who we believe to be comparable, and also utilized the implied valuation based on an acquisition of an industry participant who we believe to be comparable. Due to prevailing market conditions at September 30, 2008 we do not believe that comparable industry participants exist; however, we believe that previous data used, in conjunction with certain publicly available information incorporated into our analysis, results in an appropriate valuation at September 30, 2008.
- Commercial Finance Group — We obtained industry data, such as price and 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.

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In order to determine the fair value of our investment in GMAC Preferred Membership Interests, we applied valuation techniques, which included Level 3 inputs, to various characteristics of the GMAC Preferred Membership Interests as follows:

- Utilizing information as to the pricing on similar investments and changes in yields of other GMAC securities, we developed a discount rate for the valuation.
- Utilizing assumptions as to the receipt of dividends on the GMAC Preferred Membership Interests, the expected call date and a discounted cash flow model, we developed a present value of the related cash flows.

At June 30 and September 30, 2008 we adjusted our assumptions as to the appropriate discount rate to utilize in the valuation due to the changes in the market conditions which occurred in these periods. Additionally, we adjusted our assumptions as to the likelihood of payments of dividends and expected call date of the Preferred Membership Interests.

Note 14. GMNA Postemployment Benefit Costs

As previously discussed in our 2007 10-K, the majority of our hourly employees working within GMNA are represented by various labor unions. We have specific labor contracts with each union, some of which require us to pay idled employees certain wage and benefit costs. Costs to idle, consolidate or close facilities and provide postemployment benefits to employees idled on an other than temporary basis are accrued based on our best estimate of the wage and benefit costs to be incurred. Costs related to the idling of employees that are expected to be temporary are expensed as incurred. We review the adequacy and continuing need for these liabilities on a quarterly basis in conjunction with our quarterly production and labor forecasts. In the three and nine months ended September 30, 2008 we recorded \$516 million and \$1.8 billion, respectively, of additional postemployment benefit costs in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits — an amendment of FASB Statements No. 5 and 43" (SFAS No. 112). In the three and nine months ended September 30, 2008, we recorded \$470 million and \$1.4 billion, respectively, related to previously announced capacity actions while the remaining \$46 million and \$407 million, respectively, resulted from the 2008 Special Attrition Programs. Refer to Note 10.

The following table summarizes activity for postemployment benefit costs:

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007	Nine Months Ended September 30, 2007
	(Dollars in millions)		
Beginning balance	\$ 858	\$ 1,269	\$ 1,269
Additions	1,840	364	294
Interest accretion	26	21	14
Payments	(611)	(792)	(655)
Adjustments	5	(4)	(2)
Ending balance	<u>\$ 2,118</u>	<u>\$ 858</u>	<u>\$ 920</u>

The following table summarizes the number of employees included in the idled or to be idled facilities and subject to special attrition programs:

	September 30, 2008	December 31, 2007	September 30, 2007
Employees at idled or to be idled facilities	15,700	8,900	8,200
Employees subject to various attrition programs	3,200	3,800	4,400

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Note 15. Restructuring and Other Initiatives

We have executed various restructuring and other initiatives and may execute additional initiatives in the future to align manufacturing capacity to prevailing global automotive production and to improve the utilization of remaining facilities. Such initiatives may include facility idlings, consolidation of operations and functions, production relocations or reductions and voluntary and involuntary employee separation programs. 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 revise previous estimates.

The following table summarizes our restructuring and other initiative charges:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Automotive Operations:				
GMNA	\$ 1	\$ 2	\$ 3	\$ 7
GME	29	262	231	349
GMLAAM	23	—	29	18
GMAP	9	1	70	42
Total Automotive Operations	<u>\$ 62</u>	<u>\$ 265</u>	<u>\$ 333</u>	<u>\$ 416</u>

Refer to Note 14 for further discussion of postemployment benefits costs related to hourly employees of GMNA, and Note 10 for pension and other postretirement benefit charges related to our hourly employee separation initiatives.

2008 Activities

The following table summarizes the components of our restructuring charges by segment in the three months ended September 30, 2008:

	GMNA	GME	GMLAAM	GMAP	Total
	(Dollars in millions)				
Separation costs	\$ 1	\$ 29	\$ 23	\$ 9	\$ 62
Other	—	—	—	—	—
Total restructuring charges	<u>\$ 1</u>	<u>\$ 29</u>	<u>\$ 23</u>	<u>\$ 9</u>	<u>\$ 62</u>

The following table summarizes the components of our restructuring charges by segment in the nine months ended September 30, 2008:

	GMNA	GME	GMLAAM	GMAP	Total
	(Dollars in millions)				
Separation costs	\$ 3	\$ 252	\$ 29	\$ 70	\$ 354
Other	—	(21)	—	—	(21)
Total restructuring charges	<u>\$ 3</u>	<u>\$ 231</u>	<u>\$ 29</u>	<u>\$ 70</u>	<u>\$ 333</u>

GMNA recorded restructuring charges of \$1 million and \$3 million in the three and nine months ended September 30, 2008, respectively. These charges related to a U.S. salaried severance program, which allows involuntarily terminated employees to receive ongoing wages and benefits for no longer than 12 months.

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GME recorded net restructuring charges of \$29 million and \$231 million in the three and nine months ended September 30, 2008, respectively. These charges were related to the following restructuring initiatives:

- In the three and nine months ended September 30, 2008, GME recorded restructuring charges in Germany of \$22 million and \$122 million, respectively, for retirement programs, along with additional minor separations under other current programs. Approximately 4,600 employees will leave under early retirement programs in Germany through 2013. The total remaining cost for the early retirements will be recognized over the remaining required service period of the employees.
- In the three months ended June 30, 2007, GME announced additional separation programs affecting 1,900 employees at the Antwerp, Belgium facility. GME recorded \$2 million and \$82 million for these programs in the three and nine months ended September 30, 2008, respectively, having previously recorded \$353 million in 2007.
- In the nine months ended September 30, 2008, GME recorded restructuring charges of \$16 million related to separation programs at the Strasbourg, France facility, which were announced in the three months ended June 30, 2008.
- The remaining \$5 million and \$32 million in separation charges reported in the three and nine months ended September 30, 2008, respectively, relate to the cost of initiatives previously announced. These include voluntary separations in Sweden and the United Kingdom.
- Additionally, GME reversed accruals of \$21 million in the nine months ended September 30, 2008 associated with the favorable resolution of claims by the government of Portugal filed in conjunction with the facility closure in Azambuja in 2006.

GMLAAM recorded restructuring charges of \$23 million and \$29 million in the three months and nine months ended September 30, 2008, respectively. These charges related to separation programs in South Africa and Chile.

GMAP recorded net restructuring charges of \$9 million and \$70 million in the three and nine months ended September 30, 2008, respectively. These charges were related to the following restructuring initiatives:

- In the three and nine months ended September 30, 2008, GMAP recorded restructuring charges in Australia of \$2 million and \$63 million, respectively, related to a facility idling at GM Holden, Ltd. (GM Holden), which manufactures FAM II 4 cylinder engines. The program will affect 650 employees, who will leave through December 2009, and has total estimated costs of \$67 million. The remaining cost of this program will be recognized over the remaining required service period of the employees.
- In the three and nine months ended September 30, 2008, GMAP recorded restructuring charges in Australia of \$7 million, which were related to GM Holden implementing an early separation program offered to salaried employees. The program was announced in September 2008, will continue through December 2008 and has a total estimated cost of \$10 million.

2007 Activities

The following table summarizes the components of our restructuring charges by segment in the three months ended September 30, 2007:

	<u>GMNA</u>	<u>GME</u>	<u>GMLAAM</u>	<u>GMAP</u>	<u>Total</u>
	(Dollars in millions)				
Separation costs	\$ 2	\$ 262	\$ —	\$ 1	\$ 265
Other	—	—	—	—	—
Total restructuring charges	\$ 2	\$ 262	\$ —	\$ 1	\$ 265

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The following summarizes the components of our restructuring charges by segment in the nine months ended September 30, 2007:

	<u>GMNA</u>	<u>GME</u>	<u>GMLAAM</u>	<u>GMAP</u>	<u>Total</u>
	(Dollars in millions)				
Separation costs	\$ 7	\$ 349	\$ 18	\$ 42	\$ 416
Other	—	—	—	—	—
Total restructuring charges	\$ 7	\$ 349	\$ 18	\$ 42	\$ 416

GMNA recorded restructuring charges of \$2 million and \$7 million in the three and nine months ended September 30, 2007, respectively. The charges were related to a U.S. salaried severance program as described in more detail above.

GME recorded restructuring charges relating to separation programs of \$262 million and \$349 million in the three and nine months ended September 30, 2007, respectively. These charges were related to the following restructuring initiatives:

- In the three and nine months ended September 30, 2007, GME recorded charges in Germany of \$33 million and \$103 million, respectively. These charges primarily related to early retirement programs, along with additional minor separations under other programs in Germany as described in more detail above.
- In the three and nine months ended September 30, 2007, GME recorded charges of \$226 million and \$229 million, respectively, related to initiatives in Belgium.
- The remaining \$3 million and \$17 million in separation charges reported in the three and nine months ended September 30, 2007, respectively, relate to initiatives announced in Sweden and the United Kingdom.

GMLAAM recorded restructuring charges of \$18 million in the nine months ended September 30, 2007 for employee separations at General Motors do Brasil Ltd. (GM do Brasil). These initiatives were announced and completed in the three months ended June 30, 2007 and resulted in the separation of 600 employees.

GMAP recorded restructuring charges of \$1 million and \$42 million in the three and nine months ended September 30, 2007, respectively. The charges were related to a voluntary employee separation program at GM Holden, which was announced in the three months ended March 31, 2007. This initiative reduced the facility's workforce by 650 employees as a result of increased plant operational efficiency.

Note 16. Impairments

We periodically review the carrying value of our long-lived assets to be held and used when events and circumstances warrant and in conjunction with the annual business planning cycle. If the carrying value of a long-lived asset or asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying amount exceeds fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Product-specific assets may become impaired as a result of declines in profitability due to changes in volume, pricing or costs. Impairment charges related to automotive assets are recorded in Automotive cost of sales. Refer to Note 15 for additional detail on restructuring and other initiatives.

Due to the current unstable global economy and credit markets, it is reasonably possible that these conditions could deteriorate further and negatively affect our anticipated cash flows to such an extent that we could be required to record impairment charges against our long-lived assets.

We periodically review the carrying value of our portfolio of equipment on operating leases for impairment when events and circumstances warrant and in conjunction with our quarterly review of residual values and associated depreciation rates. If the carrying value is considered impaired, an impairment charge is recorded for the amount by which the carrying value exceeds the

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fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Our Automotive segment's portfolio of equipment on operating leases is primarily comprised of vehicles leased to rental car companies, with lease terms of 11 months or less. Our FIO segment's portfolio of equipment on operating leases is primarily comprised of vehicle leases to retail customers with lease terms of up to 48 months. Impairment charges are recorded in Automotive cost of sales by our Automotive segment and in Financial services and insurance expense by our FIO segment.

In addition, we test our goodwill for impairment annually and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. The annual impairment test requires the identification of our reporting units and a comparison of the fair value of each of our reporting units to the respective carrying value. The fair value of our reporting units is determined based on valuation techniques using the best information that is available, primarily discounted cash flow projections. If the carrying value of a reporting unit is greater than the fair value of the reporting unit then impairment may exist.

The following table summarizes our impairment charges:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Long-lived asset impairments related to restructuring initiatives	\$ 1	\$ —	\$ 29	\$ —
Other long-lived asset impairments	—	—	—	84
FIO Equipment on operating leases, net	—	—	105	—
Total	\$ 1	\$ —	\$ 134	\$ 84

2008 Impairments

GMLAAM recorded long-lived asset impairment charges of \$1 million in the three and nine months ended September 30, 2008 related to restructuring initiatives at our Arica City facility in Chile.

GMAP recorded long-lived asset impairment charges of \$28 million related to restructuring initiatives at GM Holden in the nine months ended September 30, 2008.

FIO recorded impairment charges of \$105 million related to our portfolio of equipment on operating leases in the nine months ended September 30, 2008. The impairment charge was the result of our regular review of residual values related to these leased assets. In the three months ended June 30, 2008, residual values of sport utility vehicles and fullsize pick-up trucks experienced a sudden and significant decline as a result of a shift in customer preference to passenger cars and crossover vehicles and away from sport utility vehicles and fullsize pick-up trucks. This decline in residual values was the primary reason for the impairment charges.

2007 Impairments

GMNA recorded long-lived asset impairment charges of \$70 million in the nine months ended September 30, 2007, for product-specific tooling assets.

GMAP recorded long-lived asset impairment charges of \$14 million in the nine months ended September 30, 2007, related to the cessation of production of VZ Commodore passenger car derivatives at GM Holden.

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Note 17. Loss Per Share

Basic and diluted loss per share have been computed by dividing Loss from continuing operations by the weighted average number of shares outstanding in the period.

The following table summarizes the amounts used in the basic and diluted loss per share computations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In millions, except per share amounts)			
Loss from continuing operations	\$ (2,542)	\$ (42,512)	\$ (21,264)	\$ (41,770)
Weighted average number of shares outstanding	571	566	568	566
Basic and diluted loss per share from continuing operations	\$ (4.45)	\$ (75.12)	\$ (37.44)	\$ (73.82)

Due to net losses from continuing operations for all periods presented, the assumed exercise of stock options had an antidilutive effect and therefore was excluded from the computation of diluted loss per share. The number of such options not included in the computation of diluted loss per share was 101 million and 107 million at September 30, 2008 and 2007, respectively.

No shares potentially issuable to satisfy the in-the-money amount of our convertible debentures have been included in the computation of diluted loss per share for the three and nine months ended September 30, 2008 and 2007 as our various series of convertible debentures were not in-the-money.

Note 18. Transactions with GMAC

We have entered into various operating and financing arrangements with GMAC as more fully described in our 2007 10-K. The following tables summarize the financial statement effects of our transactions with GMAC:

U.S. Marketing Incentives and Operating Lease Residuals

	September 30, 2008	December 31, 2007	September 30, 2007
	(Dollars in millions)		
Residual Support Program:			
Liabilities recorded	\$ 599	\$ 118	\$ 422
Maximum obligations	\$ 1,451	\$ 1,062	\$ 903
Risk Sharing:			
Liabilities recorded	\$ 385	\$ 144	\$ 130
Maximum amount guaranteed	\$ 1,434	\$ 1,118	\$ 978

	Nine Months Ended September 30,	
	2008	2007
	(Dollars in millions)	
Total U.S. payments to GMAC, primarily related to marketing incentives and operating lease residual program	\$ 3,079	\$ 3,404

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Equipment on Operating Leases Transferred to Us by GMAC

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
		(Dollars in millions)	
Note payable balance, secured by the assets transferred	\$ 35	\$ 35	\$ 373

Lease Impairment Charges

In the three months ended June 30, 2008, residual values of sport utility vehicles and fullsize pick-up trucks experienced a sudden and significant decline as a result of a shift in customer preference to passenger cars and crossover vehicles and away from fullsize pick-up trucks and sport utility vehicles. In addition, in the three months ended September 30, 2008 residual values of fullsize pick-up trucks in Canada continued to decline significantly. This decline in residual values is the primary factor responsible for the impairment charges of \$808 million and \$105 million recorded by GMAC and our FIO segment, respectively, in the nine months ended September 30, 2008 related to equipment on operating leases. The determination of vehicle residual values is a significant assumption in these impairment analyses and in the determination of amounts to accrue under the residual support and risk sharing agreements discussed above. It is reasonably possible that vehicle residual values could decline in the future and that we or GMAC may be required to record further impairment charges, which may be material. In addition, it is reasonably possible that such declines in residual values may result in increases in required payments under the residual support and risk sharing agreements discussed above.

Revenue

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(Dollars in millions)			
U.S. exclusivity fee revenue	\$ 26	\$ 26	\$ 79	\$ 79
U.S. royalty revenue	\$ 4	\$ 5	\$ 12	\$ 14

Participation Agreement

On June 4, 2008, we, along with Cerberus ResCap Financing LLC (Cerberus Fund) entered into a Participation Agreement (Participation Agreement) with GMAC. The Participation Agreement provides that we will fund up to \$368 million in loans made by GMAC to ResCap through a \$3.5 billion secured loan facility GMAC has provided to ResCap (ResCap Facility), and that the Cerberus Fund will fund up to \$382 million. The ResCap Facility expires on May 1, 2010, and all funding pursuant to the Participation Agreement is to be done on a pro-rata basis between us and the Cerberus Fund.

We and the Cerberus Fund are required to fund our respective portions of the Participation Agreement when the amount outstanding pursuant to the ResCap Facility exceeds \$2.75 billion, unless a default event has occurred, in which case we and the Cerberus Fund are required to fund our respective maximum obligations. Amounts funded by us and the Cerberus Fund pursuant to the Participation Agreement are subordinate to GMAC's interest in the ResCap Facility, and all principal payments remitted by ResCap under the ResCap Facility are applied to GMAC's outstanding balance, until such balance is zero. Principal payments remitted by ResCap while GMAC's outstanding balance is zero are applied on a pro-rata basis to us and the Cerberus Fund.

The ResCap Facility is secured by various assets held by ResCap and its subsidiaries, and we are entitled to receive interest at LIBOR plus 2.75% for the amount we have funded pursuant to the Participation Agreement. In addition, we and the Cerberus Fund are also entitled to receive our pro-rata share of the 1.75% interest on GMAC's share of the total outstanding balance. At

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September 30, 2008, ResCap had fully drawn down the maximum amount pursuant to the ResCap Facility, and we had funded our maximum obligation of \$368 million, which is recorded as Equity in and advances to nonconsolidated affiliates.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Interest income	\$ 11	\$ —	\$ 13	\$ —

Unsecured Exposure Contractual Limit

Based on an agreement between GMAC and us, our unsecured obligations to GMAC cannot exceed \$1.5 billion. These unsecured obligations arise from certain operating and financing arrangements within the United States. As a result of the market developments, which occurred during the three months ended June 30, 2008, including a decline in residual values of sport utility vehicles and fullsize pick-up trucks, our estimated obligations at June 30, 2008 exceeded the \$1.5 billion contractual limit. In response, on August 6, 2008, we paid GMAC \$646 million representing prepayment of the obligations included in the estimate of total liabilities subject to the contractual limit. At September 30, 2008 we had a prepaid balance with GMAC of \$428 million, which represents the amount of our obligations we have paid in advance in order to remain at or below the \$1.5 billion contractual limit.

As disclosed above, it is reasonably possible vehicle residual values could decline further and that we may be required to record increases in our liabilities related to the residual support and risk sharing agreements and accordingly make further payments to GMAC under this agreement.

Balance Sheet

The following table summarizes the balance sheet effects of our transactions with GMAC:

	September 30, 2008	December 31, 2007	September 30, 2007
	(Dollars in millions)		
Assets:			
Accounts and notes receivable (a)	\$ 1,840	\$ 1,285	\$ 1,758
Other current assets (b)	\$ —	\$ 30	\$ 39
Equity in and advances to nonconsolidated affiliates (c)	\$ 368	\$ —	\$ —
Liabilities:			
Accounts payable (d)	\$ 421	\$ 548	\$ 643
Short-term borrowings and current portion of long-term debt (e)	\$ 2,580	\$ 2,802	\$ 2,935
Accrued expenses (f)	\$ 1,269	\$ 2,134	\$ 1,573
Long-term debt (g)	\$ 99	\$ 119	\$ 284

- (a) Represents wholesale settlements due from GMAC, amounts owed by GMAC with respect to the Equipment on operating leases, net transferred to us and the exclusivity fee and royalty arrangement.
- (b) Primarily represents distributions due from GMAC on our Preferred Membership Interests.
- (c) Represents amounts funded pursuant to the Participation Agreement.
- (d) Primarily represents amounts accrued for interest rate support, capitalized cost reduction, residual support and lease pull-ahead programs and the risk sharing arrangement.
- (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

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with GME locations and arrangements related to GMAC's funding of our company-owned vehicles, rental car vehicles awaiting sale at auction and funding of the sale of our vehicles in which we retain title while the vehicles are consigned to GMAC or dealers, primarily in the United Kingdom. Our financing remains outstanding until the title is transferred to the dealers. This amount also includes the short-term portion of a note provided to our wholly-owned subsidiary holding debt related to the Equipment on operating leases, net transferred to us from GMAC.

- (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 the U.S. 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 cost 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 and a note payable with respect to the Equipment on operating leases, net transferred to us mentioned in (e) above.

Statement of Operations

The following table summarizes the income statement effects of our transactions with GMAC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Net sales and revenue (reduction) (a)	\$ 1,057	\$ (657)	\$ (1,128)	\$ (2,520)
Cost of sales and other expenses (b)	\$ 180	\$ 140	\$ 570	\$ 384
Automotive interest income and other non-operating income, net (c)	\$ 94	\$ 109	\$ 266	\$ 321
Interest expense (d)	\$ 61	\$ 18	\$ 176	\$ 171
Servicing expense (e)	\$ 16	\$ 39	\$ 66	\$ 134
Derivative gain (loss) (f)	\$ (4)	\$ 14	\$ (5)	\$ 13

- (a) Primarily represents the reduction in net sales and revenue for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by GMAC in the U.S. 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 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. During the three months ended September 30, 2008, net sales and revenue were favorably affected by a reduction of \$0.7 billion in the accruals for residual support programs for leased vehicles due to recent experience related to dealer/lessee lease buy-outs and improvement in residual values of fullsize pick-ups and sport utility vehicles.
- (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 for services performed for us by GMAC.
- (c) Represents income on our Preferred Membership Interests in GMAC, interest earned on amounts outstanding under the Participation Agreement, exclusivity and royalty fee income and reimbursements by GMAC for certain services we provided. 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 on November 30, 2016.
- (d) Represents interest incurred on term loans, notes payable and wholesale settlements.
- (e) Represents servicing fees paid to GMAC on the automotive leases we retained.
- (f) Represents gains and losses recognized in connection with a derivative transaction entered into with GMAC as the counterparty.

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Note 19. Segment Reporting

We operate in two businesses, consisting of GMA and FIO. Our four automotive segments consist of GMNA, GME, GMLAAM and GMAP. We manufacture our cars and trucks in 35 countries under the following brands: Buick, Cadillac, Chevrolet, GMC, GM Daewoo, Holden, HUMMER, Opel, Pontiac, Saab, Saturn, Vauxhall and Wuling. Our FIO business consists of our 49% share of GMAC's operating results, which we account for under the equity method, and Other Financing, which is comprised primarily of two special purpose entities holding automotive leases previously owned by GMAC and its affiliates that we retained, and the elimination of inter-segment transactions between GM Automotive and Corporate and Other.

Corporate and Other includes the elimination of inter-segment transactions, certain non-segment specific revenue and expenses, including costs related to postretirement benefits for Delphi and other retirees and certain corporate activities. Amounts presented in automotive sales, interest income and interest expense in the tables that follow principally relate to the inter-segment transactions eliminated at Corporate and Other. All inter-segment balances and transactions have been eliminated in consolidation.

In the three months ended December 31, 2007, we changed our measure of segment profitability from Net income (loss) to income (loss) from continuing operations before income taxes, equity income, net of tax and minority interest, net of tax. Amounts for the three and nine months ended September 30, 2007 have been revised to present these periods on a comparable basis for these changes. In the three and nine months ended September 30, 2008, we reclassified immaterial amounts related to a vehicle assembly agreement from Automotive cost of sales to Automotive sales to report the arrangement on a net basis. In addition, 2007 amounts have been reclassified for the retroactive effect of discontinued operations due to the August 2007 sale of Allison as discussed in Note 3. Historically, Allison was included in GMNA. Certain reclassifications, including inter-segment eliminations between Corporate and FIO, have been made to the 2007 financial information to conform to current period presentation.

In the three months ended June 30, 2008 we determined that GM Daewoo Auto & Technology Company (GM Daewoo), our 50.9% owned and consolidated Korean subsidiary, included in our GMAP segment, had been applying hedge accounting to certain derivative contracts designated as cash flow hedges of forecasted sales without fully considering whether these sales were at all times probable of occurring. In accordance with SFAS No. 133, gains and losses on derivatives used to hedge a probable forecasted transaction are deferred as a component of other comprehensive income and reclassified into earnings in the period in which the forecasted transaction occurs. Gains and losses on derivatives related to forecasted transactions that are not probable of occurring are required to be recorded in current period earnings. In the three months ended June 30, 2008, we corrected our previous accounting by recognizing in Automotive sales losses of \$407 million (\$262 million in income (loss) from continuing operations before income taxes and \$150 million after-tax and after minority interests) on these derivatives which had been inappropriately deferred in Accumulated other comprehensive loss. Of this amount, \$250 million (\$163 million in income (loss) from continuing operations before income taxes and \$93 million after-tax and after minority interests) should have been recognized in earnings in the three months ended March 31, 2008, and the remainder should have been recognized in prior periods, predominantly in 2007. We have not restated our condensed consolidated financial statements or prior annual financial statements because we have concluded that the effect of correcting for this item and other minor out-of-period adjustments is not material to the three months ended June 30, 2008 and to each of the earlier periods.

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	GMNA	GME	GMLAAM	GMAP	GMA Eliminations	Total GMA	Corporate & Other(a)	Total Excluding FIO	GMAC(c)	Other Financing(b)	Total FIO	Total
	(Dollars in millions)											
At and for the Three Months Ended September 30, 2008												
Automotive sales												
External customers	\$ 21,529	\$ 7,115	\$ 5,588	\$ 3,271	\$ —	\$ 37,503	\$ —	\$ 37,503	\$ —	\$ —	\$ —	\$ 37,503
Inter-segment	1,015	367	93	1,495	(2,970)	—	—	—	—	—	—	—
Total automotive sales	22,544	7,482	5,681	4,766	(2,970)	37,503	—	37,503	—	—	—	37,503
Financial services and insurance revenue	—	—	—	—	—	—	—	—	—	438	438	438
Total net sales and revenue	\$ 22,544	\$ 7,482	\$ 5,681	\$ 4,766	\$ (2,970)	\$ 37,503	\$ —	\$ 37,503	\$ —	\$ 438	\$ 438	\$ 37,941
Depreciation, amortization and impairment	\$ 1,255	\$ 447	\$ 65	\$ 145	\$ 18	\$ 1,930	\$ 15	\$ 1,945	\$ —	\$ 23	\$ 23	\$ 1,968
Equity in loss of GMAC LLC												
Interest income	\$ 229	\$ 153	\$ 75	\$ 25	\$ —	\$ 482	\$ (374)	\$ 108	\$ —	\$ 20	\$ 20	\$ 128
Interest expense	\$ 509	\$ 198	\$ 11	\$ 55	\$ 4	\$ 777	\$ (235)	\$ 542	\$ —	\$ 28	\$ 28	\$ 570
Income (loss) from continuing operations before income taxes, equity income and minority interest												
Equity income (loss), net of tax	\$ (384)	\$ (1,019)	\$ 517	\$ (115)	\$ (57)	\$ (1,058)	\$ (131)	\$ (1,189)	\$ (1,476)	\$ 83	\$ (1,393)	\$ (2,582)
Minority interests, net of tax	(22)	13	8	50	—	49	1	50	—	—	—	50
Income (loss) from continuing operations before income taxes	\$ (395)	\$ (1,003)	\$ 514	\$ (6)	\$ (57)	\$ (947)	\$ (129)	\$ (1,076)	\$ (1,476)	\$ 78	\$ (1,398)	\$ (2,474)
Investments in nonconsolidated affiliates												
Total assets	\$ 79,162	\$ 25,289	\$ 9,014	\$ 13,720	\$ (12,483)	\$ 114,702	\$ (11,601)	\$ 103,101	\$ 6,418	\$ 906	\$ 7,324	\$ 110,425
Goodwill	\$ 161	\$ 515	\$ —	\$ —	\$ —	\$ 676	\$ —	\$ 676	\$ —	\$ —	\$ —	\$ 676

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	GMNA	GME	GMLAAM	GMAP	GMA Eliminations	Total GMA	Corporate & Other(a)	Total Excluding FIO	GMAC(e)	Other Financing(b)	Total FIO	Total
(Dollars in millions)												
At and for the Three Months Ended September 30, 2007												
Automotive sales												
External customers	\$ 26,022	\$ 8,385	\$ 4,829	\$ 3,766	\$ —	\$ 43,002	\$ —	\$ 43,002	\$ —	\$ —	\$ —	\$ 43,002
Inter-segment	585	400	115	1,514	(2,614)	—	—	—	—	—	—	—
Total automotive sales	26,607	8,785	4,944	5,280	(2,614)	43,002	—	43,002	—	—	—	43,002
Financial services and insurance revenue	—	—	—	—	—	—	—	—	—	700	700	700
Total net sales and revenue	\$ 26,607	\$ 8,785	\$ 4,944	\$ 5,280	\$ (2,614)	\$ 43,002	\$ —	\$ 43,002	\$ —	\$ 700	\$ 700	\$ 43,702
Depreciation, amortization and impairment	\$ 1,341	\$ 407	\$ 76	\$ 150	\$ 9	\$ 1,983	\$ 14	\$ 1,997	\$ —	\$ 297	\$ 297	\$ 2,294
Equity in loss of GMAC LLC	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (809)	\$ —	\$ (809)	\$ (809)
Interest income	\$ 365	\$ 178	\$ 41	\$ 44	\$ 1	\$ 629	\$ (277)	\$ 352	\$ —	\$ 36	\$ 36	\$ 388
Interest expense	\$ 747	\$ 197	\$ 58	\$ 61	\$ 1	\$ 1,064	\$ (225)	\$ 839	\$ —	\$ 106	\$ 106	\$ 945
Income (loss) from continuing operations before income taxes, equity income and minority interests	\$ (1,760)	\$ (406)	\$ 375	\$ 168	\$ (27)	\$ (1,650)	\$ (1,033)	\$ (2,683)	\$ (773)	\$ 118	\$ (655)	\$ (3,338)
Equity income (loss), net of tax	10	10	9	86	(1)	114	—	114	—	—	—	114
Minority interests, net of tax	(16)	(2)	(10)	(68)	—	(96)	2	(94)	—	(8)	(8)	(102)
Income (loss) from continuing operations before income taxes	\$ (1,766)	\$ (398)	\$ 374	\$ 186	\$ (28)	\$ (1,632)	\$ (1,031)	\$ (2,663)	\$ (773)	\$ 110	\$ (663)	\$ (3,326)
Income from discontinued operations, net of tax	\$ 45	\$ —	\$ —	\$ —	\$ —	\$ 45	\$ —	\$ 45	\$ —	\$ —	\$ —	\$ 45
Gain on sale of discontinued operations, net of tax	\$ 3,504	\$ —	\$ —	\$ —	\$ —	\$ 3,504	\$ —	\$ 3,504	\$ —	\$ —	\$ —	\$ 3,504
Investments in nonconsolidated affiliates	\$ 327	\$ 437	\$ 64	\$ 1,167	\$ —	\$ 1,995	\$ 36	\$ 2,031	\$ 6,852	\$ —	\$ 6,852	\$ 8,883
Total assets	\$ 92,377	\$ 27,655	\$ 6,611	\$ 14,860	\$ (10,945)	\$ 130,558	\$ (213)	\$ 130,345	\$ 12,413	\$ 6,742	\$ 19,155	\$ 149,500
Goodwill	\$ 188	\$ 575	\$ —	\$ —	\$ —	\$ 763	\$ —	\$ 763	\$ —	\$ —	\$ —	\$ 763

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	<u>GMNA</u>	<u>GME</u>	<u>GMLAAM</u>	<u>GMAP</u>	<u>GMA Eliminations</u>	<u>Total GMA</u>	<u>Corporate & Other(a)</u>	<u>Total Excluding FIO</u>	<u>GMAC(c)</u>	<u>Other Financing(b)</u>	<u>Total FIO</u>	<u>Total</u>
	(Dollars in millions)											
For the Nine Months Ended September 30, 2008												
Automotive sales												
External customers	\$ 64,579	\$ 26,269	\$ 15,273	\$ 10,999	\$ —	\$ 117,120	\$ —	\$ 117,120	\$ —	\$ —	\$ —	\$ 117,120
Inter-segment	2,328	1,701	280	4,221	(8,530)	—	—	—	—	—	—	—
Total automotive sales	66,907	27,970	15,553	15,220	(8,530)	117,120	—	117,120	—	—	—	117,120
Financial services and insurance revenue												
Total net sales and revenue	\$ 66,907	\$ 27,970	\$ 15,553	\$ 15,220	\$ (8,530)	\$ 117,120	\$ —	\$ 117,120	\$ —	\$ 1,466	\$ 1,466	\$ 118,586
Depreciation, amortization and impairment												
Equity in loss of GMAC LLC	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4,777)	\$ —	\$ (4,777)	\$ (4,777)
Interest income	\$ 721	\$ 492	\$ 235	\$ 80	\$ 1	\$ 1,529	\$ (976)	\$ 553	\$ —	\$ 59	\$ 59	\$ 612
Interest expense	\$ 1,781	\$ 618	\$ 56	\$ 160	\$ 9	\$ 2,624	\$ (587)	\$ 2,037	\$ —	\$ 111	\$ 111	\$ 2,148
Income (loss) from continuing operations before income taxes, equity income and minority interest												
Equity income (loss), net of tax	\$ (10,513)	\$ (938)	\$ 1,477	\$ (272)	\$ (69)	\$ (10,315)	\$ (4,659)	\$ (14,974)	\$ (5,755)	\$ 132	\$ (5,623)	\$ (20,597)
Minority interests, net of tax	8	(17)	(23)	101	—	69	—	69	—	(17)	(17)	52
Income (loss) from continuing operations before income taxes												
Expenditures for property	\$ 2,957	\$ 1,056	\$ 237	\$ 606	\$ 152	\$ 5,008	\$ 519	\$ 5,527	\$ —	\$ —	\$ —	\$ 5,527

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	GMNA	GME	GMLAAM	GMAP	GMA Eliminations	Total GMA	Corporate & Other(a)	Total Excluding FIO	GMAC(c)	Other Financing(b)	Total FIO	Total
(Dollars in millions)												
For the Nine Months Ended September 30, 2007												
Automotive sales												
External customers	\$ 82,311	\$ 25,511	\$ 12,555	\$ 10,699	\$ —	\$ 131,076	\$ —	\$ 131,076	\$ —	\$ —	\$ —	\$ 131,076
Inter-segment	2,016	1,257	299	4,276	(7,848)	—	—	—	—	—	—	—
Total automotive sales	84,327	26,768	12,854	14,975	(7,848)	131,076	—	131,076	—	—	—	131,076
Financial services and insurance revenue												
Total net sales and revenue	\$ 84,327	\$ 26,768	\$ 12,854	\$ 14,975	\$ (7,848)	\$ 131,076	\$ —	\$ 131,076	\$ —	\$ 2,530	\$ 2,530	\$ 133,606
Depreciation, amortization and impairment												
Equity in loss of GMAC LLC	\$ 4,170	\$ 1,219	\$ 227	\$ 428	\$ 32	\$ 6,076	\$ 27	\$ 6,103	\$ —	\$ 1,010	\$ 1,010	\$ 7,113
Interest income	—	—	—	—	—	—	—	—	(874)	—	(874)	(874)
Interest expense	\$ 916	\$ 499	\$ 107	\$ 119	\$ 1	\$ 1,642	\$ (648)	\$ 994	\$ —	\$ 302	\$ 302	\$ 1,296
Income (loss) from continuing operations before income taxes, equity income and minority interest	\$ 2,269	\$ 586	\$ 35	\$ 177	\$ 7	\$ 3,074	\$ (755)	\$ 2,319	\$ —	\$ 561	\$ 561	\$ 2,880
Equity income (loss), net of tax	(2,069)	(92)	925	544	(35)	(727)	(1,967)	(2,694)	(753)	403	(350)	(3,044)
Minority interests, net of tax	50	30	23	335	—	438	2	440	—	—	—	440
Income (loss) from continuing operations before income taxes	(43)	(17)	(24)	(270)	—	(354)	1	(353)	—	(8)	(8)	(361)
Income from discontinuing operations, net of tax	\$ (2,062)	\$ (79)	\$ 924	\$ 609	\$ (35)	\$ (643)	\$ (1,964)	\$ (2,607)	\$ (753)	\$ 395	\$ (358)	\$ (2,965)
Gain on sale of discontinued operations, net of tax	\$ 256	\$ —	\$ —	\$ —	\$ —	\$ 256	\$ —	\$ 256	\$ —	\$ —	\$ —	\$ 256
Expenditures for property	\$ 3,504	\$ —	\$ —	\$ —	\$ —	\$ 3,504	\$ —	\$ 3,504	\$ —	\$ —	\$ —	\$ 3,504
	\$ 3,480	\$ 620	\$ 138	\$ 630	\$ 30	\$ 4,898	\$ 39	\$ 4,937	\$ —	\$ 2	\$ 2	\$ 4,939

- (a) Corporate and Other recorded charges of \$652 million and \$4.1 billion in the three and nine months ended September 30, 2008, respectively, to reflect our estimated obligations under the Amended Delphi-GM Settlement Agreements, net of any estimated recoveries, updated to reflect current uncertainties related to the credit markets and challenges in the automotive industry. These charges reflect a \$622 million benefit associated with the New VEBA, as discussed in Note 10, that serves to reduce our estimated liability associated with Delphi OPEB related costs for Delphi active employees and retirees. Corporate and Other recorded charges of \$350 and \$925 million in the three and nine months ended September 30, 2007, respectively for our estimated liabilities under the Benefit Guarantee Agreements and Delphi-GM Settlement Agreements.
- (b) Other Financing also includes the elimination of intercompany receivables from total assets. Receivables eliminated at September 30, 2008 and 2007 were \$4.5 billion and \$4.0 billion, respectively.
- (c) We sold a 51% equity interest in GMAC in November 2006. The remaining 49% equity interest is accounted for under the equity method and is included in the GMAC segment's assets. Refer to Notes 6 and 18 for summarized financial information of GMAC at and for the three and nine months ended September 30, 2008 and 2007.

Note 20. Subsequent Events

IUE-CWA Agreements

On October 22, 2008, members of the IUE-CWA ratified the closure agreement for our Moraine, Ohio plant, which is our only IUE-CWA represented plant. The agreement is contingent upon the establishment of a new healthcare plan for GM IUE-CWA retirees funded entirely by an independent VEBA (IUE-CWA VEBA) that would assume responsibility for providing

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retiree medical benefits to GM IUE-CWA retirees. In this regard, on October 8, 2008, we and the IUE-CWA agreed in principle to a framework for establishing such a VEBA.

This Framework includes the following commitments:

- We will pay retiree medical benefits through December 31, 2011 for eligible IUE-CWA retirees. The present value of this commitment is approximately \$850 million; effective January 1, 2012 a new plan funded by the IUE-CWA VEBA will become solely responsible for paying the cost of these retiree medical benefits.
- We will pay to the IUE-CWA VEBA four equal installments with a combined present value of \$700 million on January 2, 2012, 2013, 2014 and 2015. Each installment payment will be \$280 million.
- On July 1, 2012, we will pay to the IUE-CWA VEBA the first of two equal installments with a combined present value of \$664 million; we will pay to the IUE-CWA VEBA the second of the two equal installments on July 1, 2013. Each installment payment will be \$510 million.
- We will amend the pension plan for IUE-CWA current and future retirees and surviving spouses effective January 1, 2010 to provide a flat monthly special lifetime benefit of \$133.40. This special lifetime benefit is intended to serve as a cost pass-through of an equivalent after-tax increase in the monthly contribution regarding retiree medical benefits. At January 1, 2010, each recipient of this pension increase will be assessed an additional non-escalating monthly contribution of \$103.34 per month as a condition to their receipt of retiree medical benefits. The present value of such after-tax contributions is \$236 million.

The agreement will permanently shift any obligation to provide postretirement medical benefits from us to the IUE-CWA VEBA that will be funded by these fixed and capped payments from us and managed by an independent committee.

The agreement is conditional, among other factors, upon obtaining a settlement with a class of GM IUE-CWA retirees, class certification, court approval and our determination that we believe the accounting treatment to be reasonably satisfactory.

Under the terms of the agreement our obligation to provide retiree healthcare coverage for IUE-CWA retirees and beneficiaries will terminate on January 1, 2012. The obligation for retiree medical claims incurred thereafter will be the responsibility of the IUE-CWA VEBA. Funding for the IUE-CWA VEBA will begin after the IUE-CWA final effective date. We are in the process of evaluating the accounting treatment for such an agreement.

Salaried Benefit Program Modifications

On October 22, 2008, we announced the suspension of certain U.S. and Canadian salaried employee benefit programs including, most significantly, the suspension of the company matching for stock savings contributions to our 401(k) plan in the U.S. effective November 1, 2008 and other reimbursements such as contributions for tuition assistance and other reimbursement programs effective January 1, 2009. We estimate these actions will reduce annual cash spending and expense by approximately \$131 million per year.

Salaried Workforce Reductions

On October 22, 2008, we announced that we will initiate involuntary separations in some areas of the business in the three months ending December 31, 2008 and early 2009 for our salaried workforce. We are currently assessing the size and effect of these reductions. Additionally, on October 29, 2008, we announced the extension of the acceptance period for the Salaried Window Program from October 24, 2008 to November 7, 2008 for eligible employees that previously declined the offer. The majority of the employees accepting the extended Salaried Window Program will retire on December 1, 2008. Refer to Note 10 for additional information on the Salaried Window Program.

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Hourly Retiree Benefit Changes

On November 3, 2008 we notified nine unions, other than the UAW and IUE-CWE, that effective January 1, 2009, 5,000 retirees will be subject to revised healthcare benefits requiring monthly healthcare contributions as well as co-payments and deductibles. The changes are expected to generate savings of \$5 million to \$10 million in 2009 and reduce the APBO of this plan by \$100 million to \$150 million.

Future North America Capacity Actions

On November 7, 2008, as a result of the declining demand in the automotive industry, we announced additional actions to scale back production at a number of our North American facilities in the three months ending March 31, 2009. We will reduce production at a number of our assembly operations, as well as supporting headcount at stamping and powertrain facilities. We expect this reduction will result in the idling of 5,500 hourly employees. As a result of these capacity actions, we anticipate recording a charge of at least \$300 million in Automotive costs of sales in the three months ending December 31, 2008. We are in the process of assessing the effect that these actions will have on our benefit plan accounting.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying condensed consolidated financial statements and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2007 (2007 10-K).

We operate in two businesses, consisting of Automotive (GM Automotive or GMA) and Financing and Insurance Operations (FIO). We are engaged primarily in the worldwide development, production and marketing of automobiles. We develop, manufacture and market vehicles worldwide through four automotive segments: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM) and GM Asia Pacific (GMAP). Also, our FIO operations are primarily conducted through GMAC LLC (GMAC). We own a 49% equity interest in GMAC that is accounted for under the equity method of accounting. GMAC provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential mortgage services, automobile service contracts, personal automobile insurance coverage and selected commercial insurance coverage. FIO also includes Other Financing, which includes two special purpose entities holding automotive leases having a current net book value of \$2.0 billion, as well as the elimination of intercompany transactions with GMA and Corporate and Other.

In the three months ended December 31, 2007, we changed our measure of segment profitability from Net income (loss) to Loss from continuing operations before income taxes, equity income and minority interest. Amounts for the three and nine months ended September 30, 2007 have been revised to reflect these periods on a comparable basis for the changes discussed above. In the three and nine months ended September 30, 2008, we reclassified amounts related to a vehicle assembly agreement from Automotive cost of sales to Automotive sales to more appropriately report the arrangement on a net basis for all periods presented. In addition, 2007 amounts have been reclassified for the retroactive effect of discontinued operations due to the August 2007 sale of Allison Transmission (Allison) as discussed in Note 3 to the condensed consolidated financial statements. Historically, Allison was included in GMNA. Certain reclassifications, including inter-segment eliminations between Corporate and FIO, have been made to the 2007 financial information to conform to the current period presentation.

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

The following provides a summary of significant results and events in the three and nine months ended September 30, 2008, as well as an update from our 2007 10-K of the global automotive industry, including current market challenges, 2008 priorities, key factors affecting future and current results and our North American Turnaround Plan.

Global Automotive Industry

The global automotive industry has been severely affected by the deepening global credit crisis, volatile oil prices and the general economic slow down in North America and Western Europe. The industry continued to show growth in Eastern Europe, the Latin America/Africa/Mid-East region and in Asia Pacific, although the growth in these areas moderated from previous levels and is beginning to show the effects of the credit market crisis which began in the United States and has since spread to Western Europe and the rest of the world. Global industry vehicle sales to retail and fleet customers were 16.2 million vehicles in the three months ended September 30, 2008, representing a 6.7% decrease compared to the corresponding period in 2007. In the nine months ended September 30, 2008, global industry vehicles sales were 52.9 million vehicles representing a 0.4% decrease compared to the corresponding period in 2007. We expect global industry vehicle sales to be approximately 68.5 million vehicles in 2008 compared to 70.7 million vehicles in 2007.

Our global vehicle sales in the three months ended September 30, 2008 were 2.1 million vehicles, down from 2.4 million vehicles (or 11.4%) in the corresponding period in 2007. Vehicle sales decreased in the three months ended September 30, 2008 for GMNA by 228,000 vehicles (or 18.9%) and for GME by 64,000 vehicles (or 12.3%). These decreases were offset by vehicle sales increases of 11,000 vehicles (or 3.4%) at GMLAAM and 8,000 vehicles (or 2.6%) at GMAP.

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In the nine months ended September 30, 2008, our global vehicle sales were 6.7 million vehicles down from 7.1 million vehicles (or 5.8%) in the corresponding period in 2007. Vehicle sales decreased in the nine months ended September 30, 2008 for GMNA by 573,000 vehicles (or 16.5%) and for GME by 33,000 vehicles (or 2.0%). These decreases were offset by vehicle sales increases of 117,000 vehicles (or 13.1%) at GMLAAM and 80,000 vehicles (or 7.6%) at GMAP.

The following table summarizes our global market share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
GMNA	23.4%	24.4%	21.7%	23.2%
GME	8.9%	9.5%	9.3%	9.5%
GMAP	6.9%	6.5%	6.9%	6.8%
GMLAAM	17.0%	17.4%	17.3%	16.9%

Near-Term Market Challenges

The challenging market conditions that began to develop in 2007 in North America and Western Europe have continued to adversely affect our financial results in the three months ended September 30, 2008. In addition, we have begun to see a slow down of growth in our GMLAAM and GMAP segments as the effects of the turmoil in the global credit markets and the continued slow down of economies in the United States and Western Europe have begun to affect the global economy.

North America

The turmoil in the mortgage and credit markets, which began in 2007, along with continued reductions in housing values, volatile fuel prices and recessionary trends have continued to negatively affect consumers' willingness to purchase our products. These factors have contributed to significantly lower vehicle sales in North America and, combined with rapid shifts in consumer preferences toward cars and away from fullsize pick-up trucks and sport utility vehicles, have negatively affected our results as such larger vehicles are among our more profitable products. At our Annual Stockholders' Meeting in June 2008, we announced several actions in response to changing industry conditions:

- Elimination of production shifts at certain North American fullsize pick-up truck and sport utility vehicle facilities;
- Increased production of small and midsize cars;
- Cessation of production at four truck facilities, in Oshawa, Canada, Moraine, Ohio, Janesville, Wisconsin and Toluca, Mexico; and
- Strategic review of the HUMMER brand.

Since the Annual Stockholders' Meeting, U.S. market and economic conditions have deteriorated dramatically and we do not expect these difficult conditions to improve in the near future. Of greatest concern is declining consumer confidence as a result of the general slowdown in the economy, the lack of liquidity in the credit markets and the price of oil, which, as stated above, has led to rapid changes in the U.S. industry sales mix, and which has required us to take further actions to position our company for sustainable profitability and growth. In addition, GMAC has announced that it is tightening its underwriting standards, which will further limit the availability of credit to certain of our customers. These changes, particularly declining consumer demand for fullsize pick-up trucks and sport utility vehicles, have led us to accelerate the cessation of production at our Janesville, Wisconsin and Moraine, Ohio facilities originally anticipated at the end of the 2010 model year to December 2008. In addition, we announced the cessation of production in the fourth quarter of 2009 at our Grand Rapids, Michigan stamping facility.

In July 2008 we announced a number of initiatives aimed at conserving or generating approximately \$15.0 billion of cash through the end of 2009. These actions, discussed in detail in "Liquidity" below, include:

- Several structural cost actions in North America, including further reductions in truck capacity and related component, stamping, and powertrain capacity;

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- Reductions in U.S. and Canada salaried employment and retiree expenses;
- Limiting our capital expenditures;
- Improving working capital in North America and Europe;
- Deferring certain payments related to the Settlement Agreement; and
- Suspending future dividend payments.

We expect these actions to generate approximately \$10.0 billion of cumulative cash improvements by the end of 2009.

However, based on the further deterioration of the global economy in the three months ended September 30, 2008, we announced additional initiatives designed to generate additional liquidity of approximately \$5.0 billion. These actions are discussed in detail in “Liquidity and Capital Resources.”

We will continue to identify and develop additional sources of liquidity, including a broad global assessment of our assets for potential sale or monetization. We believe that we can raise significant liquidity from asset sales without negatively affecting our strategic direction. In addition to asset sales, we will also continue to access global capital markets on an opportunistic basis when the global capital markets are available to access on terms which are acceptable.

On July 28, 2008 we took further actions to align our production with the shift in consumer demand and overall softer market demand based on the weak economy in North America. We announced the elimination of shifts at our Moraine, Ohio and Shreveport, Louisiana facilities and adjusting of production run rates at certain of our facilities in North America. We estimate that this will reduce our capacity by approximately 117,000 vehicles.

In the three months ended June 30, 2008, the residual values of sport utility vehicles and fullsize pick-up trucks being returned from lease declined substantially. This decline is primarily due to the shift in consumer preferences away from these vehicles in favor of passenger cars and crossover vehicles. As discussed more fully in this MD&A, this decline was the primary factor contributing to a \$1.6 billion increase in our lease related reserves and a \$105 million impairment loss on our FIO segment’s portfolio of equipment on operating leases. In the three months ended September 30, 2008, the residual values of sport utility vehicles and fullsize pick-up trucks have increased somewhat since June 30, 2008, however, the residual values remain significantly below our historical experience.

In addition, in the United States, our results for the nine months ended September 30, 2008 were negatively affected by a work stoppage at one of our suppliers, American Axle & Manufacturing Holdings, Inc. (American Axle). As a result of the work stoppage, approximately 30 of our facilities in North America were idled. This work stoppage did not negatively affect our ability to meet customer demand due to the high levels of inventory at our dealers. However, GMNA’s results were negatively affected by \$0.8 billion as a result of the loss of approximately 100,000 production units in the first three months of 2008. In the three months ended June 30, 2008, the American Axle work stoppage resulted in the loss of an additional 230,000 production units and had an earnings before tax effect of approximately \$1.8 billion. The UAW ratified a new labor agreement with American Axle on May 22, 2008. We anticipate that lost production will not be fully recovered, due to the current economic environment in the United States and to the market shift away from the types of vehicles that have been most strongly affected. As consideration for resolving the work stoppage, we agreed with American Axle to provide them with upfront financial support capped at \$215 million, of which \$197 million has been accrued, to help fund employee buyouts, early retirements and buydowns.

Several other GM facilities were also idled by other work stoppages associated with finalizing local UAW agreements. These work stoppages resulted in the loss of approximately 33,000 production units in the three months ended June 30, 2008, and had an earnings before tax effect of approximately \$0.2 billion. Members of the local union at the Lansing Delta Township facility in Lansing, Michigan ratified a new local labor agreement and production resumed on May 19, 2008. Members of the local union at the Fairfax facility in Kansas City, Kansas also ratified a new local labor agreement and production resumed on May 22, 2008.

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Europe

The European market was relatively flat in the nine months ended September 30, 2008 compared to the corresponding period in 2007. This was driven by the continued growth in the emerging markets of Eastern Europe including Russia. The Western European markets in the aggregate declined, with particularly significant reductions in Spain and Italy. While the German market grew from lower levels in the corresponding period in 2007, pricing conditions remain difficult due to intense competitive activity. In general, we expect the Western European markets to face a challenging environment in the near-term, due to challenging credit and volatile foreign exchange markets and lower consumer confidence. In addition, we expect recent emission legislation in Western Europe to unfavorably affect our potential costs in these markets.

Customer and Dealer Financing

In October 2008, in response to continued deterioration in the credit markets, GMAC announced it will tighten its lending standards in the United States, limiting purchases of retail contracts to customers with a credit score of 700 or above. In addition, GMAC will restrict contracts with higher advance rates and longer terms. GMAC provided retail financing for 34% and 30% of our new vehicle sales in North America in the three and nine months ended September 30, 2008.

We believe GMAC's stricter underwriting standards will reduce the availability of credit to a significant number of our customers. We have increased our promotions to highlight to potential customers that dealers have access to multiple financial institutions to finance customers with different needs. However, as this change to GMAC's lending standards was recently announced it is not possible to reasonably predict the effect on our vehicle sales if our customers are unable to obtain substitute financing from other lenders. While we believe that this will adversely affect our vehicle sales and our market share in the United States, it is not possible to estimate the magnitude of the effect.

In addition, GMAC also announced it will cease retail originations to customers in Czech Republic, Finland, Greece, Norway, Portugal, Slovak Republic and Spain, effective November 1, 2008, and Australia and New Zealand by December 31, 2008.

The following table summarizes GMAC's approximate share of retail financing of our vehicle sales in these markets:

	<u>Nine Months Ended September 30, 2008</u>
Australia	10%
Czech Republic	10%
Finland	28%
Greece	6%
New Zealand	36%
Norway	2%
Portugal	7%
Slovak Republic	10%
Spain	5%

GMAC also will cease wholesale originations to dealers in Australia and New Zealand by December 31, 2008 and transition out of the business. GMAC provided approximately 29% and 55% of new vehicle wholesale financing to GM Holden, Ltd. (GM Holden) dealers in Australia and New Zealand, respectively, in the nine months ended September 30, 2008.

We believe smaller dealers, dealers in rural locations and customers and dealers in credit markets that are smaller and more concentrated will face the most difficulty finding alternative retail and wholesale financing. If our customers and dealers are unable to obtain substitute financing, we believe our vehicle sales in these markets will be adversely affected.

Retail leasing has recently declined as a component of the overall percentage of vehicle purchases financed in the United States and Canada across most vehicle manufacturers. We are currently taking steps to reduce the percentage of our retail

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business that is financed with lease financing, including incentive programs to encourage consumers to purchase rather than lease vehicles. We plan to continue to offer leasing options, although they will more likely be targeted to certain products and segments. GMAC, our largest provider of lease financing, is implementing other initiatives to reduce the risk in its lease portfolio, such as exiting incentive based lease financing in Canada and reducing its lease volume in the United States. Lease financing was used for 15.8% of our retail sales in the nine months ended September 30, 2008 compared to 18.7% in the corresponding period in 2007. As this change is currently developing, it is not possible to reasonably predict what each vehicle manufacturer will do with its retail leasing incentives. Accordingly, while we believe this will adversely affect our revenue, it is not possible to estimate the magnitude of these changes on our results of operations. GMAC's more restrictive lending policy has also affected sales.

2008 Priorities Update

As disclosed in our 2007 10-K, our growth and profitability priorities are straightforward:

- Continue to execute great products;
- Build strong brands and distribution channels;
- Execute additional cost reduction initiatives;
- Grow aggressively in emerging markets;
- Continue development and implementation of our advanced propulsion strategy; and
- Drive the benefits of managing the business globally.

The following summarizes the progress on these priorities in the three and nine months ended September 30, 2008, as well as changes in any key factors affecting our current and future results and our North American Turnaround Plan.

Continue to Execute Great Products.

In June 2008 we announced that we were implementing certain strategic initiatives over the next few years to respond to growing demand for more fuel efficient vehicles and to address the economic and market challenges in North America. The initiatives include a new global compact car program for our Chevrolet brand, a next generation for the Chevrolet Aveo and a high efficiency engine module for the U.S. market. In addition, the Board of Directors authorized funds for production of the Chevrolet Volt extended range electric vehicle. Further, in the three months ended September 30, 2008, we announced the replacement for the Chevrolet Cobalt, the Chevrolet Cruze, which is based on a global architecture and will be introduced in Europe in March 2009, followed by other global regions. Recognizing the changes in consumer preferences, 18 of our next 19 new products are expected to be cars and crossover vehicles.

Build Strong Brands and Distribution Channels.

As discussed above under "Near-Term Market Challenges," we are undertaking a strategic review of the HUMMER brand to determine its fit within our portfolio. We are considering all options, including a complete revamp of the product lineup to a partial or complete sale of the brand.

Execute Additional Cost Reduction Initiatives.

As discussed above under "Near-Term Market Challenges" and below under "Liquidity," we have initiated significant actions to be implemented over the next two years to address our cost structure in response to current economic conditions. The expected cash expenditures for the 2008 Special Attrition Programs are \$0.4 billion, of which \$0.3 billion was incurred in the nine months ended September 30, 2008. We expect total cash expenditures related to the 2008 U.S. and Canada announced capacity actions to be \$1.4 billion, of which we plan to spend \$0.1 billion in 2008, \$0.6 billion in 2009, and \$0.7 billion beyond 2009.

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Grow Aggressively in Emerging Markets.

Vehicle sales and revenue continue to grow globally, with the strongest growth in emerging markets such as Russia, Brazil, ASEAN region, India, the Mid-East and China. Although the current global credit crisis has affected sales in these regions we believe that growth in these emerging markets will continue to help mitigate challenging near-term market conditions in North America and Western Europe. As a result, even though we are reducing costs in many portions of our business, we expect to continue to expend previously planned levels of capital in these emerging markets, particularly China.

Continue to Develop and Implement our Advanced Propulsion Strategy.

We continue to develop and advance our alternative propulsion strategy, focused on fuel and other technologies, making energy diversity and environmental leadership a critical element of our ongoing strategy. In addition to continuing to improve the efficiency of our internal combustion engines, we are focused on the introduction of propulsion technologies which utilize alternative fuels and have intensified our efforts to displace traditional petroleum-based fuels. For example, we have entered into arrangements with battery and biofuel companies to support development of commercially viable applications of these technologies. We anticipate that this strategy will require a major commitment of technical and financial resources. Like others in the automotive industry, we recognize that the key challenge to our advanced propulsion strategy will be our ability to price our products to cover cost increases driven by new technology. Since the beginning of 2008, emissions legislation was passed or enacted in a number of Western European countries which we believe will increase our costs in these markets.

Drive the Benefits of Managing the Business Globally.

We continue to focus on restructuring our operations and have already taken a number of steps to globalize our principal business functions such as product development, manufacturing, powertrain and purchasing to improve our performance in an increasingly competitive environment. As we build functional and technical excellence, we plan to leverage our products, powertrains, supplier base and technical expertise globally so that we can flow our existing resources to support opportunities for highest returns at the lowest cost.

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Consolidated Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
(Dollars in millions)								
Net sales and revenue:								
Automotive sales	\$ 37,503	\$ 43,002	\$ 117,120	\$ 131,076	\$ (5,499)	(12.8)%	\$ (13,956)	(10.6)%
Financial services and insurance revenue	438	700	1,466	2,530	(262)	(37.4)%	(1,064)	(42.1)%
Total net sales and revenue	37,941	43,702	118,586	133,606	(5,761)	(13.2)%	(15,020)	(11.2)%
Costs and expenses:								
Automotive cost of sales	34,521	41,373	116,219	121,768	(6,852)	(16.6)%	(5,549)	(4.6)%
Selling, general and administrative expense	3,251	3,601	10,704	10,205	(350)	(9.7)%	499	4.9%
Financial services and insurance expense	400	640	1,475	2,334	(240)	(37.5)%	(859)	(36.8)%
Other expenses	652	350	4,136	925	302	86.3%	3,211	n.m.
Operating loss	(883)	(2,262)	(13,948)	(1,626)	1,379	61.0%	(12,322)	n.m.
Equity in loss of GMAC LLC	(1,235)	(809)	(4,777)	(874)	(426)	(52.7)%	(3,903)	n.m.
Automotive interest and other expense, net	(464)	(267)	(1,872)	(544)	(197)	(73.8)%	(1,328)	n.m.
Loss from continuing operations before income taxes, equity income and minority interests	(2,582)	(3,338)	(20,597)	(3,044)	756	22.6%	(17,553)	n.m.
Income tax expense	68	39,186	1,029	38,805	(39,118)	(99.8)%	(37,776)	(97.3)%
Equity income, net of tax	50	114	310	440	(64)	(56.1)%	(130)	(29.5)%
Minority interests, net of tax	58	(102)	52	(361)	160	156.9%	413	114.4%
Loss from continuing operations	(2,542)	(42,512)	(21,264)	(41,770)	39,970	94.0%	20,506	49.1%
Income from discontinued operations, net of tax	—	3,549	—	3,760	(3,549)	(100.0)%	(3,760)	(100.0)%
Net Loss	\$ (2,542)	\$ (38,963)	\$ (21,264)	\$ (38,010)	\$ 36,421	93.5%	\$ 16,746	44.1%
Automotive cost of sales rate	92.0%	96.2%	99.2%	92.9%	(4.2)%	n.m.	6.3%	n.m.
Net margin from net loss	(6.7)%	(89.2)%	(17.9)%	(28.4)%	82.5%	n.m.	10.5%	n.m.

n.m. = not meaningful

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Our Total net sales and revenue decreased by \$5.8 billion (or 13.2%) in the three months ended September 30, 2008, due to a decline in vehicle sales at GMNA and GME partially offset by increased vehicle sales at GMLAAM and GMAP.

Our Operating loss improved by \$1.4 billion (or 61.0%) to \$0.9 billion in the three months ended September 30, 2008 due to; (1) recording a net curtailment gain of \$4.9 billion, comprised of a curtailment gain of \$6.3 billion related to the UAW hourly medical plan partially offset by a \$1.4 billion curtailment loss related to the Mitigation Plan; (2) a nonrecurring charge of \$1.3 billion in the corresponding period in 2007 related to pension prior service costs; and (3) a \$0.7 billion reduction in the accrual for residual support programs for leased vehicles due to our recent experience related to dealer/lessee lease buy-outs and improvement in residual values of fullsize pick-ups and sport utility vehicles. These are offset by: (1) the net effect of changes in volume and product mix of \$2.4 billion; (2) expenses of \$1.7 billion related to the salaried post-65 healthcare settlement; (3) charges of \$0.7 billion related to Delphi; and (4) \$0.6 billion related to GMNA restructuring, special attrition programs and facility idlings.

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Our Loss from continuing operations improved by \$40.0 billion (or 94.0%) to \$2.5 billion in the three months ended September 30, 2008, primarily as a result of the valuation allowance of \$39.0 billion established against deferred tax assets in the U.S., Canada and Germany in the corresponding period in 2007. The effect of the valuation allowance was partially offset by losses related to our investment in GMAC including our proportionate share of GMAC's loss of \$1.2 billion and a \$0.3 billion impairment charge on our Preferred Membership Interests.

In the three months ended June 30, 2008 we determined that GM Daewoo Auto & Technology Company (GM Daewoo), our 50.9% owned and consolidated Korean subsidiary, included in our GMAP segment, had been applying hedge accounting to certain derivative contracts designated as cash flow hedges of forecasted sales without fully considering whether these sales were at all times probable of occurring. In accordance with Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), gains and losses on derivatives used to hedge a probable forecasted transaction are deferred as a component of other comprehensive income and reclassified into earnings in the period in which the forecasted transaction occurs. Gains and losses on derivatives related to forecasted transactions that are not probable of occurring are required to be recorded in current period earnings. In the three months ended June 30, 2008, we recognized in Automotive sales losses of \$442 million in Automotive sales (\$285 million in Loss from continuing operations before income taxes) on these derivatives. This included a correction of our previous accounting by recognizing losses of \$407 million (\$262 million in Loss from continuing operations before income taxes and \$150 million after-tax and after minority interests) on these derivatives which had been inappropriately deferred in Accumulated other comprehensive income. Of this amount, \$250 million (\$163 million in Loss from continuing operations before income taxes and \$93 million after-tax and after minority interests) should have been recognized in earnings in the three months ended March 31, 2008, and the remainder should have been recognized in prior periods, predominantly in 2007. We have not restated our condensed consolidated financial statements or prior annual financial statements because we have concluded that the effect of correcting for this item and other minor out-of-period adjustments is not material to the three months ended June 30, 2008 and to each of the earlier periods.

Our Total net sales and revenue decreased by \$15.0 billion (or 11.2%) in the nine months ended September 30, 2008, due to a decline in vehicle sales at GMNA and GME and charges of \$0.9 billion related to declining residual values on fullsize pick-up trucks and sport utility vehicles at GMNA, partially offset by increases in vehicle sales at GMLAAM and GMAP.

Our Operating loss increased by \$12.3 billion to \$13.9 billion in the nine months ended September 30, 2008 due to: (1) changes in vehicle net volume and mix of \$6.7 billion; (2) charges of \$5.5 billion related to GMNA restructuring, special attrition programs, and facility idlings; (3) charges of \$4.1 billion related to Delphi; (4) expenses of \$1.7 billion related to the salaried post-65 healthcare settlement; and (5) \$0.9 billion increase in the accrual for residual support programs for leased vehicles due to the decline in residual values of fullsize pick-up trucks and sport utility vehicles. The effect of these items was mitigated by a net curtailment gain of \$4.9 billion comprised of a curtailment gain of \$6.3 billion related to the UAW hourly medical plan partially offset by a \$1.4 billion curtailment loss related to the Mitigation Plan and a nonrecurring charge of \$1.3 billion in the corresponding period in 2007 related to pension prior service costs.

Our Loss from continuing operations improved by \$20.5 billion (or 49.1%) to \$21.3 billion in the nine months ended September 30, 2008 primarily due to the valuation allowance of \$39.0 billion established against deferred tax assets in the U.S., Canada and Germany in the corresponding period in 2007. This was partially offset by the items listed above related to the increase in our Operating loss of \$12.3 billion and losses related to our investment in GMAC, including our proportionate share of GMAC's losses of \$2.7 billion, a \$2.0 billion impairment charge on our Common Membership Interests and \$1.0 billion impairment on our Preferred Membership Interests.

Further details on the results of our businesses and segments is presented later in this MD&A.

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Changes in Consolidated Financial Condition

Accounts and Notes Receivable, Net

Accounts and notes receivable, net decreased by \$0.2 billion (or 2.0%) to \$9.5 billion at September 30, 2008 from \$9.7 billion at December 31, 2007. This overall decrease was due to: (1) decreased dividends receivable at GMAP of \$0.3 billion; (2) a decrease of \$0.1 billion at GME due to declining sales volume; and (3) a \$0.1 billion decrease at GMNA due to the release of Delphi's obligation for warranty recovery. These items were offset by increased receivables at Corporate of \$0.2 billion due to settlement funds receivable from insurance companies and activity with Delphi.

Accounts and notes receivable, net decreased by \$1.3 billion (or 11.8%) to \$9.5 billion at September 30, 2008 from \$10.7 billion at September 30, 2007. This decrease resulted from lower receivable balances at GMNA of \$0.9 billion, primarily as a result of a decrease in sales volume. GME decreased by \$0.4 billion primarily due to decreased Value Added Tax (VAT) receivable.

Inventories

Inventories increased by \$2.0 billion (or 13.2%) to \$16.9 billion at September 30, 2008 from \$14.9 billion at December 31, 2007. GME increased by \$1.1 billion due to a \$1.3 billion increase in inventory build up as a result of normal seasonal fluctuations from year end levels and the general economic slow down in Western Europe offset by a \$0.3 billion decrease from Foreign Currency Translation. GMNA inventory increased by \$0.4 billion due to a \$0.4 billion increase in inventory produced for overseas delivery which was in transit at September 30, 2008 and a \$0.2 billion increase due to Pontiac G8 2009 models manufactured but not yet released to dealers offset by a \$0.2 billion reduction in inventory at our consolidated dealers. GMLAAM increased by \$0.4 billion due to increased finished vehicle and material inventories in Brazil and Argentina in anticipation of increased demand in the local markets, and GMAP increased by \$0.1 billion, primarily related to finished goods.

Inventories increased by \$1.4 billion (or 8.9%) to \$16.9 billion at September 30, 2008 from \$15.5 billion at September 30, 2007. GME increased by \$0.6 billion primarily due to \$0.9 billion from higher levels of inventory as a result of the general economic slow down in Western Europe offset by \$0.2 Foreign Currency Translation. GMAP increased by \$0.4 billion due to \$1.0 billion increase in production and finished good inventories, primarily related to GM Daewoo inventories in Korea and Russia, offset by \$0.6 billion from Foreign Currency Translation. GMLAAM increased by \$0.4 billion due to a \$0.5 billion increase in production volumes and finished goods offset by \$0.1 billion from Foreign Currency Translation.

Financing Equipment on Operating Leases, Net

Financing equipment on operating leases, net decreased by \$3.8 billion (or 56.9%) from \$6.7 billion at December 31, 2007 and by \$5.0 billion (or 63.2%) from \$7.9 billion at September 30, 2007 to \$2.9 billion at September 30, 2008. The decreases are due to the planned reduction of Equipment on operating leases, net, which we retained after selling 51% of our equity interest in GMAC (GMAC Transaction), and the effect of the \$105 million impairment charge discussed below.

The nine months ended September 30, 2008 include a \$105 million impairment charge related to our FIO segment's portfolio of equipment on operating leases. The impairment charge was the result of our regular review of residual values related to these leased assets. In the three months ended June 30, 2008, residual values of fullsize pick-up trucks and sport utility vehicles experienced a sudden and significant decline as a result of a shift in customer preference to passenger cars and crossover vehicles and away from fullsize pick-up trucks and sport utility vehicles, which was the primary reason for the impairment charge.

Equity in Net Assets of GMAC LLC

Equity in net assets of GMAC LLC decreased by \$5.1 billion (or 72.5%) to \$1.9 billion at September 30, 2008 from \$7.1 billion at December 31, 2007. The decrease is due to our proportionate share of GMAC's losses of \$2.7 billion and impairment charges of \$2.0 billion on our Common Membership Interests.

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Equity in net assets of GMAC LLC decreased by \$4.9 billion (or 71.6%) to \$1.9 billion at September 30, 2008 from \$6.9 billion at September 30, 2007. The decrease is due to \$3.5 billion of our proportionate share of GMAC's losses and impairment charges on our Common Membership Interests recorded in the nine months ended September 30, 2008, offset by a \$0.5 billion increase in our investment due to the 2007 conversion of Preferred Membership Interests to Common Membership Interests.

Deferred Income Tax Asset

Deferred income tax assets decreased by \$1.2 billion (or 57.1%) to \$0.9 billion at September 30, 2008 from \$2.1 billion at December 31, 2007. The decrease resulted from establishing valuation allowances related to long-term deferred tax assets in Spain and the United Kingdom.

Prepaid Pension

Prepaid pension decreased by \$16.6 billion (or 82.1%) to \$3.6 billion at September 30, 2008 from \$20.2 billion at December 31, 2007 and by \$15.3 billion (or 80.9%) from \$18.9 billion at September 30, 2007. These decreases are due to: (1) losses of \$6.3 billion on the hourly and salaried pension plan asset portfolio; (2) recording a \$2.7 billion liability related to the Settlement Agreement; (3) recording a \$2.7 billion liability due to the increase in the monthly pension benefit paid to salaried OPEB plan participants as compensation for the elimination of post-65 healthcare benefits; (4) the transfer of \$2.1 billion of Delphi pension liabilities to us; and (5) recording a \$2.0 billion increase due to the 2008 UAW and IUE-CWA Special Attrition programs.

Short-term Borrowings and Current Portion of Long-term Debt

Short-term borrowings and current portion of long-term debt increased by \$1.2 billion (or 19.2%) to \$7.2 billion at September 30, 2008 from \$6.0 billion at December 31, 2007. The increase is primarily due to the reclassification of \$1.8 billion of debt from non-current to current and net increases in secured debt of \$0.5 billion. These increases were offset by payments at maturity of \$0.5 billion and the exchange of \$0.5 billion of convertible debt for our common equity.

Short-term borrowings and current portion of long-term debt increased by \$1.9 billion (or 37.0%) to \$7.2 billion at September 30, 2008 from \$5.3 billion at September 30, 2007. The increase is primarily due to the reclassification of \$3.0 billion of debt from non-current to current and the increase in secured debt of \$0.5 billion. These increases were offset by payments of \$1.1 billion and the exchange of \$0.5 billion of convertible debt for our common equity.

Financing Debt

Financing debt decreased by \$3.0 billion (or 61.5%) to \$1.9 billion at September 30, 2008 from \$4.9 billion at December 31, 2007 and by \$4.1 billion (or 68.3%) from \$6.0 billion at September 30, 2007. The decrease is due primarily to the repayment of debt secured by Equipment on operating leases, net, which we retained after selling 51% of our equity interest in GMAC.

Long-term Debt

Long-term debt increased by \$2.7 billion (or 8.0%) to \$36.1 billion at September 30, 2008 from \$33.4 billion at December 31, 2007. The increase is due to increased borrowings of \$4.4 billion under our \$4.5 billion secured revolving credit facility offset by the normal reclassification of maturing debt of \$1.8 billion from non-current to current.

Long-term debt increased by \$1.4 billion (or 4.0%) to \$36.1 billion at September 30, 2008 from \$34.7 billion at September 30, 2007. The increase is due to increased borrowings of \$4.4 billion under our \$4.5 billion secured revolving credit facility offset by the normal reclassification of maturing debt of \$3.0 billion from non-current to current.

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Postretirement Benefits Other Than Pensions

Postretirement benefits other than pensions decreased by \$13.7 billion (or 28.8%) to \$33.7 billion at September 30, 2008 from \$47.4 billion at December 31, 2007 and by \$14.6 billion (or 30.3%) from \$48.3 billion at September 30, 2007. Remeasurements resulted in decreases of \$9.5 billion for our hourly plans and \$3.9 billion for our salaried plans primarily as a result of the finalization of the Settlement Agreement and the termination of salaried post-65 healthcare in the three months ended September 30, 2008.

GMA Operations Financial Review

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in millions)							
Total net sales and revenue	\$ 37,503	\$ 43,002	\$ 117,120	\$ 131,076	\$ (5,499)	(12.8)%	\$ (13,956)	(10.6)%
Automotive cost of sales	35,248	41,058	116,887	121,339	(5,810)	(14.2)%	(4,452)	(3.7)%
Selling, general and administrative expense	3,202	3,300	9,920	9,578	(98)	(3.0)%	342	3.6%
Operating income (loss)	(947)	(1,356)	(9,687)	159	409	30.2%	(9,846)	n.m.
Automotive interest and other expense, net	(111)	(294)	(628)	(886)	183	62.2%	258	29.1%
Loss from continuing operations before income taxes, equity income and minority interests	(1,058)	(1,650)	(10,315)	(727)	592	35.9%	(9,588)	n.m.
Equity income, net of tax	49	114	309	438	(65)	(57.0)%	(129)	(29.5)%
Minority interests, net of tax	62	(96)	69	(354)	158	164.6%	423	119.5%
Loss from continuing operations before income taxes	\$ (947)	\$ (1,632)	\$ (9,937)	\$ (643)	\$ 685	42.0%	\$ (9,294)	n.m.
Income from discontinued operations, net of tax	\$ —	\$ 3,549	\$ —	\$ 3,760	\$ (3,549)	(100.0)%	\$ (3,760)	(100.0)%
Automotive cost of sales rate	94.0%	95.5%	99.8%	92.6%	(1.5)%	n.m.	7.2%	n.m.
Net margin from continuing operations before income taxes, equity income and minority interests	(2.8)%	(3.8)%	(8.8)%	(0.6)%	1.0%	n.m.	(8.2)%	n.m.
	(Volume in thousands)							
Production Volume (a)	2,039	2,156	6,496	6,906	(117)	(5.4)%	(410)	(5.9)%
Vehicle Sales (b)(c):								
Industry	16,223	17,389	52,864	53,070	(1,165)	(6.7)%	(206)	(0.4)%
GM	2,115	2,388	6,656	7,064	(273)	(11.4)%	(408)	(5.8)%
GM market share — Worldwide	13.0%	13.7%	12.6%	13.3%	(0.7)%	n.m.	(0.7)%	n.m.

n.m. = not meaningful

- (a) Production volume represents the number of vehicles manufactured by our assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Vehicle sales primarily represent sales to the ultimate customer.
- (c) Vehicle sales data may include rounding differences.

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This discussion highlights key changes in operating results within GMA. The drivers of these changes are discussed in the regional analyses that follow this section.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Industry Global Vehicle Sales

Industry vehicle sales decreased in the three months ended September 30, 2008 by 1.2 million vehicles (or 6.7%) to 16.2 million vehicles. North America decreased by 766,000 vehicles (or 15.5%) to 4.2 million vehicles; Europe decreased by 375,000 vehicles (or 6.8%) to 5.2 million vehicles; and Asia Pacific region decreased by 134,000 vehicles (or 2.7%) to 4.9 million vehicles. These decreases were partially offset by industry sales increases in Latin America/Africa/Mid-East (LAAM) region by 110,000 vehicles (or 5.8%) to 2.0 million vehicles.

Industry vehicle sales decreased in the nine months ended September 30, 2008 by 206,000 vehicles (or 0.4%) to 52.9 million vehicles. North America decreased by 1.6 million vehicles (or 10.8%) to 13.3 million vehicles and Europe decreased by 17,000 vehicles (or 0.1%) to 17.4 million vehicles. These decreases were offset by industry sales increases in Asia Pacific region by 884,000 vehicles (or 5.7%) to 16.3 million vehicles and LAAM region by 547,000 vehicles (or 10.3%) to 5.8 million vehicles.

GM Global Vehicle Sales

Our global vehicle sales decreased in the three months ended September 30, 2008 by 273,000 vehicles (or 11.4%) as sales decreased at GMNA by 228,000 vehicles and GME by 64,000, offset by increases of 11,000 vehicles at GMLAAM and 8,000 vehicles at GMAP.

Our global vehicle sales decreased in the nine months ended September 30, 2008 by 408,000 vehicles (or 5.8%) as sales decreased at GMNA by 573,000 vehicles and at GME by 33,000 vehicles, offset by increases of 117,000 vehicles at GMLAAM and 80,000 vehicles at GMAP.

GM Global Production Volume

Our global production volume decreased in the three months ended September 30, 2008 by 117,000 vehicles (or 5.4%). Production volume decreased at GMNA by 105,000 vehicles and GME of 48,000 vehicles, offset by increases at GMLAAM of 25,000 vehicles and GMAP of 11,000 vehicles.

Our global production volume decreased in the nine months ended September 30, 2008 by 410,000 vehicles (or 5.9%). Production volume decreased at GMNA by 591,000 vehicles and GME of 35,000 vehicles, offset by increases at GMAP of 127,000 vehicles and GMLAAM of 89,000 vehicles.

Total Net Sales and Revenue

Total net sales and revenue decreased in the three months September 30, 2008 by \$5.5 billion (or 12.8%). This decrease was driven by declines in Total net sales and revenue of \$4.1 billion at GMNA, \$1.3 billion at GME, \$0.5 billion at GMAP and \$0.4 billion of incremental inter-segment eliminations offset by an increase of \$0.7 billion at GMLAAM.

Total net sales and revenue decreased in the nine months ended September 30, 2008 by \$14.0 billion (or 10.6%). This decrease was driven by a decline in Total net sales and revenue of \$17.4 billion at GMNA as well as \$0.7 billion in incremental inter-segment eliminations. The decrease was offset by increases of \$2.7 billion at GMLAAM, \$1.2 billion at GME and \$0.2 billion at GMAP.

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Automotive Cost of Sales

Automotive cost of sales decreased in the three months ended September 30, 2008 by \$5.8 billion (or 14.2%). This resulted from decreases of \$5.1 billion at GMNA, which includes a \$3.7 billion net gain resulting from remeasurement of certain OPEB plans, \$0.7 billion at GME, \$0.3 billion at GMAP and \$0.3 billion of incremental inter-segment eliminations offset by an increase of \$0.6 billion at GMLAAM.

Automotive cost of sales decreased in the nine months ended September 30, 2008 by \$4.5 billion (or 3.7%). This decrease resulted from declines in Automotive cost of sales of \$8.5 billion at GMNA primarily related to the \$3.7 billion net gain resulting from remeasurement of certain OPEB plans and \$0.7 billion in incremental inter-segment eliminations offset by increases of \$2.2 billion at GMLAAM, \$1.7 billion at GME and \$0.8 billion at GMAP.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased in the three months ended September 30, 2008 by \$98 million (or 3.0%). This decrease was the result of decreases of \$138 million at GMNA and \$53 million at GME offset by increases of \$54 million at GMAP and \$41 million at GMLAAM.

Selling, general and administrative expense increased in the nine months ended September 30, 2008 by \$342 million (or 3.6%). This increase was the result of increases of \$200 million at GMAP, \$175 million at GME and \$66 million at GMLAAM, offset by a decrease of \$99 million at GMNA.

Automotive Interest and Other Expense, Net

Automotive interest and other expense, net decreased in the three months ended September 30, 2008 by \$183 million (or 62.2%). This decrease resulted primarily from lower net interest expense at GMNA of \$160 million reflecting lower interest rates and a tax refund and favorable tax accrual adjustments at GMLAAM of \$79 million offset by lower net interest income at GMAP of \$33 million and higher net interest expense at GME of \$21 million.

Automotive interest and other expense, net decreased in the nine months ended September 30, 2008 by \$258 million (or 29.1%). This decrease resulted from lower interest expense at GMNA of \$372 million and higher interest income at GMLAAM of \$110 million, offset by increased net interest expense at GME of \$152 million and lower interest income at GMAP of \$68 million.

Equity Income, Net of Tax

Equity income, net of tax, in the three months ended September 30, 2008 decreased by \$65 million (or 57.0%) primarily as a result of \$36 million in decreased equity earnings from investments at GMAP and \$32 million in decreased equity earnings from investments at GMNA.

Equity income, net of tax, in the nine months ended September 30, 2008 decreased by \$129 million (or 29.5%) primarily as a result of \$98 million in decreased equity earnings from investments at GMNA and \$47 million in decreased equity earnings from investments at GMAP offset by \$17 million in increased equity earnings from investments at GME.

Minority Interests, Net of Tax

Minority interests, net of tax decreased in the three and nine months ended September 30, 2008 by \$158 million (or 164.6%) and \$423 million (or 119.5%), respectively. These decreases resulted from decreased earnings of consolidated affiliates, most notably at GMAP of \$127 million and \$371 million, respectively.

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Income from Discontinued Operations, Net of Tax

In August 2007, we completed the sale of the commercial and military operations of Allison. Income from discontinued operations, net of tax, was \$3.5 billion and \$3.8 billion in the three and nine months ended September 30, 2007, respectively.

Supplemental Categories for Expenses

We evaluate GMA and make certain decisions using supplemental categories for variable expenses and non-variable expenses. We believe these categories provide us with useful information and that investors would also find it beneficial to view the business in a similar manner.

We believe contribution costs, structural costs and impairment, restructuring and other charges provide meaningful supplemental information regarding our expenses because they place GMA expenses into categories that allow us to assess the cost performance of GMA. We use these categories to evaluate our expenses, and believe that these categories allow us to readily view operating trends, perform analytical comparisons, benchmark expenses among geographic segments and assess whether the North American Turnaround Plan and globalization strategy for reducing costs are on target. We use these categories for forecasting purposes, evaluating management and determining our future capital investment allocations. Accordingly, we believe these categories are useful to investors in allowing for greater transparency of the supplemental information that we use in our financial and operational decision-making. These categories of expenses do not include the results of hedging activities with respect to interest rates, certain commodity prices and foreign currency exchange rates and the effect of foreign currency transactions and translation of financial assets and liabilities, which are included in Automotive cost of sales but are analyzed separately.

While we believe that contribution costs, structural costs and impairment, restructuring and other charges provide useful information, there are limitations associated with the use of these categories. Contribution costs, structural costs, impairment, restructuring and other charges may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in the exact method of calculation. As a result, these categories have limitations and should not be considered in isolation from, or as a substitute for, other measures such as Automotive cost of sales and Selling, general and administrative expense. We compensate for these limitations by using these categories as supplements to Automotive cost of sales and Selling, general and administrative expense.

The total of contribution costs, structural costs, impairment, restructuring and other charges equals the total of Automotive cost of sales and Selling, general and administrative expense for GMA as summarized below.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in billions)							
Contribution costs (a)	\$ 27.5	\$ 29.4	\$ 85.6	\$ 90.3	\$ (1.9)	(6.5)%	\$ (4.7)	(5.2)%
Structural costs (b)	11.8	13.1	37.8	38.3	(1.3)	(9.9)%	(0.5)	(1.3)%
Impairment, restructuring and other charges (c)	(1.8)	1.7	3.6	2.0	(3.5)	n.m.	1.6	80.0%
Derivative and certain foreign currency related items (d)	1.0	0.2	(0.2)	0.3	0.8	n.m.	(0.5)	(166.7)%
Total	\$ 38.5	\$ 44.4	\$ 126.8	\$ 130.9	\$ (5.9)	(13.3)%	\$ (4.1)	(3.1)%
Automotive cost of sales	\$ 35.3	\$ 41.1	\$ 116.9	\$ 121.3	\$ (5.8)	(14.1)%	\$ (4.4)	(3.6)%
Selling, general and administrative expense	3.2	3.3	9.9	9.6	(0.1)	(3.0)%	0.3	3.1%
Total	\$ 38.5	\$ 44.4	\$ 126.8	\$ 130.9	\$ (5.9)	(13.3)%	\$ (4.1)	(3.1)%

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- (a) Contribution costs are expenses that we consider to be variable with production. The amount of contribution costs included in Automotive cost of sales was \$27.2 billion and \$29.1 billion in the three months ended September 30, 2008 and 2007, respectively, and those costs were comprised of material cost, freight and policy and warranty expenses. The amount of contribution costs classified in Selling, general and administrative expenses was \$0.3 billion in each of the three months ended September 30, 2008 and 2007, respectively, and these costs were incurred primarily in connection with our dealer advertising programs. The amount of contribution costs included in Automotive cost of sales was \$84.8 billion and \$89.6 billion in the nine months ended September 30, 2008 and 2007, respectively. The amount of contribution costs classified in Selling, general and administrative expenses was \$0.8 billion and \$0.7 billion in the nine months ended September 30, 2008 and 2007, respectively.
- (b) Structural costs are expenses that do not generally vary with production and are recorded in both Automotive cost of sales and Selling, general and administrative expense. Such costs include manufacturing labor, pension and OPEB costs, engineering expense and marketing related costs. Certain costs related to restructuring and impairments that are included in Automotive cost of sales are also excluded from structural costs. The amount of structural costs included in Automotive cost of sales was \$8.9 billion and \$10.1 billion in the three months ended September 30, 2008 and 2007, respectively, and the amount of structural costs included in Selling, general and administrative expense was \$2.9 billion and \$3.0 billion in the three months ended September 30, 2008 and 2007, respectively. The amount of structural costs included in Automotive cost of sales was \$28.7 billion and \$29.4 billion in the nine months ended September 30, 2008 and 2007, respectively, and the amount of structural costs included in Selling, general and administrative expense was \$9.1 billion and \$8.9 billion in the nine months ended September 30, 2008 and 2007, respectively.
- (c) Impairment, restructuring and other charges are included in Automotive cost of sales.
- (d) Derivative and certain foreign currency related items are included in Automotive cost of sales.

Contribution Costs

Contribution costs decreased in the three months ended September 30, 2008 by \$1.9 billion (or 6.5%) compared to the corresponding period in 2007. The decrease in contribution costs was driven by lower wholesale deliveries to dealers, primarily in GMNA and GME, resulting in a reduction of \$2.8 billion. This decrease was offset as Foreign Currency Translation, due primarily to the weaker U.S. Dollar, increased costs by \$0.5 billion and other factors increased contribution costs \$0.4 billion.

Contribution costs decreased in the nine months ended September 30, 2008 by \$4.7 billion (or 5.2%) compared to the corresponding period in 2007. Contribution costs decreased by \$9.6 billion due to lower global volumes. This decrease was partially offset as Foreign Currency Translation increased contribution costs by \$3.6 billion and other factors, net of favorable material performance, increased contribution costs by \$1.3 billion.

Structural Costs

Structural costs in the three months ended September 30, 2008 decreased \$1.3 billion (or 9.9%) compared to the corresponding period in 2007. This decrease was attributable to savings of \$0.6 billion in GMNA related to manufacturing, retiree pensions and OPEB resulting from productivity improvements and lower hourly employment levels. Other net cost reductions of \$0.7 billion resulted from several other factors, including lower incentive compensation and operational initiatives to defer or reduce overhead.

Structural costs in the nine months ended September 30, 2008 decreased \$0.5 billion (or 1.3%) compared to the corresponding period in 2007. Cost reductions of \$1.8 billion primarily from lower pension, OPEB, and other manufacturing costs at GMNA were partially offset as foreign currency translation increased structural costs by \$1.3 billion.

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Restructuring and Other Charges

We recorded certain charges and gains related to restructuring and other initiatives, which are included in Automotive cost of sales. Additional details regarding these charges and gains are included in Notes 10, 14, 15 and 16 to our condensed consolidated financial statements. The following table summarizes these charges and gains:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Special attrition programs	\$ 22	\$ 33	\$ 3,500	\$ 9
Restructuring initiatives	620	387	2,017	618
Asset impairments	—	—	—	109
Change in amortization period for pension prior service cost	—	1,310	—	1,310
Net curtailment gain	(3,684)	—	(3,684)	—
Salaried post-65 healthcare settlement	1,172	—	1,172	—
Other	47	—	584	(47)
Total	\$ (1,823)	\$ 1,730	\$ 3,589	\$ 1,999

The amounts in the three months ended September 30, 2008 are related to the following:

- Charges of \$22 million for restructuring initiatives in GMNA related to special attrition programs, including related curtailment charges;
- Charges of \$620 million for restructuring initiatives as follows: GMNA, \$591 million; GME, \$29 million;
- \$3.7 billion net curtailment gain related to the accelerated recognition of unamortized net prior service credit due to the Settlement Agreement for the UAW hourly medical plan becoming effective in the three months ended September 30, 2008; and
- Charges of \$1.2 billion at GMNA for the settlement loss associated with the elimination of healthcare coverage for U.S. salaried retirees over age 65 beginning January 1, 2009 and \$47 million of charges for the employees who have accepted the voluntary Salaried Window Program.

The amounts in the three months ended September 30, 2007 are related to the following:

- Charges of \$33 million for restructuring initiatives in GMNA related to special attrition programs, including related curtailment charges;
- Charges of \$387 million for restructuring initiatives as follows: GMNA, \$125 million; GME, \$262 million; and
- Charges of \$1.3 billion for additional pension expense related to the accelerated recognition of unamortized prior service cost.

The amounts in the nine months ended September 30, 2008 are related to the following:

- Charges of \$3.5 billion for restructuring initiatives in GMNA related to special attrition programs, including related curtailment charges;
- Charges of \$2.0 billion for restructuring initiatives as follows: GMNA, \$1.7 billion; GME, \$231 million; GMAP, \$98 million; and
- \$3.7 billion net curtailment gain specific to the accelerated recognition of unamortized net prior service credits due to the Settlement Agreement for the UAW hourly medical plan becoming effective in the nine months ended September 30, 2008; and \$1.2 billion of salaried post-65 healthcare charges noted above; and
- Charges of \$340 million at GMNA related to our agreement with the CAW, charges of \$197 million at GMNA related to support we provided to American Axle and charges of \$47 million related to the Salaried Window Program.

The amounts in the nine months ended September 30, 2007 are related to the following:

- \$9 million net charge for costs related to the special attrition programs at GMNA;

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- Charges of \$618 million for restructuring initiatives as follows: GMNA, \$219 million; GME, \$349 million; GMAP, \$50 million;
- Charges of \$109 million for product specific asset impairments as follows: GMNA, \$95 million; GMAP, \$14 million;
- Charges of \$1.3 billion for additional pension expense related to the accelerated recognition of unamortized prior service cost; and
- \$47 million adjustment in conjunction with cessation of production at a previously divested business.

Derivative and Foreign Currency Related Items

Results of hedging activities with respect to interest rates, certain commodity prices and foreign currency exchange rates and the effect of foreign currency transactions and translation, with the exception of certain such items reported by GM Daewoo in Automotive sales, are included in Automotive cost of sales, but are excluded from structural and contribution costs. Such costs increased \$0.8 billion and decreased \$0.5 billion in the three and nine months ended September 30, 2008, respectively, compared to the corresponding period in 2007. The increase in the three months ended September 30, 2008 was the result of a drop in commodities prices as a result of weakness in demand reflecting increased risk aversion in the current financial market.

GMA Regional Results

GM North America

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
(Dollars in millions)								
Total net sales and revenue	\$ 22,544	\$ 26,607	\$ 66,907	\$ 84,327	\$ (4,063)	(15.3)%	\$ (17,420)	(20.7)%
Automotive cost of sales	20,924	26,065	71,008	79,513	(5,141)	(19.7)%	(8,505)	(10.7)%
Selling, general and administrative expense	1,883	2,021	5,723	5,822	(138)	(6.8)%	(99)	(1.7)%
Operating loss	(263)	(1,479)	(9,824)	(1,008)	1,216	82.2%	(8,816)	n.m.
Automotive interest and other expense, net	(121)	(281)	(689)	(1,061)	160	56.9%	372	35.1%
Loss from continuing operations before income taxes, equity income and minority interests	(384)	(1,760)	(10,513)	(2,069)	1,376	78.2%	(8,444)	n.m.
Equity income (loss), net of tax	(22)	10	(48)	50	(32)	n.m.	(98)	(196.0)%
Minority interests, net of tax	11	(16)	8	(43)	27	168.8%	51	118.6%
Loss from continuing operations before income taxes	\$ (395)	\$ (1,766)	\$ (10,553)	\$ (2,062)	\$ 1,371	77.6%	\$ (8,491)	n.m.
Income from discontinued operations, net of tax	\$ —	\$ 3,549	\$ —	\$ 3,760	\$ (3,549)	(100.0)%	\$ (3,760)	(100.0)%
Automotive cost of sales rate	92.8%	98.0%	106.1%	94.3%	(5.2)%	n.m.	11.8%	n.m.
Net margin from continuing operations before income taxes, equity income and minority interests	(1.7)%	(6.6)%	(15.7)%	(2.5)%	4.9%	n.m.	(13.2)%	n.m.

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	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
(Volume in thousands)								
Production Volume (a):								
Cars	436	367	1,178	1,168	69	18.8%	10	0.9%
Trucks	479	653	1,456	2,057	(174)	(26.6)%	(601)	(29.2)%
Total	915	1,020	2,634	3,225	(105)	(10.3)%	(591)	(18.3)%
Vehicle Sales (b)(c):								
Industry — North America	4,185	4,951	13,323	14,943	(766)	(15.5)%	(1,620)	(10.8)%
GMNA	978	1,206	2,889	3,462	(228)	(18.9)%	(573)	(16.5)%
GM market share — North America	23.4%	24.4%	21.7%	23.2%	(1.0)%	n.m.	(1.5)%	n.m.
Industry — U.S.	3,411	4,171	10,961	12,599	(760)	(18.2)%	(1,638)	(13.0)%
GM market share — U.S. industry	24.3%	25.1%	22.2%	23.6%	(0.8)%	n.m.	(1.4)%	n.m.
GM cars market share — U.S. industry	20.3%	20.8%	18.7%	19.9%	(0.5)%	n.m.	(1.2)%	n.m.
GM trucks market share — U.S. industry	28.4%	28.8%	25.8%	26.7%	(0.4)%	n.m.	(0.9)%	n.m.

n.m. = not meaningful

- (a) Production volume represents the number of vehicles manufactured by our assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Vehicle sales primarily represent sales to the ultimate customer.
- (c) Vehicle sales data may include rounding differences.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Industry Vehicle Sales

Industry vehicle sales in North America decreased in the three and nine months ended September 30, 2008 by 766,000 vehicles (or 15.5%) and 1.6 million vehicles (or 10.8%), respectively, principally due to weakness in the U.S. economy resulting from a continued decline in the mortgage and credit markets, further reductions in housing values and volatile fuel prices. We expect that the weakness in the U.S. economy will continue to result in challenging near-term market conditions in GMNA. Refer to “Near-Term Market Challenges” in this MD&A for further discussion.

Total Net Sales and Revenue

Total net sales and revenue decreased in the three months ended September 30, 2008 by \$4.1 billion (or 15.3%) due to a decline in volumes and unfavorable mix of \$4.2 billion resulting from the current market challenges. In addition, sales of components, parts and accessories decreased \$0.3 billion. Net price was flat for the period reflecting improved net pricing on retail sales, particularly on cars, offset by higher costs associated with rental fleet sales. These decreases were partially offset by a \$0.7 billion reduction in the accrual for residual support programs for leased vehicles due to our recent experience related to dealer/lessee lease buy-outs and improvement in residual values of fullsize pick-ups and sport utility vehicles.

Total net sales and revenue decreased in the nine months ended September 30, 2008 by \$17.4 billion (or 20.7%) due to a decline in volumes and unfavorable mix of \$16.1 billion. In addition, we had a \$0.9 billion increase in the accrual for residual support programs for leased vehicles due to the decline in residual values of fullsize pick-up trucks and sport utility vehicles, unfavorable pricing of \$0.6 billion, and lower sales of components, parts and accessories of \$0.2 billion. These factors were

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partially offset by favorable Foreign Currency Translation of \$0.7 billion due to the strengthening of the Canadian Dollar in relation to the U.S. Dollar.

The decrease in production volume in the three and nine months ended September 30, 2008 of 105,000 vehicles (or 10.3%) and 591,000 vehicles (or 18.3%), respectively, was driven by a reduction in U.S. industry sales volumes and the effect of our declining market share in the United States.

The decline in our U.S. industry market share in the three and nine months ended September 30, 2008 of 0.8 and 1.4 percentage points, respectively, reflects macroeconomic factors including volatile fuel prices and a shift in customer demand from fullsize pick-up trucks and sport utility vehicles to passenger cars and crossover vehicles and a tightening of the credit markets making it more difficult for our customers to finance vehicle purchases. This shift in customer preference was the leading contributor to the market share losses for us in the U.S. market.

In Canada, in the three months ended September 30, 2008, industry sales decreased by 2,000 vehicles (or 0.4%) compared to the corresponding period in 2007. The shift in the Canadian industry to smaller vehicles coupled with inventory shortages of small cars and the withdrawal of leasing by GMAC in August, 2008 led to a decrease in our Canada industry market share of 1.5 percentage points. In the nine months ended September 30, 2008, while industry sales were up in Canada by 18,000 vehicles (or 1.4%), the shift to smaller vehicles and the associated inventory shortage and the withdrawal of leasing by GMAC in August, 2008 led to a decrease in our Canada industry market share of 2.6 percentage points.

Total industry sales in Mexico decreased by 10,000 vehicles (or 3.8%) in the three months ended September 30, 2008, with our Mexico industry market share remaining the same, due mainly to growth in the economy and compact car segment. In the nine months ended September 30, 2008, industry sales in Mexico decreased slightly by 14,000 vehicles (or 1.7%), and our Mexico industry market share also decreased slightly by 0.1 percentage points.

Automotive Cost of Sales

Automotive cost of sales decreased in the three months ended September 30, 2008 by \$5.1 billion (or 19.7%) due to: (1) net curtailment gain of \$3.7 billion related to the Settlement Agreement; (2) decreased costs related to lower production volumes and the mix of vehicles with lower sales volume of \$2.2 billion; (3) \$1.3 billion of pension prior service costs recorded in 2007; (4) manufacturing, retiree pension and OPEB savings of \$0.6 billion from lower manufacturing costs and hourly headcount levels resulting from attrition and productivity improvements; and (5) favorable Foreign Currency Translation effects of \$0.2 billion. These decreases were partially offset by: (1) expenses of \$1.2 billion related to the salaried post-65 healthcare settlement; (2) unfavorable commodity mark-to-market adjustments of \$1.0 billion; (3) increases in charges associated with our special attrition program of \$0.5 billion; and (4) increased warranty expenses of \$0.2 billion. Refer to “Key Factors Affecting Future and Current Results” in this MD&A for a discussion on the specific factors related to the 2008 Special Attrition Programs and facility idlings.

Automotive cost of sales decreased in the nine months ended September 30, 2008 by \$8.5 billion (or 10.7%) primarily due to: (1) decreased costs related to lower production volumes and the mix of vehicles with lower sales volume of \$9.4 billion; (2) net curtailment gain of \$3.7 billion related to the Settlement Agreement; (3) manufacturing, retiree pension and OPEB savings of \$1.6 billion from lower manufacturing costs and hourly headcount levels resulting from attrition and productivity improvements; and (4) \$1.3 billion of pension prior service costs recorded in 2007. These decreases were partially offset by: (1) charges related to restructuring and other costs associated with our special attrition programs, certain Canadian facility idlings and finalization of our negotiations with the CAW of \$5.3 billion; (2) expenses of \$1.2 billion related to the salaried post-65 healthcare settlement; (3) increased Delphi-related charges of \$0.4 billion; (4) increased warranty expenses of \$0.4 billion; and (5) unfavorable commodity mark-to-market adjustments of \$0.3 billion.

Automotive cost of sales rate decreased to 92.8% from 98.0% and increased to 106.1% from 94.3% in the three and nine months ended September 30, 2008, respectively. The three months ended September 30, 2008 reflected the benefit of the net curtailment gain recorded related to the Settlement Agreement. The nine months ended September 30, 2008 reflected a reduction in structural cost that did not fully offset the effect of the significant volume decline on revenue.

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Selling, General and Administrative Expense

Selling, general and administrative expense in the three months ended September 30, 2008 decreased by \$138 million (or 6.8%) due to: (1) decreased administrative expenses of \$124 million primarily related to receipt of a \$100 million insurance settlement; (2) reductions in incentive compensation costs of \$69 million; offset by (3) increased advertising, selling and sales promotion expenses of \$76 million.

Selling, general and administrative expense in the nine months ended September 30, 2008 decreased by \$99 million (or 1.7%) due to: (1) reductions in incentive compensation costs of \$283 million; offset by (2) increased net legal expenses of \$91 million, inclusive of the \$100 million insurance settlement mentioned above; (3) increased advertising, selling and sales promotion expenses of \$84 million; and (4) less favorable adjustments to the product liability reserve of \$23 million.

Automotive Interest and Other Expense, Net

Automotive interest and other expense, net in the three months ended September 30, 2008 decreased by \$160 million (or 56.9%) due to: (1) decreased interest expense of \$238 million reflecting lower interest rates; (2) \$48 million gain on the sale of our Oklahoma City facility; offset by (3) decreased interest income of \$136 million driven by lower cash balances.

Automotive interest and other expense, net in the nine months ended September 30, 2008 decreased by \$372 million (or 35.1%) due to: (1) decreased interest expense of \$488 million reflecting lower interest rates; (2) \$48 million gain on the sale of our Oklahoma City facility; offset by (3) decreased interest income of \$195 million driven by lower cash balances.

Equity Income (Loss), Net of Tax

Equity income (loss), net of tax decreased by \$32 million and by \$98 million (or 196.0%), respectively, in the three and nine months ended September 30, 2008. The three months ended September 30, 2008, reflected decreased income from our investments in CAMI Automotive, Inc. (CAMI) as a result of lower volume and unfavorable adjustment for a tax claim liability. The nine months ended September 30, 2008, reflected decreased income from our investments in CAMI as a result of lower production volume, combined with losses on asset disposals, and New United Motor Manufacturing, Inc. (NUMMI) as a result of lower volume and launch related expenses associated with the January 2008 introduction of the new Pontiac Vibe.

Income from Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax relates to the commercial and military operations of Allison. Income from this business of \$3.5 billion and \$3.8 billion has been reported as discontinued operations in the three and nine months ended September 30, 2007, respectively.

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GM Europe

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in millions)							
Total net sales and revenue	\$ 7,482	\$ 8,785	\$ 27,970	\$ 26,768	\$ (1,303)	(14.8)%	\$ 1,202	4.5%
Automotive cost of sales	7,829	8,487	26,596	24,875	(658)	(7.8)%	1,721	6.9%
Selling, general and administrative expense	630	683	2,190	2,015	(53)	(7.8)%	175	8.7%
Operating loss	(977)	(385)	(816)	(122)	(592)	(153.8)%	(694)	n.m.
Automotive interest and other income (expense), net	(42)	(21)	(122)	30	(21)	(100.0)%	(152)	n.m.
Loss from continuing operations before income taxes, equity income and minority interests	(1,019)	(406)	(938)	(92)	(613)	(151.0)%	(846)	n.m.
Equity income, net of tax	13	10	47	30	3	30.0%	17	56.7%
Minority interests, net of tax	3	(2)	(17)	(17)	5	n.m.	—	—%
Loss from continuing operations before income taxes	\$ (1,003)	\$ (398)	\$ (908)	\$ (79)	\$ (605)	(152.0)%	\$ (829)	n.m.
Automotive cost of sales rate	104.6%	96.6%	95.1%	92.9%	8.0%	n.m.	2.2%	n.m.
Net margin from continuing operations before income taxes, equity income and minority interests	(13.6)%	(4.6)%	(3.4)%	(0.3)%	(9.0)%	n.m.	(3.1)%	n.m.
	(Volume in thousands)							
Production Volume (a)	348	396	1,336	1,371	(48)	(12.1)%	(35)	(2.6)%
Vehicle Sales (b)(c):								
Industry — Europe	5,158	5,533	17,353	17,370	(375)	(6.8)%	(17)	(0.1)%
GM Europe	459	523	1,621	1,653	(64)	(12.3)%	(33)	(2.0)%
GM market share — Europe	8.9%	9.5%	9.3%	9.5%	(0.6)%	n.m.	(0.2)%	n.m.
GM market share — Germany	8.4%	9.4%	9.0%	9.5%	(1.0)%	n.m.	(0.5)%	n.m.
GM market share — United Kingdom	14.9%	14.8%	15.2%	15.2%	0.1%	n.m.	—%	n.m.
GM market share — Russia	9.5%	9.1%	10.9%	9.4%	0.4%	n.m.	1.5%	n.m.

n.m. = not meaningful

- (a) Production volume represents the number of vehicles manufactured by our assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Vehicle sales primarily represent sales to the ultimate customer, including unit sales of Chevrolet brand products in the region. The financial results from sales of Chevrolet brand products are reported as part of GMAP, because those vehicles are sold by GM Daewoo.
- (c) Vehicle sales data may include rounding differences.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Industry Vehicle Sales

Industry vehicle sales decreased in the three months ended September 30, 2008 by 375,000 vehicles (or 6.8%) which primarily resulted from a 150,000 vehicle (or 34.5%) decrease in Spain and decreases of 144,000 vehicles (or 18.5%) in the

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United Kingdom, 72,000 vehicles (or 12.7%) in Italy and 22,000 vehicles (or 2.6%) in Germany. These decreases were partially offset by a 70,000 vehicle (or 9.7%) increase in Russia.

Industry vehicle sales decreased in the nine months ended September 30, 2008 by 17,000 vehicles (or 0.1%) which primarily resulted from similar trends in the same markets with a 343,000 vehicle (or 23.5%) decrease in Spain and decreases of 235,000 vehicles (or 11.0%) in Italy, and 157,000 vehicles (or 7.0%) in the United Kingdom primarily offset by an increase of 437,000 vehicles (or 22.9%) in Russia, 130,000 vehicles (or 32.3%) in Ukraine, 70,000 vehicles (or 3.7%) in France, and 43,000 vehicles (or 1.7%) in Germany.

Total Net Sales and Revenue

Total net sales and revenue decreased in the three months ended September 30, 2008 by \$1.3 billion (or 14.8%) due to: (1) unfavorable effect of \$1.2 billion due to lower volume; (2) unfavorable product mix of \$0.3 billion caused primarily by increasing relative volume of lower priced vehicles such as the Opel Agila; offset by (3) favorable effect of \$0.4 billion in Foreign Currency Translation, driven mainly by the strengthening of the Euro and Swedish Krona versus the U.S. Dollar.

Total net sales and revenue increased in the nine months ended September 30, 2008 by \$1.2 billion (or 4.5%) due to: (1) favorable effect of \$2.5 billion in Foreign Currency Translation, driven mainly by the strengthening of the Euro and Swedish Krona versus the U.S. Dollar; (2) increased remarketing revenue due to higher rental car activity of \$0.2 billion; offset by (3) \$0.9 billion due to lower volume; and (4) unfavorable product mix of \$0.7 billion due to the same factors experienced in the three months ended September 30, 2008 mentioned above.

GME's wholesale sales, which exclude sales of Chevrolet brand products sold by GM Daewoo, decreased by 66,000 vehicles (or 15.3%) in the three months ended September 30, 2008. Wholesale volumes decreased most significantly in the United Kingdom, by 18,000 vehicles (or 16.2%), in Spain, by 17,000 vehicles (or 57.6%), and in Germany by 10,000 vehicles (or 14.1%), while wholesale volumes increased by 10,000 vehicles (or 50.3%) in Russia. The remainder of the change resulted from smaller decreases in countries such as Italy and France, sales to North America, and European sales of vehicles imported from the United States.

GME's wholesale sales, which exclude sales of Chevrolet brand products sold by GM Daewoo, decreased by 41,000 vehicles (or 3.0%) in the nine months ended September 30, 2008. Wholesale volumes decreased most significantly in Spain, by 41,000 vehicles (or 39.0%), by 25,000 vehicles (or 17.2%) in Italy, and by 21,000 vehicles (or 6.5%) in the United Kingdom, while wholesale volumes increased by 35,000 vehicles (or 72.8%) in Russia. The remainder of the change resulted from smaller decreases in countries such as Ireland and the Netherlands, and increased sales to North America.

Automotive Cost of Sales

Automotive cost of sales decreased in the three months ended September 30, 2008 by \$0.7 billion (or 7.8%) due to: (1) \$0.9 billion related to lower volume; (2) favorable product mix of \$0.2 billion due to the movement away from higher cost vehicles; (3) favorable material costs of \$0.2 billion; (4) improvement in manufacturing related costs of \$0.1 billion; offset by (5) unfavorable Foreign Currency Translation effect of \$0.8 billion.

Automotive cost of sales increased in the nine months ended September 30, 2008 by \$1.7 billion (or 6.9%) due to: (1) unfavorable Foreign Currency Translation effect of \$2.9 billion; offset by (2) \$0.7 billion related to lower volume; and (3) favorable product mix of \$0.5 billion.

Automotive cost of sales rate worsened in the three and nine months ended September 30, 2008 to 104.6% from 96.6% and to 95.1% from 92.9%, respectively, primarily due to the disproportional effect of Foreign Currency Translation on Total net sales and revenue and Automotive cost of sales.

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Selling, General, and Administrative Expense

Selling, general and administrative expense decreased in the three months ended September 30, 2008 by \$53 million (or 7.8%) due to decreased sales and marketing expenses of \$75 million and other structural cost savings of \$7 million, partially offset by unfavorable Foreign Currency Translation of \$28 million.

Selling, general and administrative expense increased in the nine months ended September 30, 2008 by \$175 million (or 8.7%) due primarily to unfavorable Foreign Currency Translation of \$172 million.

Automotive Interest and Other Income (Expense), Net

Automotive interest and other income (expense), net decreased in the nine months ended September 30, 2008 by \$152 million primarily related to a VAT refund received in 2007.

GM Latin America/Africa/Mid-East

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in millions)							
Total net sales and revenue	\$ 5,681	\$ 4,944	\$ 15,553	\$ 12,854	\$ 737	14.9%	\$ 2,699	21.0%
Automotive cost of sales	4,966	4,333	13,535	11,344	633	14.6%	2,191	19.3%
Selling, general and administrative expense	278	237	777	711	41	17.3%	66	9.3%
Operating income	437	374	1,241	799	63	16.8%	442	55.3%
Automotive interest and other income, net	80	1	236	126	79	n.m.	110	87.3%
Income from continuing operations before income taxes, equity income and minority interests	517	375	1,477	925	142	37.9%	552	59.7%
Equity income, net of tax	8	9	22	23	(1)	(11.1)%	(1)	(4.3)%
Minority interests, net of tax	(11)	(10)	(23)	(24)	(1)	(10.0)%	1	4.2%
Income from continuing operations before income taxes	\$ 514	\$ 374	\$ 1,476	\$ 924	\$ 140	37.4%	\$ 552	59.7%
Automotive cost of sales rate	87.4%	87.6%	87.0%	88.3%	(0.2)%	n.m.	(1.3)%	n.m.
Net margin from continuing operations before income taxes, equity income and minority interests	9.1%	7.6%	9.5%	7.2%	1.5%	n.m.	2.3%	n.m.
	(Volume in thousands)							
Production Volume (a)	276	251	795	706	25	10.0%	89	12.6%
Vehicle Sales (b)(c):								
Industry — LAAM	2,009	1,899	5,840	5,293	110	5.8%	547	10.3%
GMLAAM	342	330	1,012	895	11	3.4%	117	13.1%
GM market share — LAAM	17.0%	17.4%	17.3%	16.9%	(0.4)%	n.m.	0.4%	n.m.
GM market share — Brazil	19.8%	20.9%	20.2%	20.4%	(1.1)%	n.m.	(0.2)%	n.m.

n.m. = not meaningful

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- (a) Production volume represents the number of vehicles manufactured by our assembly facilities and also includes vehicles produced by certain joint ventures.
- (b) Vehicle sales primarily represent sales to the ultimate customer.
- (c) Vehicle sales data may include rounding differences.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Industry Vehicle Sales

Industry vehicle sales in the LAAM region increased in the three and nine months ended September 30, 2008 by 110,000 vehicles (or 5.8%) and 547,000 vehicles (or 10.3%), respectively, due to strong growth throughout the region.

In the three months ended September 30, 2008, growth was attributable to increases in Brazil of 145,000 vehicles (or 22.1%), the Mid-East (excluding Israel) of 16,000 vehicles (or 4.0%), Peru of 14,000 vehicles (or 105.9%), Argentina of 12,000 vehicles (or 7.6%), and Ecuador of 12,000 vehicles (or 56.5%), offset by declines in Venezuela of 75,000 vehicles (or 56.3%), South Africa of 37,000 vehicles (or 23.2%), and in Colombia of 8,000 vehicles (or 12.6%).

In the nine months ended September 30, 2008, growth was attributable to increases in Brazil of 470,000 vehicles (or 27.0%), the Mid-East (excluding Israel) of 64,000 vehicles (or 5.4%), Argentina of 52,000 vehicles (or 11.3%), Egypt of 49,000 vehicles (or 30.1%), and Peru of 34,000 vehicles (or 95.6%), offset by declines in Venezuela of 133,000 vehicles (or 38.6%), South Africa of 83,000 vehicles (or 17.7%), and in Colombia of 17,000 vehicles (or 9.0%).

Total Net Sales and Revenue

Total net sales and revenue increased in the three months ended September 30, 2008 by \$0.7 billion (or 14.9%) primarily due to: (1) favorable vehicle pricing of \$0.3 billion; (2) favorable product mix of \$0.2 billion; (3) favorable effect of Foreign Currency Translation of \$0.1 billion, primarily related to the Brazilian Real and Colombian Peso; and (4) \$0.1 billion in increased volumes across GMLAAM business units, including increased revenue in Brazil, Ecuador and the Mid-East, offset by decreases in Venezuela, Colombia and South Africa.

Total net sales and revenue increased in the nine months ended September 30, 2008 by \$2.7 billion (or 21.0%) due to: (1) favorable effect of Foreign Currency Translation of \$0.8 billion, primarily related to the Brazilian Real and Colombian Peso; (2) \$0.7 billion in increased volumes across most GMLAAM business units; (3) favorable vehicle pricing of \$0.6 billion; and (4) \$0.5 billion of favorable product mix in our vehicle portfolio.

Automotive Cost of Sales

Automotive cost of sales increased in the three months ended September 30, 2008 by \$0.6 billion (or 14.6%) due to: (1) unfavorable product mix of \$0.2 billion; (2) increased content cost of \$0.2 billion; and (3) unfavorable Foreign Currency Translation effect of \$0.2 billion.

Automotive cost of sales increased in the nine months ended September 30, 2008 by \$2.2 billion (or 19.3%) due to: (1) unfavorable Foreign Currency Translation of \$0.8 billion; (2) unfavorable product mix of \$0.4 billion; (3) increased volume in the region of \$0.3 billion; (4) increased content cost of \$0.3 billion; and (5) foreign exchange transaction losses on purchases of Treasury bills in Venezuela resulting in an increase of \$0.1 billion.

Automotive cost of sales rate decreased in the three and nine months ended September 30, 2008 to 87.4% from 87.6% and to 87.0% from 88.3%, respectively, due to higher pricing and favorable product mix.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Selling, General and Administrative Expense

Selling, general and administrative expense increased in the three months ended September 30, 2008 by \$41 million (or 17.3%) due to: (1) increase of \$20 million in marketing, commercial and other administrative expenses across a majority of business units throughout the region; (2) unfavorable Foreign Currency Translation of \$14 million; and (3) unfavorable increase in the cost of these expenses of \$8 million.

Selling, general and administrative expense increased in the nine months ended September 30, 2008 by \$66 million (or 9.3%), resulting from: (1) unfavorable Foreign Currency Translation of \$65 million; (2) increase of \$36 million in commercial and other administrative expenses due to general market expansion throughout most of the region; (3) unfavorable increase in the cost of these expenses of \$24 million; offset by (4) decrease of \$58 million in marketing, commercial and other administrative expenses at General Motors do Brasil Ltd. (GM do Brasil).

Automotive Interest and Other Income, Net

Automotive interest and other income, net increased in the three months ended September 30, 2008 by \$79 million due to: (1) net increase of \$89 million at GM do Brasil attributable to a net gain of \$24 million from a favorable tax case decision resulting in a refund of tax overpayments made in prior years, a favorable tax accrual adjustment resulting in a decrease of \$20 million in tax expenses and a non-recurring charge recorded in the corresponding period in 2007 of \$45 million for potential taxes related to matters concerning improperly registered material included in consignment contracts; (2) increase of \$9 million in net interest income at General Motors Venezolana, C.A. (GM Venezolana) from additional cash on hand; offset by (3) increase of \$17 million in interest expense across the majority of business units throughout the region.

Automotive interest and other income, net increased in the nine months ended September 30, 2008 by \$110 million (or 87.3%) due to: (1) net increase of \$89 million attributable to the items mentioned above in the three months ended September 30, 2008; (2) increase of \$28 million in net interest income at GM Venezolana from additional cash on hand; (3) favorable effect of Foreign Currency Translation of \$19 million; offset by (4) increase of \$23 million in interest expense across majority of business units throughout the region.

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GM Asia Pacific

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in millions)							
Total net sales and revenue	\$ 4,766	\$ 5,280	\$ 15,220	\$ 14,975	\$ (514)	(9.7)%	\$ 245	1.6%
Automotive cost of sales	4,447	4,765	14,226	13,433	(318)	(6.7)%	793	5.9%
Selling, general and administrative expense	409	355	1,222	1,022	54	15.2%	200	19.6%
Operating income (loss)	(90)	160	(228)	520	(250)	(156.3)%	(748)	(143.8)%
Automotive interest and other income (expense), net	(25)	8	(44)	24	(33)	n.m.	(68)	n.m.
Income (loss) from continuing operations before income taxes, equity income and minority interests	(115)	168	(272)	544	(283)	(168.5)%	(816)	(150.0)%
Equity income, net of tax	50	86	288	335	(36)	(41.9)%	(47)	(14.0)%
Minority interests, net of tax	59	(68)	101	(270)	127	186.8%	371	137.4%
Income (loss) from continuing operations before income tax	\$ (6)	\$ 186	\$ 117	\$ 609	\$ (192)	(103.2)%	\$ (492)	(80.8)%
Automotive cost of sales rate	93.3%	90.2%	93.5%	89.7%	3.1%	n.m.	3.8%	n.m.
Net margin from continuing operations before income taxes, equity income and minority interests	(2.4)%	3.2%	(1.8)%	3.6%	(5.6)%	n.m.	(5.4)%	n.m.
	(Volume in thousands)							
Production Volume (a)(b)	500	489	1,731	1,604	11	2.2%	127	7.9%
Vehicle Sales (a)(c)(e):								
Industry — Asia Pacific	4,871	5,005	16,348	15,464	(134)	(2.7)%	884	5.7%
GMAP	336	327	1,134	1,054	8	2.6%	80	7.6%
GM market share — Asia Pacific (d)	6.9%	6.5%	6.9%	6.8%	0.4%	n.m.	0.1%	n.m.
GM market share — Australia	13.5%	14.2%	12.9%	14.6%	(0.7)%	n.m.	(1.7)%	n.m.
GM market share — China (d)	12.2%	11.5%	12.0%	12.1%	0.7%	n.m.	(0.1)%	n.m.

n.m. = not meaningful

- (a) Includes GM Daewoo, Shanghai GM and SAIC-GM-Wuling Automobile Co., Ltd. (SGMW) joint venture production/sales. We own 34% of SGMW and under the joint venture agreement have significant rights as a member as well as the contractual right to report SGMW sales in China as part of our global market share.
- (b) Production volume represents the number of vehicles manufactured by our assembly facilities and also includes vehicles produced by certain joint ventures.
- (c) Vehicle sales primarily represent sales to the ultimate customer.
- (d) Includes SGMW joint venture sales.
- (e) Vehicle sales data may include rounding differences.

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Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Industry Vehicle Sales

Industry vehicle sales in the Asia Pacific region decreased in the three months ended September 30, 2008 by 134,000 vehicles (or 2.7%) across all markets driven by volatile fuel prices, inflation and the recent turmoil in the global credit markets.

Industry vehicle sales decreased in the three months ended September 30, 2008 by 44,000 vehicles (or 3.4%) in Japan, 32,000 vehicles (or 1.6%) in China, 23,000 vehicles (or 7.4%) in South Korea, 16,000 vehicles (or 6.1%) in Australia and 15,000 vehicles (or 9.7%) in Thailand.

Industry vehicle sales in the Asia Pacific region increased in the nine months ended September 30, 2008 by 884,000 vehicles (or 5.7%), driven by growth in China, Indonesia, India, and Malaysia. However, general economic conditions have caused the momentum to moderate.

Industry vehicle sales increased in the nine months ended September 30, 2008 by 705,000 vehicles (or 11.3%) in China, 134,000 vehicles (or 42.2%) in Indonesia, 102,000 vehicles (or 6.9%) in India and 64,000 vehicles (or 17.8%) in Malaysia. These increases were offset as Japan decreased by 100,000 vehicles (or 2.4%) and Taiwan decreased by 68,000 vehicles (or 27.2%).

Total Net Sales and Revenue

Total net sales and revenue decreased in the three months ended September 30, 2008 by \$0.5 billion (or 9.7%) due to: (1) unfavorable effect of \$0.3 billion for the change in fair value of foreign exchange derivatives not designated as hedges at GM Daewoo; (2) unfavorable mix of \$0.1 billion mainly from deterioration in outside sales volumes at GM Daewoo; and (3) unfavorable net pricing of \$0.1 billion at GM Daewoo.

Total net sales and revenue increased in the nine months ended September 30, 2008 by \$0.2 billion (or 1.6%) due to: (1) \$0.9 billion increase driven primarily by growth in export volumes at GM Daewoo and GM Holden, along with higher domestic volumes across most GMAP business units; offset by (2) unfavorable effect of \$0.3 billion for the change in fair value of foreign exchange derivatives not designated as hedges at GM Daewoo; and (3) unfavorable \$0.4 billion immaterial adjustment related to correcting our hedge accounting practices. Refer to Note 19 to the condensed consolidated financial statements for further information regarding our hedging adjustment.

Automotive Cost of Sales

Automotive cost of sales decreased in the three months ended September 30 2008 by \$0.3 billion (or 6.7%) due to favorable Foreign Currency Translation of \$0.4 billion at GM Daewoo partially offset by unfavorable Foreign Currency Translation of \$0.1 billion related to the Australian Dollar. Increased volume of \$0.1 billion at GM Holden and our subsidiaries in Thailand was offset by a decline in GM Daewoo export volumes.

Automotive cost of sales increased in the nine months ended September 30 2008 by \$0.8 billion (or 5.9%) driven by: (1) unfavorable volume and mix of \$1.0 billion; (2) unfavorable Foreign Currency Translation of \$0.3 billion related to the Australian Dollar; and (3) increased other expenses of \$0.1 billion primarily related to engineering expense at GM Daewoo; offset by (4) favorable Foreign Currency Translation at GM Daewoo of \$0.6 billion.

Automotive cost of sales rate increased in the three months ended September 30, 2008 to 93.3% from 90.2% as the reduction in production cost from volume decline did not fully offset the increase in structural cost included in Automotive cost of sales.

Automotive cost of sales rate increased in the nine months ended September 30, 2008 to 93.5% from 89.7% as increased structural costs in Automotive cost of sales outpaced the increase in Total net sales and revenue, which included an unfavorable adjustment related to correcting our hedge accounting practices mentioned above.

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Selling, General and Administrative Expense

Selling, general and administrative expense increased in the three months ended September 30 2008 by \$54 million (or 15.2%) due to increased selling expenses of \$29 million, primarily at GM Daewoo and GM Holden and increased general administrative expenses of \$24 million in line with the expanded operations across various business units in the region.

Selling, general and administrative expense increased in the nine months ended September 30 2008 by \$200 million (or 19.6%) due to increased selling expenses of \$111 million, primarily at GM Daewoo and GM Holden and increased general administrative expenses of \$87 million in line with the expanded operations across various business units in the region.

Automotive Interest and Other Income (Expense), Net

Automotive interest and other income (expense), net decreased in the three and nine months ended September 30, 2008 by \$33 million and \$68 million, respectively, due to lower interest income.

Equity Income, Net of Tax

Equity income, net of tax decreased in the three months ended September 30, 2008 by \$36 million (or 41.9%) due to a decline in our China joint ventures' income resulting primarily from decreased volume and mix of \$35 million and sales allowances of \$24 million. These decreases in income were partially offset by decreased material costs of \$24 million.

Equity income, net of tax decreased in the nine months ended September 30, 2008 by \$47 million or (14.0%) due to a decline in our China joint ventures' income resulting primarily from sales allowances of \$113 million and unfavorable mix of \$44 million. These decreases in income were partially offset by decreased material costs of \$70 million, decreased contribution costs of \$24 million and increased volume of \$23 million.

Minority Interests, Net of Tax

Minority interests, net of tax decreased in the three and nine months ended September 30 2008 by \$0.1 billion (or 186.8%) and \$0.4 billion (or 137.4%) due to decline in GM Daewoo income.

FIO Financial Review

Our FIO business includes our share of the operating results of GMAC's lines of business consisting of Automotive Finance Operations, Mortgage Operations, Insurance, and Other, which includes GMAC's Commercial Finance business and GMAC's equity investment in Capmark Financial Group. Also included in FIO are two special purpose entities holding automotive leases previously owned by GMAC and its affiliates that we retained in connection with the divestiture of our 51% equity interest in GMAC in fiscal year 2006.

At December 31, 2007 we disclosed that we did not believe our investment in GMAC was impaired; however, there were many economic factors which were unstable at that time. Such factors included the instability of the global credit and mortgage markets, deteriorating conditions in the residential and home building markets, and credit downgrades of GMAC and GMAC's subsidiary, Residential Capital, LLC (ResCap).

Through June 30, 2008 the economic factors mentioned above deteriorated beyond our previous expectations. The instability in the global credit and mortgage markets increased in North America and spread throughout Europe, and the residential and homebuilding markets continued to deteriorate in both continents. These factors were exacerbated by the increase in the cost of fuel, which lead to a decline in consumer demand for automobiles, particularly fullsize pick-up trucks and sport utility vehicles. This negatively affected GMAC's North American automotive business, as the decline in certain residual values resulted in an impairment of vehicles on operating leases, and an overall decline in automotive sales resulted in a decline in the leasing and financing of vehicles.

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In the three months ended September 30, 2008 the instability of the credit markets intensified in North America and Europe and resulted in an extreme lack of liquidity in the global credit markets resulting in prominent North American financial institutions declaring bankruptcy, being seized by the Federal Deposit Insurance Corporation (FDIC), or being sold at distressed valuations.

These economic factors negatively affected GMAC's North American automotive business as well as ResCap's residential mortgage business, which resulted in significant losses for both GMAC's North American automotive operations and ResCap. Additionally, it was necessary for GMAC to continue to provide support to ResCap, and GMAC's and ResCap's credit ratings were each further downgraded several times.

Based on these factors, we believed that a decline in value of our investment in GMAC occurred in each of the three month periods ended March 31, June 30 and September 30, 2008. Accordingly, we performed an assessment in accordance with the provisions of Accounting Principles Board Opinion (APB) No. 18, "The Equity Method of Accounting for Investments in Common Stock" (APB No. 18), to determine whether this decline in value was "other than temporary." We concluded that certain of the declines were other than temporary and, accordingly, we reduced the carrying value of our investments to fair value as determined in accordance with SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). Our conclusions were reached after considering the severity of the impairment and whether the value would recover in a reasonable period. Continued low or decreased demand for automobiles, continued or increased instability of the global credit and mortgage markets, the lack of available credit, or a recession in North America, Europe, South America or Asia could further negatively affect GMAC's lines of business, and result in future impairments of our investment in GMAC Common and Preferred Membership Interests. Additionally, as GMAC provides financing to our dealers as well as retail purchasers of our vehicles, further deterioration in these economic factors could cause our vehicle sales to decline. However, such declines may not result in further impairment charges if we determine they are temporary.

The following table summarizes the impairment charges we have recorded against our investment in GMAC Common and Preferred Membership Interests:

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
	(Dollars in millions)	
GMAC Common Membership Interests	\$ —	\$ 2,036
GMAC Preferred Membership Interests	251	1,001
Total	<u>\$ 251</u>	<u>\$ 3,037</u>

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The following table summarizes the activity with respect to our investment in GMAC Common and Preferred Membership Interests:

	<u>GMAC Common</u> <u>Membership Interests</u>	<u>GMAC Preferred</u> <u>Membership Interests</u>
	(Dollars in millions)	
Balance at January 1, 2008	\$ 7,079	\$ 1,044
Our proportionate share of GMAC's losses	(302)	—
Impairment charges	(1,310)	(142)
Other, primarily Accumulated other comprehensive income (loss)	(76)	—
Balance at March 31, 2008	5,391	902
Our proportionate share of GMAC's losses	(1,204)	—
Impairment charges	(726)	(608)
Other, primarily Accumulated other comprehensive income (loss)	(7)	—
Balance at June 30, 2008	3,454	294
Our proportionate share of GMAC's losses	(1,235)	—
Impairment charges	—	(251)
Other, primarily Accumulated other comprehensive income (loss)	(270)	—
Balance at September 30, 2008	\$ 1,949	\$ 43

In the three months ended June 30, 2008, residual values of sport utility vehicles and fullsize pick-up trucks experienced a sudden and significant decline as a result of a shift in customer preference to passenger cars and crossover vehicles and away from sport utility vehicles and fullsize pick-up trucks. In addition, in the three months ended September 30, 2008 residual values of fullsize pick-up trucks in Canada continued to significantly decline. This decline in residual values is the primary factor responsible for the impairment charge of \$0.8 billion and \$0.1 billion recorded by GMAC and our FIO segment, respectively, in the nine months ended September 30, 2008 related to Equipment on operating leases, net. In addition to the impairment charges recorded, GMNA increased residual support and risk sharing accruals by \$0.9 billion related to its obligations under residual support and risk sharing agreements related to Equipment on operating leases, net.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

FIO reported loss before income taxes of \$1.4 billion in the three months ended September 30, 2008 as compared to loss before income taxes of \$0.7 billion in the corresponding period in 2007. FIO reported a loss before income taxes of \$5.6 billion in the nine months ended September 30, 2008 compared to loss before income taxes of \$0.4 billion in the corresponding period in 2007. Refer to the commentary below for a detailed discussion of the events and factors contributing to this change.

GMAC reported a net loss of \$2.5 billion and \$5.6 billion for the three and nine months ended September 30, 2008, respectively, compared to \$1.6 billion in both corresponding periods in 2007. Results during the three months ended September 30, 2008, were attributable to a significant loss at ResCap, caused by continued adverse conditions in the mortgage business, and increased provision for credit losses related to deterioration in used vehicle prices and weaker consumer and dealer credit performance. Results were also adversely affected by realized losses, and valuation adjustments on assets held-for-sale and certain investment securities as a result of illiquidity in the credit and capital markets.

GMAC's Global Automotive Finance operations experienced a net loss of \$294 million and \$753 million in the three and nine months ended September 30, 2008, respectively, compared to net income of \$554 million and \$1.3 billion in the three and nine months ended September 30, 2007, respectively. GMAC's Global Automotive Finance operations experienced an increase in credit reserves as a result of continued deterioration in used vehicle prices, which affected certain retail balloon contracts and leases, as well as overall weakness in economic conditions during 2008. Also, results were effected by an impairment related to vehicle operating lease residual values, weaker consumer and dealer credit performance, and valuation losses on assets held-for-sale and certain investment securities due to weaker economic conditions. Additionally, declines in new vehicle financing originations due to tighter underwriting standards and lower industry sales adversely affected results.

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GMAC's ResCap operations experienced net losses of \$1.9 billion and \$4.6 billion in the three and nine months ended September 30, 2008, respectively, compared to net losses of \$2.3 billion and \$3.4 billion in the three and nine months ended September 30, 2007, respectively. The 2008 results were adversely affected by continued pressure in the domestic housing markets and the foreign mortgage and capital markets. The adverse conditions resulted in lower net interest margins, high provisions for loan losses, lower loan production, realized losses on sales of mortgage loans, declines in fair value related to mortgage loans held-for-sale and trading securities and continued real estate investment impairments. As market conditions persist, particularly in the foreign markets, these unfavorable effects on ResCap's results of operations may continue.

Net income from GMAC's Insurance operations was \$97 million and \$364 million for the three and nine months ended September 30, 2008, respectively, compared to \$117 million and \$391 million in the corresponding periods in 2007. Net income in the three months ended September 30, 2008, decreased compared to the corresponding period in 2007 primarily due to higher realized investment losses, which were driven by an other-than-temporary impairment recognized on certain investment securities, losses on sales of securities to reduce portfolio exposure to the financial services sector, and unfavorable investment market volatility. The decrease was partially offset by a favorable settlement of a prior year tax return. Net income in the nine months ended September 30, 2008 decreased compared to the corresponding period in 2007 primarily due to an increase in insurance and investment losses, partially offset by a favorable resolution of a tax audit and the favorable settlement of a prior year tax liability.

GMAC's Other operations experienced a net loss of \$414 million and \$574 million in the three and nine months ended September 30, 2008, respectively, compared to a net loss of \$6 million and net income of \$79 million in the three and nine months ended September 30, 2007, respectively. The decrease for both periods was primarily due to increased interest expense for corporate activities due to increased borrowings, other-than-temporary impairment recognized on certain investment securities due to adverse market conditions, decreased equity investment income and expenses related to the repurchase of equity-based compensation awards. The three and nine months ended September 30, 2008, also included intercompany eliminations of \$19 million and \$42 million, respectively, related to the extinguishment of ResCap debt, which are ultimately eliminated in consolidation. Other operations experienced equity investment net losses of \$13 million and \$61 million in the three and nine months ended September 30, 2008, respectively, compared to net income of \$8 million and \$68 million in the corresponding periods in 2007. The losses were primarily attributable to the decline in credit market conditions and unfavorable asset revaluations.

FIO's Other Financing reported income before income taxes of \$78 million in the three months ended September 30, 2008 as compared to income before income taxes of \$110 million in the corresponding period in 2007. FIO Other Financing reported income before income taxes of \$115 million in the nine months ended September 30, 2008 compared to income before income taxes of \$395 million in the corresponding period in 2007. The decrease in income before income taxes in the three and nine months ended September 30, 2008 relates to the planned liquidation of our portfolio of equipment on operating leases and a \$105 million impairment charge recorded on these operating leases in the nine months ended September 30, 2008.

FIO's loss in the three and nine months ending September 30, 2008 included the impairment charges related to our investment in GMAC Common and Preferred Membership Interests discussed above. In the nine months ended September 30, 2008, we recorded impairment charges of \$2.0 billion related to our investment in GMAC Common Membership Interests, and in the three and nine months ended September 30, 2008 we recorded impairment charges of \$0.3 billion and \$1.0 billion, respectively, related to our investment in GMAC Preferred Membership Interests.

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Corporate and Other Operations

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended 2008 vs. 2007 Change		Nine Months Ended 2008 vs. 2007 Change	
	2008	2007	2008	2007	Amount	%	Amount	%
	(Dollars in millions)							
Total net sales and revenue	\$ —	\$ —	\$ —	\$ —	\$ —	n.m.	\$ —	n.m.
Automotive cost of sales	(727)	315	(668)	429	(1,042)	n.m.	(1,097)	n.m.
Selling, general and administrative expense	49	301	784	627	(252)	(83.7)%	157	25.0%
Other expense	707	405	4,300	1,125	302	74.6%	3,175	n.m.
Operating loss	(29)	(1,021)	(4,416)	(2,181)	992	97.2%	(2,235)	(102.5)%
Automotive interest and other income (expense), net	(102)	(12)	(243)	214	(90)	n.m.	(457)	n.m.
Loss from continuing operations before income taxes, other equity income and minority interests	(131)	(1,033)	(4,659)	(1,967)	902	87.3%	(2,692)	(136.9)%
Income tax expense (benefit)	68	39,113	1,758	38,682	(39,045)	(99.8)%	(36,924)	(95.5)%
Equity income, net of tax	1	—	1	2	1	—%	(1)	(50.0)%
Minority interests, net of tax	1	2	—	1	(1)	(50.0)%	(1)	(100.0)%
Net loss	\$ (197)	\$ (40,144)	\$ (6,416)	\$ (40,646)	\$ 39,947	99.5%	\$ 34,230	84.2%

n.m. = not meaningful

Corporate and Other includes certain centrally recorded income and costs, such as interest and income taxes, corporate expenditures, the elimination of inter-segment transactions and costs related to pension and OPEB for Delphi retirees and retirees of other divested businesses for which we have retained responsibility.

Three and Nine Months Ended September 30, 2008 Compared to Three and Nine Months Ended September 30, 2007

Automotive cost of sales decreased in the three months ended September 30, 2008 by \$1.0 billion, due to: (1) a net curtailment gain of \$1.2 billion associated with the finalization of the Settlement Agreement; (2) a nonrecurring charge of \$0.2 billion in the corresponding period in 2007 for additional pension expense related to the accelerated recognition of unamortized prior service cost; and (3) favorable Foreign Currency Translation of \$0.1 billion. The effect of these items was partially offset by a charge of \$0.5 billion associated with the salaried post-65 healthcare settlement. Automotive cost of sales decreased in the nine months ended September 30, 2008 by \$1.1 billion. In addition to the above factors, legacy related costs consisting primarily of pension and OPEB expenses for GM and Delphi employees and retirees decreased an additional \$0.1 billion.

Selling, general and administrative expense decreased in the three months ended September 30, 2008 by \$0.3 billion (or 83.7%) due to: (1) recovery of \$0.1 billion related to settlement of legal issues; (2) a charge of \$77 million in the corresponding period in 2007 for additional pension expense related to the accelerated recognition of unamortized prior service cost; (3) resolution of various tax related matters of \$43 million; and (4) a decrease in other administrative expenses of \$24 million. Selling, general and administrative costs in the nine months ended September 30, 2008 increased \$0.2 billion (or 25.0%) primarily due to net charges for settlement of legal matters of \$0.2 billion.

Other expense increased in the three and nine months ended September 30, 2008 by \$0.3 billion (or 74.6%) and \$3.2 billion, respectively, primarily due to additional charges recorded for Delphi. In the three and nine months ended September 30, 2008, we recorded charges of \$0.7 billion and \$4.1 billion, respectively, related to the Benefit Guarantee Agreements and \$0.1 billion and \$0.2 billion, respectively, related to transactions with other FIO. In the corresponding periods in 2007, Other expenses

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related primarily to charges of \$0.4 billion and \$0.9 billion, respectively, in connection with the Benefit Guarantee Agreements, and \$0.1 billion and \$0.2 billion, respectively, related to transactions with other FIO.

Automotive interest and other income (expense), net increased in net expense in the three and nine months ended September 30, 2008 by \$0.1 billion and \$0.5 billion, respectively, due to: (1) lower interest income, driven by lower interest rates and cash balances, of \$0.1 billion and \$0.2 billion, respectively; (2) unfavorable interest of \$0.2 billion recognized in the three months ended June 30, 2007 in connection with various tax related items; partially offset by (3) a gain of \$50 million from the sale of our common equity interest in Electro-Motive Diesel, Inc., recorded in the nine months ended September 30, 2008.

The decrease in Income tax expense (benefit) in the three and nine months ended September 30, 2008 primarily resulted from two factors: (1) no longer recognizing the income tax benefit of losses in the United States, Canada, Germany, Spain and the United Kingdom due to the effect of full valuation allowances in these jurisdictions; and (2) the effect of recording valuation allowances against our net deferred tax assets in the United States, Canada and Germany in the three and nine months ended September 30, 2007 and in Spain and the United Kingdom as it relates to the nine months ended September 30, 2008.

In the three months ended September 30, 2007, we concluded that it was more likely than not that we would not generate sufficient taxable income to realize our net deferred tax assets in the United States, Canada and Germany, either in whole or in part, and, accordingly, recorded full valuation allowances of \$39.0 billion against these net deferred tax assets. This change was primarily due to a decline in actual results from our previous forecast and a significant downward revision in our near-term (2008 and 2009) financial outlook.

In addition, in the three months ended March 31, 2008, we determined that it was more likely than not that we would not realize our net deferred tax assets, in whole or in part, in Spain and the United Kingdom and recorded full valuation allowances of \$0.4 billion against our net deferred tax assets in these tax jurisdictions. The following summarizes the significant changes occurring in the three months ended March 31, 2008, which resulted in our decision to record these full valuation allowances.

In the United Kingdom, we were in a three-year adjusted cumulative loss position and our near-term and mid-term financial outlook for automotive market conditions was more challenging than we believed at December 31, 2007. Our outlook deteriorated based on our projections of the combined effects of the challenging foreign exchange environment and unfavorable commodity prices. Additionally, we increased our estimate of the potential costs that may arise from the regulatory and tax environment relating to carbon dioxide (CO₂) emissions in the European Union, including legislation enacted or announced during 2008.

In Spain, although we were not currently in a three-year adjusted cumulative loss position, our near-term and mid-term financial outlook deteriorated significantly in the three months ended March 31, 2008 such that we anticipated being in a three-year adjusted cumulative loss position in the near- and mid-term. In Spain, as in the United Kingdom, we were unfavorably affected by the combined effects of the foreign exchange environment, commodity prices and our estimate of the potential costs that may arise from the regulatory and tax environment relating to CO₂ emissions.

Based on our analysis, we concluded that it was more likely than not that we would not realize our net deferred tax assets, in whole or in part, in the United Kingdom and Spain and recorded full valuation allowances. As a result of the full valuation allowances, we did not record tax benefits for losses incurred in these tax jurisdictions in the three and nine months ended September 30, 2008.

A description of our method to determine if our deferred tax assets are realizable is included in “Critical Accounting Estimates — Deferred Taxes” later in this MD&A.

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Key Factors Affecting Future and Current Results

2008 GM-UAW Settlement Agreement

In February 2008, we entered into the Settlement Agreement with the UAW and Class Counsel representing the class of GM-UAW retirees regarding postretirement healthcare coverage. The Settlement Agreement provides that responsibility for providing retiree healthcare for GM-UAW retirees, their spouses and dependents will permanently shift from us to a new retiree plan (New Plan) funded by a new independent Voluntary Employee Beneficiary Association trust (New VEBA). On July 31, 2008, the United States District Court for the Eastern District of Michigan (Court) approved the Settlement Agreement. The terms of the Settlement Agreement stipulated that it would not become effective until all appeals of the July 31, 2008 Court approval had been exhausted and we had completed discussions with the staff of the SEC regarding the accounting treatment for the transactions contemplated in the Settlement Agreement on a basis we believe to be reasonably satisfactory.

On September 2, 2008, (Final Effective Date), the judgment became final as the period to file appeals related to the Court's order expired, with no appeals filed. In September 2008, we determined that discussions between us and the staff of the SEC regarding the accounting treatment for the transaction contemplated by the Settlement Agreement were completed on a basis we believe to be reasonably satisfactory. Therefore, the Settlement Agreement is now effective and under the terms of the Settlement Agreement, on January 1, 2010 (Implementation Date), our obligation to provide retiree healthcare coverage for GM-UAW retirees and beneficiaries will terminate. The obligation for all retiree medical claims incurred on or after such date will be the responsibility of the New Plan and New VEBA. At that time, we will account for the establishment and funding of the New VEBA as a termination of our UAW hourly medical plan and Mitigation Plan in accordance with SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106).

As allowed by the Settlement Agreement and consented to by the Class Counsel, we are deferring \$1.7 billion of payments contractually required under the Settlement Agreement to the New VEBA including interest on the 6.75% Series U Convertible Senior Debentures due December 31, 2012 (Convertible Note), annual wage payments, annual base payment and the Shortfall Payment of \$165 million due in 2008 as described below, which were originally required to be contributed in 2008 and 2009. These payments are deferred until the Implementation Date and will be increased by an annual interest rate factor of 9.0%.

The following table summarizes our contractual contributions to the New VEBA as required by the Settlement Agreement under the assumption buyout options are not utilized:

	Years Ended December 31,						Total
	2008	2009	2010	2011	2012	Thereafter	
	(Dollars in millions)						
Cash	\$ —	\$ —	\$ 1,840	\$ 1,442	\$ 454	\$ 9,540	\$ 13,276
Cash settlement of Short-Term Note	—	—	4,768	—	—	—	4,768
Cash payment of Convertible Note	—	—	926	295	4,668	—	5,889
Total contractual contributions (a)	\$ —	\$ —	\$ 7,534	\$ 1,737	\$ 5,122	\$ 9,540	\$ 23,933

(a) Total contractual contributions exclude any potential shortfall contributions (Shortfall Payments) as described below, other than the 2008 required Shortfall Payment, which was deferred until 2010. This table does not take into consideration the \$450 million payment we committed to pay directly to the New VEBA to settle a UAW claim asserted against Delphi which is contingent upon substantial consummation of a Delphi plan of reorganization (POR). The table also assumes the Convertible Note is not converted prior to maturity.

The terms of the Settlement Agreement require us to make contributions to the New VEBA as described below:

- We may contribute \$5.6 billion on the Implementation Date or we may elect to make annual payments in varying amounts between \$421 million and \$3.3 billion through 2020. At any time after the Implementation Date, we will have the option to prepay all remaining payments;

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- In February 2008 we issued a \$4.0 billion short-term note (Short-Term Note) to LBK, LLC, a Delaware limited liability company of which we are the sole member (LBK). The Short-Term Note pays interest at a rate of 9.0% and matures on or before the 20th business day after the Implementation Date. LBK will hold the Short-Term Note until maturity at which point the proceeds will be transferred to the New VEBA;
- In February 2008 we issued \$4.4 billion principal amount of our 6.75% Series U Convertible Senior Debentures due December 31, 2012 to LBK. LBK will hold the Convertible Note until it is transferred to the New VEBA. The Convertible Note is convertible into 109 million shares of our common stock. Interest on the Convertible Note is payable semi-annually. Interest payments of \$296 million due in 2010, 2011 and 2012, after the Convertible Note is contributed to the New VEBA, will be made directly to the New VEBA (or any other holder of the Convertible Note);
- Existing assets of the Mitigation Plan and a remaining \$1.0 billion contribution due in 2011 to the New VEBA;
- Approximately \$285 million of other payments to be made on the Implementation Date; and
- We may be required to contribute Shortfall Payments of \$165 million per year, limited to a maximum of 20 payments, to the New VEBA if annual cash flow projections show that the New VEBA will become insolvent on a rolling 25-year basis. As mentioned above, when measuring our obligation at September 1, 2008, we assumed we would be required to make all 20 payments.
- At any time after the Implementation Date we will have the option to prepay all remaining payments.

The minimum amount of contractual obligations that we are required to pay under the terms of the Settlement Agreement is \$17.7 billion considering possible buyout options, with the maximum undiscounted amount of potential payments being \$27.1 billion if all potential Shortfall Payments are made.

Refer to Note 10 to the condensed consolidated financial statements for more details of the Settlement Agreement and related accounting and to Note 11 for additional information regarding Delphi.

2008 Special Attrition Programs and U.S. and Canada Facility Idlings

In February 2008, we 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 our 74,000 UAW-represented employees consisted of wage and benefit packages for normal and voluntary retirements and buyouts for pre-retirement employees with 26 to 29 years of service. In addition to their vested pension benefits, those employees that were retirement eligible will receive a lump sum payment, depending upon job classification, that will be funded from our U.S. hourly pension plan. For those employees not retirement eligible, other buyout options were offered. The terms offered to the 2,300 IUE-CWA represented employees are similar to those offered through the 2008 UAW Special Attrition Program. As a result of the 2008 Special Attrition Programs, we recognized curtailment losses and other special termination benefits in the nine months ended September 30, 2008 of \$3.2 billion, which were recorded in Automotive cost of sales. Refer to Note 10 to the condensed consolidated financial statements for additional details on the financial statement effects of the 2008 Special Attrition Programs.

Approximately 18,700 employees have elected to participate in the 2008 Special Attrition Programs, with most employees leaving active employment on or before July 1, 2008. The expected cash expenditure for the 2008 Special Attrition Programs are \$0.4 billion of which \$0.3 billion was incurred in the nine months ended September 30, 2008. We expect total cash expenditures related to the 2008 U.S. and Canada announced capacity actions to be \$1.4 billion, of which we plan to spend \$0.1 billion in 2008, \$0.6 billion in 2009, and \$0.7 billion beyond 2009.

Delphi Bankruptcy

Background

In October 2005, Delphi filed a petition for Chapter 11 proceedings under the U.S. Bankruptcy Code for itself and many of its U.S. subsidiaries. Delphi's financial distress and Chapter 11 filing posed significant risks to us for two principal reasons: (1) our production operations rely on systems, components and parts provided by Delphi, our largest supplier, and could be substantially disrupted if Delphi rejected its supply agreements or its labor agreements with us and thereby affected the

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availability or price of the required systems, components or parts; and (2) in connection with our 1999 spin-off of Delphi, we provided limited guarantees of pension and OPEB benefits for hourly employees represented by the UAW, the IUE-CWA, and the United Steel Workers (USW) who were transferred to Delphi from GM (Benefit Guarantee Agreements), which could have been triggered in connection with the Chapter 11 proceedings.

Since the filing, we have continued to work with Delphi, its unions and other interested parties to negotiate a satisfactory resolution to Delphi's Chapter 11 restructuring process, including several interim agreements and the labor and settlement agreements discussed below.

Labor Settlements

In June 2007, we entered into a Memorandum of Understanding with Delphi and the UAW (Delphi UAW MOU) which included terms relating to the consensual triggering of the UAW Benefit Guarantee Agreement as well as additional terms relating to Delphi's restructuring. Under the Delphi UAW MOU we 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 our retirees and their beneficiaries from the Mitigation Plan VEBA, which was formed pursuant to the Delphi UAW MOU. We also committed to pay \$450 million to settle a UAW claim asserted against Delphi, which the UAW has directed us to pay directly to the Mitigation Plan or New VEBA, depending upon the timing of the payment. We also agreed that the applicable Benefit Guarantees will be triggered for certain UAW employees if Delphi terminates its pension plan, ceases to provide ongoing credited services, or fails or refuses to provide postretirement medical benefits for those UAW employees at any time before Delphi's POR or a similar plan is consummated.

In August 2007, we entered into a Memorandum of Understanding with Delphi and the IUE-CWA (Delphi IUE-CWA MOU), and we entered into two separate Memoranda of Understanding with Delphi and the USW (collectively the USW MOUs). The terms of the Delphi IUE-CWA MOU and the USW MOUs are similar to the Delphi UAW MOU with regard to the consensual triggering of the Benefit Guarantee Agreements.

Delphi-GM Settlement Agreements

In September 2007, as amended in October and December, 2007, we entered into comprehensive settlement agreements with Delphi (Delphi-GM Settlement Agreements) consisting of a Global Settlement Agreement, as amended (GSA) and a Master Restructuring Agreement, as amended (MRA). The GSA was intended to resolve outstanding issues between Delphi and us that have arisen or may arise before Delphi's emergence from Chapter 11. The MRA was intended to govern certain aspects of our ongoing commercial relationship with Delphi.

On September 12, 2008 we amended the terms of the GSA (Amended GSA) and MRA (Amended MRA) (collectively, Amended Delphi-GM Settlement Agreements). On September 26, 2008, the United States District Court for the Southern District of New York entered an order approving the implementation of the Amended Delphi-GM Settlement Agreements which then became effective on September 20, 2008. In connection with the Amended GSA, we and Delphi reached agreements with each of Delphi's unions regarding the plan to freeze benefits related to the Delphi Hourly-Rate Employees Pension Plan (Delphi HRP), the cessation by Delphi of OPEB for Delphi hourly union represented employees and retirees, transfers pursuant to Internal Revenue Service (IRS) Code Section 414(l) of certain net liabilities from the Delphi HRP to our U.S. hourly pension plan, and the release by the unions, their members and their retirees of Delphi and us from claims related to such matters.

In addition, the more significant items contained in the Amended Delphi-GM Settlement Agreements include our 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;
- 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;

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- Transfer, under IRS Code Section 414(l), \$2.1 billion of net liabilities from the Delphi HRP to our U.S. hourly pension plan on September 29, 2008 (First Hourly Pension Transfer) and remaining net liabilities, which are estimated to be \$1.3 billion at September 30, 2008, upon Delphi's substantial consummation of its POR consistent with the Amended Delphi-GM Settlement Agreements (Second Hourly Pension Transfer). Actual amounts of the Second Hourly Pension Transfer will depend on, among other factors, valuation of liability at transfer date and performance of pension plan assets;
- 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 our ability to re-source certain production to alternative suppliers;
- Reimburse certain U.S. hourly labor costs incurred to produce systems, components and parts for us from October 1, 2006 through September 14, 2015 at certain U.S. facilities owned or to be divested by Delphi (Labor Cost Subsidy);
- Reimburse Delphi's cash flow deficiency attributable to production at certain U.S. facilities that continue to produce systems, components and parts for us until the facilities are either closed or sold by Delphi (Production Cash Burn Support);
- Pay Delphi \$110 million in both 2009 and 2010 in quarterly installments in connection with certain U.S. facilities owned by Delphi (Facilitation Support);
- Temporarily accelerate payment terms for Delphi's North American sales to us upon substantial consummation of its POR, until 2012;
- Beginning January 1, 2009, reimburse Delphi for actual cash payments related to workers compensation, disability, supplemental employment 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.

Delphi agreed to provide us or our designee with an option to purchase all or any of certain Delphi businesses for one dollar if such businesses have not been sold by certain specified deadlines. If such a business is not sold either to a third party or to us or any affiliate pursuant to the option by the applicable deadline, we (or at our option, an affiliate) will be deemed to have exercised the purchase option, and the unsold business, including materially all of its assets and liabilities, will automatically transfer to the GM "buyer." Similarly, under the Delphi UAW MOU if such a transfer has not occurred by the applicable deadline, responsibility for the affected UAW hourly employees of such an unsold business would automatically transfer to us or our designated affiliate. Upon emergence, Delphi also agreed to provide us with the right to access and operate four Delphi U.S. manufacturing facilities under certain circumstances.

The Amended GSA also resolves all claims in existence as of the effective date of the Amended Delphi-GM Settlement Agreements (with certain limited exceptions) that either Delphi or we have or may have against the other, including Delphi's motion in March 2006 under the U.S. Bankruptcy Code to reject certain supply contracts with us. The Amended GSA and related agreements with Delphi's unions releases us 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. Also pursuant to the Amended GSA, we have released Delphi and its related parties, as defined, from claims by us or our related parties, as defined.

Additionally, the Amended GSA provides that we will receive:

- an administrative claim regarding the First Hourly Pension Transfer of \$1.6 billion, of which we will share equally with the general unsecured creditors up to only the first \$600 million in recoveries in the event Delphi does not emerge from bankruptcy;
- an administrative claim for \$2.1 billion for the total Delphi HRP transfer (inclusive of the administrative claim for the First Hourly Pension Transfer) to be paid in preferred stock upon substantial consummation of Delphi's POR in which Delphi emerges with: (1) its principal core businesses; (2) exit financing that does not exceed \$3.0 billion (plus a revolving credit facility); and (3) equity securities that are not senior to or pari passu with the preferred stock issued to us; and

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- a general unsecured claim in the amount of \$2.5 billion that is subordinated until general unsecured creditors receive recoveries equal to 20% of their general unsecured claims after which we will receive 20% of our general unsecured claim in preferred stock, with any further recovery shared ratably between us and general unsecured creditors.

The ultimate value of any consideration that we may receive is contingent on the fair market value of Delphi's assets in the event Delphi fails to emerge from bankruptcy or upon the fair market value of Delphi's securities if Delphi emerges from bankruptcy.

Delphi POR

The Bankruptcy Court entered an order on January 25, 2008 confirming Delphi's POR. On April 4, 2008, Delphi announced that although it had met the conditions required to substantially consummate its POR, including obtaining \$6.1 billion in exit financing, Delphi's plan investors refused to participate in the closing of the transaction contemplated by the POR, which was commenced but not completed because of the plan investors' position. We continued to work with Delphi and its stakeholders to facilitate Delphi's efforts to emerge from bankruptcy, including the implementation of the Amended Delphi-GM Settlement Agreements. On October 3, 2008 Delphi filed a modified POR, which contemplates Delphi obtaining \$3.8 billion in exit financing to consummate its modified POR. Given the current credit markets and challenges facing the auto industry, there can be no assurance that Delphi will be successful in obtaining \$3.8 billion in exit financing to emerge from bankruptcy.

In May 2008, we agreed to advance up to \$650 million to Delphi during 2008, which is within the amounts we would have owed under the Delphi-GM Settlement Agreements had Delphi emerged from bankruptcy in April 2008. In August 2008 we entered into a new agreement to advance up to an additional \$300 million. This increased the amount we could advance to \$950 million in 2008, which is within the amounts we would owe under the Delphi-GM Settlement Agreements if Delphi was to emerge from bankruptcy in December 2008. Upon the effectiveness of the Amended Delphi-GM Settlement Agreements, the original \$650 million advance agreement matured, leaving a \$300 million advance agreement. At September 30, 2008, no amounts were outstanding under our advance agreement with Delphi. Further, in October 2008, subject to Delphi obtaining an extension or other accommodation of its Debtor-in-Possession (DIP) financing through June 30, 2009, we agreed to extend the \$300 million advance agreement through June 30, 2009 and to temporarily accelerate our North American payables to Delphi in the three months ended June 30, 2009, which is expected to result in additional liquidity to Delphi of \$100 million in each of April, May and June of 2009. The potential temporary acceleration of payment terms, which was to occur upon substantial consummation of Delphi's POR under the Amended Delphi-GM Settlement Agreements, is also subject to Delphi's actual liquidity requirement.

We continue to work with Delphi and its stakeholders to facilitate Delphi's efforts to emerge from bankruptcy.

Risks if Delphi Cannot Emerge From Bankruptcy

If Delphi is not successful in emerging from bankruptcy, we could be subject to some of the risks that we have reported since Delphi's 2005 bankruptcy filing. For example, we may not be able to obtain the systems, components and parts that Delphi currently supplies to us. This could materially disrupt our operations including production of certain of our vehicles. In addition, although we would still receive an administrative claim for the First Hourly Pension Transfer, we would not receive any preferred stock as set forth in the Amended GSA.

GM Contingent Liability

In the three and nine months ended September 30, 2008 we recorded charges in Other expenses of \$652 million and \$4.1 billion, respectively, and charges in Automotive cost of sales of \$105 million and \$444 million, respectively. In the three and nine months ended September 30, 2007, we recorded charges in Other expenses of \$350 million and \$925 million, respectively. These charges reflect our best estimate of our obligations associated with the Benefit Guarantee Agreements and other amounts due under the Amended Delphi-GM Settlement Agreements. The charge recorded in the three months ended September 30, 2008 reflects our estimated obligations under the Amended Delphi-GM Settlement Agreements, net of estimated recoveries, updated to reflect current uncertainties related to the credit markets and challenges in the auto industry. Since 2005,

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we have recorded total charges of \$11.7 billion in Other expenses in connection with the Benefit Guarantee Agreements and Amended Delphi-GM Settlement Agreements, which at September 30, 2008, reflects an estimate of no recovery for our unsecured bankruptcy claims. Due to the uncertainties surrounding Delphi's ability to emerge from bankruptcy it is reasonably possible that additional losses could arise in the future, but we currently are unable to estimate the amount or range of such losses, if any.

Investigations

As previously reported, we are cooperating with federal governmental agencies in connection with a number of investigations.

The SEC has issued subpoenas and information requests to us in connection with various matters including restatements of our previously issued financial statements in connection with our accounting for certain foreign exchange contracts and commodities contracts, our financial reporting concerning pension and OPEB, certain transactions between us and Delphi, supplier price reductions or credits and any obligation we may have to fund pension and OPEB costs in connection with Delphi's proceedings under Chapter 11 of the Bankruptcy Code. In addition, the SEC has issued a subpoena in connection with an investigation of our transactions in precious metal raw materials used in our automotive manufacturing operation.

We have produced documents and provided testimony in response to the subpoenas and will continue to cooperate with respect to these matters. A negative outcome of one or more of these investigations could require us to restate prior financial results, pay fines or penalties or satisfy other remedies under various provisions of the U.S. securities laws, and any of these outcomes could under certain circumstances have a material adverse effect on our business.

Liquidity and Capital Resources

Investors or potential investors in our securities consider cash flows of the Automotive and Other business, which consists of our four regional Automotive segments and Corporate and Other, and FIO business to be relevant measures in the analysis of our various securities that trade in public markets. Accordingly, we provide supplemental statements of cash flows to aid users of our condensed consolidated financial statements in the analysis of liquidity and capital resources.

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This information reconciles to the condensed consolidated statements of cash flows after the elimination of “Net investing activity with Financing and Insurance Operations” and “Net financing activity with Automotive and Other Operations” line items shown in the table below. Following are such statements for the nine months ended September 30, 2008 and 2007:

	<u>Automotive and Other</u>		<u>Financing and Insurance</u>	
	<u>Nine Months Ended September 30,</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(Dollars in millions)			
Net cash provided by (used in) continuing operating activities	\$ (10,487)	\$ 2,042	\$ 826	\$ 1,599
Cash provided by discontinued operating activities	—	221	—	—
Net cash provided by (used in) operating activities	(10,487)	2,263	826	1,599
Cash flows from investing activities				
Expenditures for property	(5,527)	(4,937)	—	(2)
Investments in marketable securities, acquisitions	(3,146)	(8,615)	(63)	(57)
Investments in marketable securities, liquidations	5,124	6,764	15	37
Proceeds from sale of business units/equity investments	—	5,354	—	—
Capital contribution to GMAC LLC	—	(1,022)	—	—
Operating leases, liquidations	—	—	3,014	2,463
Net investing activity with Financing and Insurance Operations	1,198	721	—	—
Other	(324)	(71)	352	48
Net cash provided by (used in) continuing investing activities	(2,675)	(1,806)	3,318	2,489
Cash used in discontinued investing activities	—	(22)	—	—
Net cash provided by (used in) investing activities	(2,675)	(1,828)	3,318	2,489
Cash flows from financing activities				
Net increase (decrease) in short-term borrowing	257	(305)	(2,987)	(3,427)
Borrowings of long-term debt	5,581	1,919	—	—
Payments made on long-term debt	(847)	(1,244)	—	—
Net financing activity with Automotive and Other Operations	—	—	(1,198)	(721)
Cash dividends paid to stockholders	(283)	(425)	—	—
Net cash provided by (used in) continuing financing activities	4,708	(55)	(4,185)	(4,148)
Cash used in discontinued financing activities	—	(5)	—	—
Net cash provided by (used in) financing activities	4,708	(60)	(4,185)	(4,148)
Effect of exchange rate changes on cash and cash equivalents	(315)	292	—	—
Net transactions with Automotive/Financing Operations	51	(39)	(51)	39
Net decrease in cash and cash equivalents	(8,718)	628	(92)	(21)
Cash and cash equivalents at beginning of the period	24,549	23,774	268	349
Cash and cash equivalents at end of the period	\$ 15,831	\$ 24,402	\$ 176	\$ 328

Liquidity Overview

We have had significant losses from 2005 through the nine months ended September 30, 2008, attributable to operations and to restructurings and other charges such as support for Delphi and future cost cutting measures. We have managed our liquidity during this time through a series of cost reduction initiatives, capital markets transactions and sales of assets. However, the global credit market crisis has had a dramatic effect on our industry. In the three months ended September 30, 2008, the turmoil in the mortgage and overall credit markets, continued reductions in U.S. housing values, historically high prices for energy, the high likelihood that the United States and Western Europe have entered into a recession and the slowdown of economic growth in the rest of the world, created a substantially more difficult business environment. Vehicle sales in North America and Western Europe contracted severely and the pace of vehicle sales in the rest of the world slowed. Our liquidity position, as well as our operating performance, were negatively affected by these economic and industry conditions and by other financial and business factors, many of which are beyond our control. These conditions have generally worsened during October 2008, with sales of vehicles for the U.S. industry falling to 861,000 units, or a seasonally adjusted rate of 10.9 million units, which was the

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lowest level for October since 1982. We do not believe it is likely that these adverse economic conditions, and their effect on the automotive industry, will improve significantly in the near term, notwithstanding the unprecedented intervention by the U.S. and other governments in the global banking and financial systems.

In the nine months ended September 30, 2008, we used \$9.7 billion of cash in operations and our liquidity position deteriorated by \$11.1 billion. Our cash flow deteriorated primarily due to our significant operating loss, increases in inventory balances of \$2.0 billion and a decrease in accounts payable and accruals of \$2.5 billion.

We have taken far reaching actions to restructure our U.S. business, but the effects of current global economic and credit market conditions on the automotive industry require that we obtain additional near-term liquidity support. Based on our estimated cash requirements through December 31, 2009, we do not expect our current operations to generate sufficient cash flow to fund our obligations as they come due, and we do not currently have other traditional sources of liquidity available to fund these obligations.

On July 15, 2008, we announced a plan for a combination of operating and related initiatives, as well as asset sales and capital market activities, both to conserve cash and to generate incremental cash flows in a total amount of up to \$15 billion. Reflecting the priority of addressing liquidity in the current financial environment, we announced additional operating changes on November 7, 2008. We expect these additional actions to provide an incremental \$5 billion of cash savings through December 31, 2009, which combined with the previous initiatives announced on July 15, 2008 would conserve or generate cash of up to \$20 billion. These various initiatives are described below, and many of them, particularly asset sales and capital market activities, will be very challenging given the current business and credit market environments. Moreover, the full impact of many of these actions will not be realized until the second half of 2009 or later, even if they are implemented successfully.

We are confident in our ability to execute those operating actions that are substantially within our control, including reductions in spending and working capital improvements. The success of our plans, however, necessarily depends on global economic conditions and the level of automotive sales, particularly in the United States and Western Europe. Our plans also assume that we will not be required to provide additional financial support to Delphi or GMAC beyond the level previously agreed to, that our trade suppliers will continue to conduct business with us on terms consistent with historical practice and that no other material adverse developments occur. In addition, our liquidity plans are subject to a number of other risks and uncertainties, including those described below under the heading "Risk Factors," some of which are outside our control.

Based on our most recently available information (updated after the Form 8-K filed on November 7, 2008), even if we implement the planned operating actions that are substantially within our control, our estimated liquidity during the remainder of 2008 will be at or near the minimum amount necessary to operate our business. Looking into the first two quarters of 2009, even with our planned actions, our estimated liquidity will fall significantly short of the minimum amount necessary to operate our business unless economic and automotive industry conditions significantly improve, we receive substantial proceeds from asset sales, we take more aggressive working capital initiatives, we gain access to capital markets and other private sources of funding, we receive government funding under one or more current or future programs, or some combination of the foregoing occur. We are actively pursuing all of these possible sources of funding, but there can be no assurance that they will supply funds in amounts and timing sufficient to meet our liquidity requirements through the first two quarters of 2009 and perhaps in later periods.

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on the successful execution of many of the actions referred to above, on the timeline contemplated by our plans. Our interim condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

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Previous Restructuring Actions

From 2005 through 2007, we took a number of steps to restructure our North American operations for sustainable profitability. These included reducing structural costs by \$9 billion per year, with plans to eliminate additional annual structural costs by 2011. In addition, we reached a historic agreement with the UAW in 2007 that provided the basis for a fully competitive manufacturing base in the United States by 2010. The UAW agreement also provided for the funding of retiree health care obligations by an independent VEBA trust, commencing in 2010. We also modified our salaried employee and executive pension plans and health care coverage to reduce our unfunded liability and made significant reductions in North American manufacturing capacity and headcount.

Our North American restructuring also emphasized a commitment to product excellence as evidenced by award-winning new product launches such as the Chevrolet Malibu, the Cadillac CTS and the Buick Enclave. In addition, we established a leadership position in advanced propulsion technologies, including fuel efficiency, biofuels, hybrids, electric vehicles and hydrogen fuel cells.

July 2008 Initiatives

During the period from 2005 to 2007, the U.S. total vehicle market ranged from 16.5 million to 17.5 million units per year, and as recently as May 2008, our operating plans were based on a market assumption of more than 15.5 million units in 2008 in the United States, which was in line with industry analysts' consensus at that time. As global economic conditions deteriorated during 2008, we revised the assumptions underlying our operating plans and recognized that additional actions would be needed to position our operations for the continuing decline in new vehicle sales. As explained below, a decline in vehicle sales and production results in outflows of cash greater than collections of accounts receivables, which has a negative impact on our working capital. This working capital impact has the effect of reducing our operating cash flow at a higher rate than the decline in vehicle unit volume.

On July 15, 2008, we announced new planning assumptions based on a U.S. total vehicle market of 14.3 million units in 2008 and 2009, which was at or below industry analysts' consensus, and a U.S. market share of 21% in those years. Accordingly, we undertook a number of initiatives aimed at conserving or generating approximately \$15.0 billion of cash on an incremental basis through the end of 2009. These initiatives included approximately \$10 billion of operating actions that are substantially within our control, including structural cost reductions, reducing capital spending, improving working capital, reaching agreement to defer approximately \$1.7 billion of scheduled payments to the UAW VEBA, and eliminating the dividend paid on our common stock. Further information about these actions follows:

- Salaried employment savings (estimated \$1.5 billion effect) — We are executing salaried headcount reductions in the U.S. and Canada through normal attrition, early retirements, mutual separation programs and other tools. In September 2008, we extended voluntary early retirement offers under our Salaried Retirement Window Program (Salaried Window Program) to certain of our U.S. salaried employees. Employees accepting the Salaried Retirement Window Program were required to do so no later than October 24, 2008, with the majority of retirements taking place on November 1, 2008. As of October 31, 2008, 3,460 employees had irrevocably accepted the Salaried Retirement Window Program, which was in excess of the 3,000 needed to achieve our financial target. In addition, health care coverage for U.S. salaried retirees over 65 has been eliminated, effective January 1, 2009. Furthermore, there will be no new base compensation increases for U.S. and Canadian salaried employees for the remainder of 2008 and 2009. We are also eliminating discretionary cash bonuses for the executive group in 2008.
- GMNA structural cost reductions (estimated \$2.5 billion effect) — Significant progress has been made towards achieving GMNA's structural cost reduction target. We have accelerated cessation of production at two assembly facilities in addition to shift and line-rate reductions at other facilities. Truck capacity is expected to be reduced by 300,000 vehicles by the end of 2009. Promotional and advertising spending is being reduced by 25% and 20%, respectively, and engineering spending is being curtailed as well. In addition, we are implementing significant reductions in discretionary spending (e.g., travel, non-core information technology projects and consulting services).
- Capital expenditure reductions (estimated \$1.5 billion effect) — The major components of this reduction are related to a delay in the next generation large pick-up truck and sport utility vehicle programs, as well as V-8 engine development.

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There will also be reductions in non-product capital spending. These reductions will be partially offset by increases in powertrain spending related to alternative propulsion, small displacement engines and fuel economy technologies.

- Working capital improvements (estimated \$2.0 billion effect) — Actions are being taken to improve working capital by approximately \$1.5 billion in North America and \$0.5 billion in Europe by December 31, 2009, primarily by reducing raw material, work-in-progress and finished goods inventory levels as well as implementing lean inventory practices at parts warehouses. All these initiatives are on track for completion prior to December 31, 2009.
- UAW VEBA payment deferrals (estimated \$1.7 billion effect) — Approximately \$1.7 billion of payments that had been scheduled to be made to a temporary asset account in 2008 and 2009 for the establishment of the New VEBA has been deferred until 2010. The outstanding payable resulting from this deferral will accrue interest at 9% per annum. The UAW and Class Counsel have agreed that this deferral will not constitute a change in or breach of the Settlement Agreement. Within 20 business days of the Implementation Date, approximately \$7.0 billion of deferred payments, plus interest plus additional contractual amounts will be due to the New VEBA.
- Dividend suspension (estimated \$0.8 billion effect) — Our Board of Directors has suspended dividends on our common stock.

The remaining \$5 billion of our July liquidity plan included \$2 billion to \$4 billion of planned asset sales and \$2 billion to \$3 billion of fundraising in capital markets. We believed that these actions, together with the availability of \$4.5 billion under our secured credit line, would provide sufficient liquidity for the balance of 2008 and 2009 as well. The status of these previously-announced activities as of November 7, 2008, is as follows:

- Asset sales — We are exploring the sale of the HUMMER business, the Strasbourg transmission plant and the AC Delco business. We expect to shortly commence providing offering materials to potential buyers for the HUMMER and AC Delco aftermarket parts businesses pursuant to appropriate confidentiality agreements and have already commenced providing confidential offering materials for the Strasbourg transmission plant to interested parties. We are also in the process of monetizing idle or excess real estate, and several individual transactions are in various stages of execution.
- Capital market activities — Our plan targeted at least \$2.0 billion to \$3.0 billion of financing during 2008 and 2009. However, due to the prevailing global economic conditions and our current financial condition and near-term outlook, we currently do not have access to the capital markets on acceptable terms. In the three months ended September 30, 2008, we executed \$0.5 billion of debt-for-equity exchanges of our Series D convertible bonds due in June 2009. In addition, we have gross unencumbered assets of over \$20 billion, which could support a secured debt offering, or multiple offerings, in excess of the initially targeted \$2.0 billion to \$3.0 billion, if market conditions recover. These assets include stock of foreign subsidiaries, brands, our investment in GMAC and real estate.

Recent Developments and November 2008 Initiatives

Since July, U.S. auto industry sales have continued to erode, with light vehicle sales declining to a seasonally adjusted annual rate of 10.9 million units in October 2008. In addition to the general economic factors discussed above, conditions in the credit markets caused GMAC, like many other lenders, to suspend or severely curtail lease financing and tighten credit standards for traditional retail financing, with the result that consumers find it more difficult to finance purchases of new vehicles. GMAC and other lenders also increasingly restricted dealer financing. In light of the continued deterioration of industry vehicle sales and generally worsening economic conditions, we are now basing our operating plans on what we believe to be a conservative assumption of a 14.0 million unit U.S. total vehicle market in 2008 and 12.0 million for 2009, and we have concluded that our July 2008 initiatives will not be sufficient to ensure adequate liquidity through 2009 without further actions being taken.

As noted above, one consequence of the global economic downturn and credit crisis has been that capital markets have for all practical purposes been closed to GM for purposes of implementing the \$2 billion to \$3 billion of fundraising that was included in our July plan to bolster our liquidity during the remainder of 2008 and the first half of 2009. We explored a number of potential transactions to issue significant debt or equity capital during the three months ended September 30, 2008, but were unable to do so on acceptable terms. In the three months ended September 30, 2008, we exchanged \$0.5 billion of principal amount of our outstanding Series D convertible bonds due in June 2009 for newly issued GM common stock. As it is unlikely we will be able to execute an additional capital markets transaction in the near term, our ability to meet our liquidity needs relies on

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our ability to successfully implement other initiatives in our liquidity plans. The global credit market further deteriorated in September with the failures of several large financial institutions and the merger of others. Accordingly, on September 24, 2008, in order to have certainty of access to funding, we drew down the remaining \$3.4 billion of funding available under our secured revolving credit facility. We had previously drawn \$1.0 billion on August 1, 2008 to assist in meeting our seasonal working capital needs.

Reflecting the priority of addressing liquidity, we announced additional operating changes and other actions on November 7, 2008. Taken together, we expect these actions to provide an incremental \$5 billion of cash savings through December 31, 2009, which combined with previous initiatives announced on July 15, 2008, would conserve or generate cash of up to \$20 billion. These additional actions include:

- Salaried employment savings (estimated \$0.5 billion effect) — Additional salaried employment savings will be achieved through incremental workforce reductions in U.S. and Canada, including involuntary separation initiatives. In addition, we have announced the suspension of our matching contribution to certain defined contribution plans starting November 1, 2008 as well as suspension of other reimbursement programs for U.S. and Canadian salaried employees. We also expect to realize salaried employment savings in Western Europe in 2009 through a wage/salary freeze and other cost reduction initiatives.
- Additional GMNA structural cost reductions (estimated \$1.5 billion effect) — We expect to reduce GMNA structural cost by an additional \$1.5 billion in 2009. These additional reductions would result from the recently announced acceleration of previously planned capacity actions and other plant operating plan changes, additional efficiencies in engineering resources aligned with further product plan changes, continued marketing spending reductions aligned with expected automotive industry conditions and intensified focus on discretionary spending reductions.
- Additional working capital reductions (estimated \$0.5 billion effect) — GMNA is targeting approximately \$0.5 billion of additional working capital reductions beyond the original 2008 target reduction level of \$1.5 billion. This additional target reduction is expected to be achieved by continuing to focus on inventory reductions and initiatives related to accounts payables.
- Additional capital expenditure reductions (estimated \$2.5 billion effect) — 2009 capital spending will be reduced from the revised target of \$7.2 billion announced on July 15 to \$4.8 billion. This reduction will be achieved primarily through deferrals of selected programs (e.g., the Cadillac CTS coupe and the next generation Chevy Aveo for the global market) and related capacity reduction projects. However, we are still planning to increase global spending for fuel economy improvements, and spending related to the Chevy Volt will continue. Beyond 2009, capital expenditures will stabilize in the \$6.5 billion to \$7.0 billion range (excluding China, which is self funded with our joint venture partner).

The actions announced in July and November are intended to conserve or generate cash of up to \$20 billion in response to deterioration in the global economy, particularly the automotive industry, so that we can preserve adequate liquidity throughout the period from September 30, 2008 to December 31, 2009. However, the full effect of many of these actions will not be realized until later in 2009, even if they are successfully implemented. We are committed to exploring all of the initiatives discussed above because there is no assurance that industry or capital markets conditions will improve within that time frame. Our ability to continue as a going concern is highly dependent on the successful execution of many of the actions referred to above, on the timeline contemplated by our plans.

Liquidity Outlook

Based on our most recently available information (updated after the Form 8-K filed on November 7, 2008), even if we implement the planned operating actions that are substantially within our control, our estimated liquidity during the remainder of 2008 will be at or near the minimum amount necessary to operate our business. Looking into the first two quarters of 2009, even with our planned actions, our estimated liquidity will fall significantly short of the minimum amount necessary to operate our business unless economic and automotive industry conditions significantly improve, we receive substantial proceeds from asset sales, we take more aggressive working capital initiatives, we gain access to capital markets and other private sources of funding, we receive government funding under one or more current or future programs, or some combination of the foregoing occur. The success of our plans necessarily depends on global economic conditions and the level of automotive sales, particularly in the United States and Western Europe. Our plans also assume that we will not be required to provide additional

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financial support to Delphi or GMAC beyond the level previously agreed to and that our trade suppliers will continue to conduct business with us on terms consistent with historical practice. Our suppliers could respond to an apparent weakening of our liquidity position by requesting quicker payment of invoices or other assurances. If this were to happen, our need for cash would be intensified and we may be unable to make payments to our suppliers as they become due.

In connection with their year-end audit of our annual financial statements, our independent auditors assess whether a statement should be included in their audit report related to the existence of substantial doubt related to our ability to continue as a going concern. If the report on our audited financial statements included such a statement, we would not be in compliance with the covenants in certain significant credit agreements, including our \$4.5 billion secured revolving credit facility and \$1.5 billion U.S. term loan, both of which would be callable by the lenders. Additionally, we have other significant obligations that include cross-default provisions that could be triggered by a failure to comply with those credit agreements. We would need to seek a waiver from the lenders for any covenant breaches or cross defaults, or arrange for substitute financing. There is no assurance that we could cure a default, secure a waiver or arrange substitute financing in such circumstances or that we would not incur significant costs in doing so.

On November 5, 2008 the DOE issued regulations under the EISA, which permit the DOE to lend up to \$25 billion on favorable terms to automobile manufacturers and suppliers. We have analyzed the regulations on a preliminary basis, and we believe that a significant number of our projects through 2014 may qualify for funding under this program. The DOE will determine which projects qualify for support under the EISA, and once approved, the timing of disbursements of loan funding for these projects will depend upon the timing of the spending on those projects. GM intends to submit its first loan request before the end of 2008. The amount and timing of any loan will be subject to the DOE review and approval process, but we believe that it is likely that we will begin receiving project funds during 2009.

We have engaged in discussions with various U.S. federal government agencies and Congressional leaders about the large and important role that the domestic automotive industry plays in the U.S. economy and the need for immediate government funding support given the economic and credit crisis and its impact on the industry, including consumers, dealers, suppliers and manufacturers. Many in the government have acknowledged the important role of the industry in the national economy and our discussions are ongoing; at this point, their outcome can not be predicted with certainty.

In addition, we have recently explored the possibility of a strategic acquisition that we believed would generate significant cost reduction synergies and substantially strengthen our financial position in the medium and long term, while being neutral or modestly positive to cash flow even in the near term. While the acquisition could potentially have provided significant benefits, we have concluded that it is more important at the present time to focus on our immediate liquidity challenges and, accordingly, we have set aside consideration of such a transaction as a near-term priority. We frequently discuss matters of mutual interest with other auto manufacturers and, as a matter of policy, we generally do not comment on these private discussions, which in many cases do not lead anywhere.

Our liquidity plans are subject to a number of risks and uncertainties, including those described below under the caption "Risk Factors," some of which are outside our control. If we are unable to make payments as they come due we could default on our indebtedness, which would force us to seek waivers of any covenant breaches on our indebtedness or obligations or arrange for substitute financing. There is no assurance that we could secure a waiver in such circumstances or that we would not incur significant costs in doing so. Additionally, we have significant obligations that include cross-default provisions that could be triggered by a failure to comply with certain significant credit agreements. We would need to seek a waiver from the lenders for any covenant breaches or cross defaults, or arrange for substitute financing. There is no assurance that we could cure a default, secure a waiver or arrange substitute financing in such circumstances or that we would not incur significant costs in doing so. The success of our plans necessarily depends on global economic conditions and the level of automotive sales, particularly in the United States and Western Europe. In addition, our liquidity plan is based on assumptions that we are not required to provide additional financial support to Delphi or GMAC beyond the level previously agreed to, that our trade suppliers continue to conduct business with us consistent with historical practice and that no other material adverse developments occur.

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Automotive and Other

Available Liquidity

Automotive and Other (Automotive) available liquidity includes cash balances, marketable securities, and readily available assets of our VEBA trusts. At September 30, 2008, available liquidity was \$16.2 billion compared with \$21.0 billion at June 30, 2008, \$27.3 billion at December 31, 2007 and \$30.0 billion at September 30, 2007. The amount of consolidated cash and marketable securities is subject to intra-month and seasonal fluctuations and includes balances held by various business units and subsidiaries worldwide that are needed to fund their operations.

Although our cost reduction initiatives have reduced our ongoing need for cash compared to prior periods, we still expect to have substantial cash requirements going forward. Our future uses of cash will include, among other possible demands:

- Costs to implement long-term cost savings and restructuring plans such as potential capacity reduction programs;
- Continuing capital expenditures;
- Scheduled U.S. term debt and lease maturities through 2009 of \$2.3 billion;
- Scheduled cash contributions of \$7.2 billion in early 2010 for the benefit of the New VEBA trust for postretirement health care established pursuant to the Settlement Agreement; and
- Continuing use of cash in our operations as a result of lower global industry sales.

As discussed above, we are experiencing a decline in vehicle sales in the North American and Western European markets that results in an unfavorable effect on working capital. In the United States, we generally recognize revenue and collect the associated receivable shortly after production, but pay our suppliers approximately 47 days later. Accordingly, we consistently have negative working capital. During periods of declining sales and production this results in outflows of cash greater than collections of accounts receivable, as we pay suppliers for materials on which we have previously recognized revenue and collected the associated receivable. When production and sales stabilize, this effect reverses and we return to a more regular pattern of working capital changes. If the volume of our sales declines further, there will continue to be an associated negative operating cash flow effect due to working capital changes, and it could be significant. However, if the downward trend of sales were to reverse, we would experience positive operating cash flow effects attributable to a reduction in working capital.

We manage our global liquidity centrally, which allows us to optimize funding of our global operations. At September 30, 2008, approximately 45% of our available liquidity was held in the U.S. In the nine months ended September 30, 2008, our U.S. liquidity position deteriorated mainly due to negative operating cash flow, payments to Delphi in connection to the Global Settlement Agreement and the Master Restructuring Agreement, and restructuring charges, partially offset by borrowings on our secured U.S. credit facility. This deterioration was particularly pronounced in the three months ended September 30, 2008, due to unusually high sales allowance reserves in North America related to our switch to emphasizing cash rather than financing incentives for vehicle sales. However, our U.S. operations have access to much of our overseas liquidity through inter-company arrangements. The following table summarizes our global liquidity:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
	(Dollars in billions)		
Cash and cash equivalents	\$ 15.8	\$ 24.6	\$ 24.4
Marketable securities	0.1	2.1	2.0
Readily-available VEBA assets	<u>0.3</u>	<u>0.6</u>	<u>3.6</u>
Available liquidity	16.2	27.3	30.0
Available under credit facilities	<u>2.2</u>	<u>9.7</u>	<u>9.5</u>
Total liquidity	<u>\$ 18.4</u>	<u>\$ 37.0</u>	<u>\$ 39.5</u>

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The following table summarizes our VEBA assets:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
		(Dollars in billions)	
Total VEBA assets	\$ 13.2	\$ 16.3	\$ 19.1
Readily-available VEBA assets	\$ 0.3	\$ 0.6	\$ 3.6

The decrease in the total VEBA assets since December 31, 2007 was due to negative asset returns during the period and a \$0.2 billion withdrawal of VEBA assets in the nine months ended September 30, 2008. In connection with the Settlement Agreement a significant portion of the VEBA assets have been allocated to the UAW Related Account, which will also hold the proportional investment returns on that percentage of the trust. No amounts will be withdrawn from the UAW Related Account including its investment returns from January 1, 2008 until transfer to the New VEBA. Because of this treatment, we are excluding any portion of the UAW Related Account from our available liquidity at and subsequent to December 31, 2007.

At the Implementation Date, we will be required to transfer \$7.2 billion, including the deferred amounts discussed below, subject to adjustment, to the New VEBA. Further, we may either transfer an additional \$5.6 billion, subject to adjustment, to the New VEBA at that time, or we may instead opt to make annual payments of varying amounts between \$421 million and \$3.3 billion through 2020. At any time after the Implementation Date we will have the option to prepay all remaining payments.

Credit Facilities

At September 30, 2008, we had \$2.2 billion of unused credit capacity, of which \$0.4 billion was available in the U.S., \$0.4 billion was available in other countries where we do business and \$1.4 billion was available in our joint ventures. The components of our available credit and unused credit capacity are discussed in the following paragraphs.

We have a \$4.5 billion standby revolving credit facility with a syndicate of banks, which terminates in July 2011. At September 30, 2008, \$4.4 billion was outstanding under the credit revolver. In addition to the outstanding amount at September 30, 2008, there were \$13 million of letters of credit issued under the credit facility. Under the \$4.5 billion secured facility, borrowings are limited to an amount based on the value of the underlying collateral. In addition to the \$4.5 billion secured line of credit, the collateral also secures certain lines of credit, automatic clearinghouse and overdraft arrangements, and letters of credit provided by the same secured lenders, of \$1.6 billion. In the event of work stoppages that result in the loss of a certain level of production, the secured facility would be temporarily reduced to \$3.5 billion. At September 30, 2008, we had no further availability under this facility.

In August 2007, we entered into a revolving credit agreement expiring in August 2009 that provides for borrowings of up to \$0.9 billion at September 30, 2008. This agreement provides additional available liquidity that we could use for general corporate purposes, including working capital needs. Under the facility, borrowings are limited to an amount based on the value of underlying collateral. The underlying collateral supported a borrowing base of \$0.6 billion, \$1.3 billion, and \$1.2 billion at September 30, 2008, December 31, 2007 and September 30, 2007, respectively. At September 30, 2008, \$0.5 billion was outstanding under this agreement, leaving \$27 million available.

On September 23, 2008, we entered into a one-year revolving on-balance sheet securitization borrowing program that provides financing of up to \$0.2 billion. The program replaced an off-balance sheet trade receivable securitization facility that expired on September 17, 2008. This new facility is in addition to an existing on-balance sheet securitization borrowing program that provides financing of up to \$0.5 billion. As a part of these programs certain trade accounts receivables related to vehicle sales are isolated in wholly-owned bankruptcy remote special purpose entities, which in turn pledge the receivables to the lending institutions. The receivables pledged are not reported separately from other trade accounts receivables on the condensed consolidated balance sheet. At September 30, 2008, the amount of receivables pledged and borrowed under these programs was \$1.0 billion and \$0.4 billion, respectively. The pledged receivables are reported in Accounts and notes receivable, net and borrowings are reported as Short-term borrowings.

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In addition, our consolidated affiliates with non-GM minority shareholders, primarily GM Daewoo, have a combined \$1.4 billion in undrawn committed facilities.

Non-Cash Charges (Gains)

We have recorded significant non-cash charges (gains) related to impairments in our investments in GMAC Common and Preferred Membership interests, our FIO segment's portfolio of equipment on operating leases, recording valuation allowances against our deferred tax assets, and the remeasurement of our pension and OPEB plans. The following table summarizes our more significant non-cash charges (gains):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Impairment of GMAC Common Membership Interest	\$ —	\$ —	\$ 2,036	\$ —
Impairment of GMAC Preferred Membership Interest	251	—	1,001	—
Impairment of FIO Equipment on operating leases, net	—	—	105	—
Impairment of long-lived assets	1	—	29	84
Net curtailment gain related to finalization of Settlement Agreement	(3,684)	—	(3,684)	—
Salaried post-65 healthcare settlement	1,172	—	1,172	—
Change in amortization period for pension prior service costs	—	1,310	—	1,310
Valuation allowances against deferred tax assets	—	39,032	379	39,032
Others	—	—	—	(47)
	<u>\$ (2,260)</u>	<u>\$ 40,342</u>	<u>\$ 1,038</u>	<u>\$ 40,379</u>

Cash Flow

The decrease in available liquidity to \$16.2 billion at September 30, 2008 from \$27.3 billion at December 31, 2007 was primarily a result of negative operating cash flow driven by reduced production in North America and Western Europe, higher levels of capital expenditures, and payments to Delphi in connection with the GSA and the MRA.

Investments in marketable securities primarily consist of purchases, sales, and maturities of highly-liquid corporate, U.S. government, U.S. government agency and mortgage-backed debt securities used for cash management purposes. In the nine months ended September 30, 2008 we liquidated net \$2.0 billion of marketable securities.

In the nine months ended September 30, 2008, Automotive and Other had negative cash flow from continuing operations of \$10.5 billion on a net loss from continuing operations of \$16.4 billion. That result compares with positive cash flow from continuing operations of \$2.0 billion and net loss from continuing operations of \$41.3 billion in the corresponding period of 2007. Operating cash flow in the nine months ended September 30, 2008 was unfavorably affected primarily by lower volumes and the resulting loss in North America and Western Europe.

Capital expenditures of \$5.5 billion and \$4.9 billion were a significant use of investing cash in the nine months ended September 30, 2008 and 2007, respectively. Capital expenditures were primarily made for global product programs, powertrain and tooling requirements.

Debt

Total debt, including capital leases, industrial revenue bond obligations and borrowings from GMAC at September 30, 2008 was \$43.3 billion, of which \$7.2 billion was classified as short-term or current portion of long-term debt and \$36.1 billion was classified as long-term. At December 31, 2007, total debt was \$39.4 billion of which \$6.0 billion was short-term or current portion of long-term debt and \$33.4 billion was long-term. This increase in total debt was primarily a result of new debt,

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including a secured revolving credit facility and other secured borrowings, partially offset by the retirement of term debt, convertible debt and capital leases.

At September 30, 2008 short-term borrowing and current portion of long-term debt of \$7.2 billion includes \$1.3 billion of debt issued by our subsidiaries and consolidated affiliates and \$2.6 billion of related party debt, mainly dealer wholesale floor plan financing from GMAC. We have various debt maturities other than current of \$0.6 billion in 2009, \$0.4 billion in 2010, \$6.2 billion in 2011 and various debt maturities of \$28.9 billion thereafter.

In September 2008, we entered into agreements with a qualified institutional holder of our 1.50% Series D convertible senior debentures due in 2009 (Series D debentures). Pursuant to these agreements, we issued an aggregate of 44 million shares of our common stock in exchange for \$0.5 billion principal amount of our Series D debentures. We entered into the agreements, in part, to reduce our debt and interest costs, increase our equity, and thereby, improve our liquidity. We did not receive any cash proceeds from the exchange of our common stock for the Series D debentures, which have been retired and cancelled. As a result of this exchange, we recorded a settlement gain of \$19 million in the three and nine months ended September 30, 2008.

Net Debt

Net debt, calculated as cash, marketable securities and \$0.3 billion of readily-available VEBA assets, (\$0.6 billion at December 31, 2007), less the short-term borrowings and long-term debt, was \$27.1 billion at September 30, 2008, compared with \$12.1 billion at December 31, 2007.

Other Liquidity Issues

We believe that it is possible that issues may arise under various other financing arrangements from our 2006 restatement of prior consolidated financial statements. These financing arrangements consist principally of obligations in connection with sale/leaseback transactions, derivative contracts, and other lease obligations, including off-balance sheet arrangements, and do not include our public debt indentures. In the current period, we evaluated the effect under these agreements of our restatements and out of period adjustments identified in the current period, including our legal rights with respect to any claims that could be asserted, such as our ability to cure. Based on our review, we believe that, although no assurances can be given as to the likelihood, nature or amount of any claims that may be asserted, amounts at September 30, 2008 subject to possible claims of acceleration, termination or other remedies requiring payments by us are not likely to exceed \$2.5 billion, consisting primarily of off-balance sheet arrangements. Moreover, we believe there may be economic or other disincentives for third parties to raise such claims to the extent they have them. Based on this review, we reclassified \$257 million of these obligations from long-term debt to short-term debt at December 31, 2006. At September 30, 2008 and December 31, 2007, the amount of obligations reclassified from long-term debt to short-term debt based on this review was \$136 million and \$212 million, respectively. To date, we have not received any such claims and we do not anticipate receiving any such claims.

Subsequent to September 30, 2008, credit market volatility increased significantly, creating broad credit concerns. If this condition persists it will affect our ability to manage risks related to market changes in foreign currency exchange rates, interest rates and commodity prices to which we are exposed in the ordinary course of business as some derivative counterparties have been and may be unwilling to enter into transactions with us due to our credit rating.

In addition, based on the provisions of SFAS No. 157, which require companies to consider nonperformance risk, as part of the measurement of fair value of derivative liabilities, we may record changes in the fair value of our derivative liabilities based on our current credit standing. At September 30, 2008 our derivative liabilities totaled \$3.4 billion.

GMAC Participation Agreement

On June 4, 2008, we, along with Cerberus ResCap Financing LLC (Cerberus Fund) entered into a Participation Agreement (Participation Agreement) with GMAC. The Participation Agreement provides that we will fund up to \$0.4 billion in loans made by GMAC to ResCap through a \$3.5 billion secured loan facility GMAC has provided to ResCap (ResCap Facility), and that the

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Cerberus Fund will fund up to \$0.4 billion. The ResCap Facility expires on May 1, 2010, and all funding pursuant to the Participation Agreement is to be done on a pro-rata basis between us and the Cerberus Fund.

We and the Cerberus Fund are required to fund our respective portions of the Participation Agreement when the amount outstanding pursuant to the ResCap Facility exceeds \$2.75 billion, unless a default event has occurred, in which case we and the Cerberus Fund are required to fund our respective maximum obligations. Amounts funded by us and the Cerberus Fund pursuant to the Participation Agreement are subordinate to GMAC's interest in the ResCap Facility, and all principal payments remitted by ResCap under the ResCap Facility are applied to GMAC's outstanding balance, until such balance is zero. Principal payments remitted by ResCap while GMAC's outstanding balance is zero are applied on a pro-rata basis to us and the Cerberus Fund.

The ResCap Facility is secured by various assets held by ResCap and its subsidiaries, and we are entitled to receive interest at LIBOR plus 2.75% for the amount we have funded pursuant to the Participation Agreement. In addition, we and the Cerberus Fund are also entitled to receive our pro-rata share of the 1.75% interest on GMAC's share of the total outstanding balance. At September 30, 2008, ResCap had fully drawn down the maximum amount pursuant to the ResCap Facility, and we had funded our maximum obligation of \$0.4 billion.

Financing and Insurance Operations

Prior to the consummation of the GMAC Transaction, GMAC paid a dividend to us of lease-related assets, having a net book value of \$4.0 billion and related deferred tax liabilities of \$1.8 billion. This dividend resulted in the transfer to us of two bankruptcy-remote subsidiaries that hold equity interests in ten trusts that own leased vehicles and issued asset-backed securities collateralized by the vehicles. GMAC originated these securitizations and remains as the servicer of the securitizations. In August 2007 we entered into a secured revolving credit arrangement of up to \$1.3 billion that is secured by the equity interest on these ten securitization trusts. In connection with this credit facility, we contributed these two bankruptcy remote subsidiaries into a third bankruptcy remote subsidiary. We consolidate the bankruptcy-remote subsidiaries and the ten trusts for financial reporting purposes.

At September 30, 2008, in connection with these bankruptcy-remote subsidiaries we had vehicles subject to operating leases of \$2.9 billion compared to \$6.7 billion at December 31, 2007, other assets of \$1.0 billion compared to \$1.4 billion at December 31, 2007, outstanding secured debt of \$1.8 billion compared to \$4.9 billion at December 31, 2007 and equity of \$2.0 billion compared to \$3.3 billion at December 31, 2007. The value of vehicles subject to lease under these bankruptcy remote subsidiaries at September 30, 2008 includes an impairment charge of \$0.1 billion recorded by our FIO segment in the nine months ended September 30, 2008, as a result of lower vehicle residual values given the deterioration in sport utility vehicle and fullsize pick-up truck residual values in the three months ended June 30, 2008.

The decrease in operating leases, secured debt and equity from December 31, 2007 is the result of the termination of some leases in the nine months ended September 30, 2008 and the repayment of the related secured debt. The secured debt has recourse solely to the leased vehicles and related assets. We continue to be obligated to the bankruptcy-remote subsidiaries for residual support payments on the leased vehicles in an amount estimated to equal \$0.5 billion at September 30, 2008 and \$0.9 billion at December 31, 2007, respectively. However, neither the securitization investors nor the trusts have any rights to the residual support payments. We expect the operating leases and related securitization debt to gradually amortize over the next one to two years, resulting in the release to these two bankruptcy-remote subsidiaries of certain cash flows related to their ownership of the securitization trusts and related operating leases.

The cash flow that we expect to realize from the leased vehicle securitizations over the next one to two years will come from three principal sources: (1) cash released from the securitizations on a monthly basis as a result of available funds exceeding debt service and other required payments in that month; (2) cash received upon and following termination of a securitization to the extent of remaining over collateralization; and (3) return of the residual support payments owing from us each month. In the nine months ended September 30, 2008, the total cash flows released to these two bankruptcy-remote subsidiaries was \$1.1 billion. In aggregate, since the consummation of the GMAC Transaction, \$2.1 billion have been released from these subsidiaries.

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Negative industry conditions in North America continue to increase the risks and costs associated with vehicle lease financing. The impairments and increases in residual support and risk sharing accruals related to lease assets in the nine months ended September 30, 2008 were the results of reduced expectations of the cash flows from these lease arrangements.

We have already taken steps to reduce the percentage of our business that is retail leasing, with emphasis on curtailing high risk areas by reducing contracts with 24 to 27 month lease terms. GMAC, our largest provider of lease financing for our vehicles, is implementing other initiatives to reduce the risk in its lease portfolio, such as exiting incentive based lease financing in Canada and reducing its lease volume in the United States. We plan to continue to offer leasing options, though likely more narrowly targeted to certain products and segments. We are developing incentive programs to encourage consumers to purchase versus lease vehicles. Lease financing was used for approximately 16% of retail sales in the nine months ended September 30, 2008.

Status of Debt Ratings

Our fixed income securities are rated by four independent credit rating agencies: Dominion Bond Rating Services (DBRS), Moody's Investor Service (Moody's), Fitch Ratings (Fitch), and Standard & Poor's (S&P). The ratings indicate the agencies' assessment of a company's ability to pay interest, distributions, dividends, and principal on these securities. Lower credit ratings generally represent higher borrowing costs and reduced access to capital markets for a company. Their ratings of us are based on information we provide as well as other sources. The agencies consider a number of factors when determining a rating including, but not limited to, cash flows, liquidity, profitability, business position and risk profile, ability to service debt, and the amount of debt as a component of total capitalization.

DBRS, Moody's, Fitch, and S&P currently rate our credit at non-investment grade. The following table summarizes our credit ratings at November 7, 2008:

<u>Rating Agency</u>	<u>Corporate</u>	<u>Secured</u>	<u>Senior Unsecured</u>	<u>Outlook</u>
DBRS	CC	CCC (low)	CC	Negative
Fitch	CCC	B	CCC-	Credit Watch
Moody's	Caa2	B1	Caa3	Negative
S&P	CCC+	B	CCC+	Credit Watch

Rating actions taken by each of the credit rating agencies from July 1, 2008 through November 7, 2008 are as follows:

DBRS: On August 18, 2008, DBRS downgraded our Corporate rating to B (low) from B (high), initiated coverage on our Secured rating at RR2/B (high), and confirmed our Senior Unsecured rating at RR4/CCC (high). On November 7, 2008, DBRS downgraded our Corporate rating to CC from B (low), our Senior Unsecured rating to CC from CCC (high), and our Senior Secured rating to CCC (low) from B (high). The outlook is negative.

Fitch: On September 22, 2008, Fitch downgraded our Corporate rating to CCC from B-, our Senior Secured rating to B/RR1 from BB-/RR1, and our Senior Unsecured rating to CCC-/RR5 from CCC+/RR5. On November 7, 2008, Fitch placed GM's rating on Credit Watch with negative implications. The outlook is negative.

Moody's: On July 15, 2008, Moody's Investors Service placed our ratings under review for possible downgrade and lowered our Speculative Grade Liquidity rating to SGL-2 from SGL-1. On August 13, 2008, Moody's Investors Service downgraded our Corporate ratings to Caa1 from B3, our Senior Secured rating to B1 from Ba3, and our Senior Unsecured to Caa2 from Caa1. On October 27, 2008 Moody's Investor Service downgraded our Corporate rating to Caa2 from Caa1, our Senior Unsecured rating to Caa3 from Caa2, and our Senior Secured rating remains at B1. Our Speculative Grade Liquidity rating was lowered to SGL-4 from SGL-2. The outlook is negative.

S&P: On October 9, 2008, Standard and Poor's Rating Services placed our ratings under Credit Watch with negative implications. On November 7, 2008, S&P downgraded our Corporate rating and Senior Unsecured rating to CCC+ from B- and our Senior Secured rating to B from B+. The outlook is negative.

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While our non-investment grade ratings have increased our borrowing costs and limited our access to unsecured debt markets, we have mitigated these results by actions taken over the past few years to focus on increased use of liquidity sources other than institutional unsecured markets that are not directly affected by ratings on unsecured debt, including secured funding sources and conduit facilities. Further reductions of our credit ratings could increase the possibility of additional terms and conditions contained in any new or replacement financing arrangements. As a result of specific funding actions taken over the past few years, we believe that we will continue to have access to sufficient capital to meet our ongoing funding needs over the short- and medium-term. Notwithstanding the foregoing, we believe that our current ratings situation and outlook increase the level of risk for achieving our funding strategy as well as the importance of successfully executing our plans to improve operating results.

Fair Value Measurements

On January 1, 2008, we adopted SFAS No. 157, which addresses aspects of the expanding application of fair value accounting. Refer to Note 13 to the condensed consolidated financial statements for additional information regarding the adoption and effects of SFAS No. 157.

Subsequent to September 30, 2008, credit market volatility increased significantly, creating broad credit concerns. If this condition persists it will affect our ability to manage risks related to market changes in foreign currency exchange rates, interest rates and commodity prices to which we are exposed in the ordinary course of business as some derivative counterparties have been and may be unwilling to enter into transactions with us due to our credit rating.

In addition, based on the provisions of SFAS No. 157, which require companies to consider nonperformance risk, as part of the measurement of fair value of derivative liabilities, we may record changes in the fair value of our derivative liabilities based on our current credit standing. At September 30, 2008 our derivative liabilities totaled \$3.4 billion.

Fair Value Measurements on a Recurring Basis

In connection with the adoption of SFAS No. 157, we used Level 3, or significant unobservable inputs to measure 1.0% of the total assets that we measured at fair value, and 1.1% of the total liabilities that we measured at fair value. Level 3 inputs are estimates that require significant judgment and are therefore subject to change.

The more significant assets, with the related Level 3 inputs, are as follows:

- Mortgage-backed securities — Level 3 inputs utilized in the fair value measurement process include estimated prepayment and default rates on the underlying portfolio which are embedded in a proprietary discounted cash flow projection model.
- Corporate debt and other securities — Significant components of this security category include structured investment vehicles, which trade in a market with limited liquidity. Level 3 inputs utilized in the fair value measurement process include estimated recovery rates on the underlying portfolio which are embedded in a proprietary discounted cash flow projection model.
- Commodity derivatives — Commodity derivatives include purchase contracts from various suppliers that are gross settled in the physical commodity. Level 3 inputs utilized in the fair value measurement process include estimated projected selling prices, quantities purchased and counterparty credit ratings, which are then discounted to the expected cash flow.

We adopted SFAS No. 157 on January 1, 2008 and had no transfers in or out of Level 3 in the three and nine months ended September 30, 2008.

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Fair Value Measurements on a Nonrecurring Basis

The following tables summarize the financial instruments measured at fair value on a nonrecurring basis in periods subsequent to initial recognition:

	Fair Value Measurements Using			Three Months Ended September 30, 2008 Total Losses	Nine Months Ended September 30, 2008 Total Losses
	September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
(Dollars in millions)					
Assets					
Investment in GMAC Common Membership Interests	\$ 1,949	\$ —	\$ —	\$ 1,949	\$ —
Investment in GMAC Preferred Membership Interests	43	—	—	43	(251)
Total	\$ 1,992	\$ —	\$ —	\$ 1,992	\$ (3,037)

In accordance with the provisions of APB No. 18, we review the carrying values of our investments when events and circumstances warrant. This review requires the comparison of the fair values of our investments to their respective carrying values. The fair value of our investments is determined based on valuation techniques using the best information that is available, and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment loss would be recorded whenever a decline in fair value below the carrying value is determined to be other than temporary.

At December 31, 2007 we disclosed that we did not believe our investment in GMAC was impaired; however, there were many economic factors which were unstable at that time. Such factors included the instability of the global credit and mortgage markets, deteriorating conditions in the residential and home building markets, and credit downgrades of GMAC and GMAC’s subsidiary, ResCap.

Through June 30, 2008 the economic factors mentioned above deteriorated beyond our previous expectations. The instability in the global credit and mortgage markets increased in North America and spread throughout Europe, and the residential and homebuilding markets continued to deteriorate in both continents. These factors were exacerbated by the volatility in the cost of fuel, which lead to a decline in consumer demand for automobiles, particularly fullsize pick-up trucks and sport utility vehicles. This negatively affected GMAC’s North American automotive business, as the decline in certain residual values resulted in an impairment of vehicles on operating leases, and an overall decline in automotive sales resulted in a decline in the leasing and financing of vehicles.

In the three months ended September 30, 2008 the instability of the credit markets intensified in North America and Europe and resulted in an extreme lack of liquidity in the global credit markets resulting in prominent North American financial institutions declaring bankruptcy, being seized by the FDIC, or being sold at distressed valuations.

These economic factors negatively affected GMAC’s North American automotive business as well as ResCap’s residential mortgage business, which resulted in significant losses for both GMAC’s North American automotive operations and ResCap. Additionally, it was necessary for GMAC to continue to provide support to ResCap, and GMAC’s and ResCap’s credit ratings were each further downgraded several times.

As a result of these factors, we evaluated our investment in GMAC Common and Preferred Membership Interests for possible impairment at each quarterly reporting period in 2008, and as a result recorded impairment charges in each of the three month periods ended March 31, June 30, and September 30, 2008.

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The following table summarizes the impairment charges we have recorded against our investment in GMAC Common and Preferred Membership Interests:

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
	(Dollars in millions)	
GMAC Common Membership Interests	\$ —	\$ 2,036
GMAC Preferred Membership Interests	251	1,001
Total	\$ 251	\$ 3,037

Continued low or decreased demand for automobiles, continued or increased instability of the global credit and mortgage markets, the lack of available credit, or a recession in North America, Europe, South America or Asia could further negatively affect GMAC's lines of business, and result in future impairments of our investment in GMAC Common and Preferred Membership Interests. Additionally, as GMAC provides financing to our dealers as well as retail purchasers of our vehicles, further deterioration in these economic factors could cause our vehicle sales to decline.

In order to determine the fair value of our investment in GMAC Common Membership Interests, we first determined a fair value of GMAC by applying various valuation techniques to its significant business units, and then applied our 49% equity interest to the resulting fair value. Our determination of the fair value of GMAC encompassed applying valuation techniques, which included Level 3 inputs, to GMAC's significant business units as follows:

- Auto Finance — We 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 — We developed a peer group, based upon such factors as equity and earnings ratios and developed average multiples for these companies.
- ResCap — We previously obtained industry data for an industry participant who we believe to be comparable, and also utilized the implied valuation based on an acquisition of an industry participant who we believe to be comparable. Due to prevailing market conditions at September 30, 2008 we do not believe that comparable industry participants exist; however, we believe that previous data used, in conjunction with certain publicly available information incorporated into our analysis, results in an appropriate valuation at September 30, 2008.
- Commercial Finance Group — We obtained industry data, such as price and 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.

In order to determine the fair value of our investment in GMAC Preferred Membership Interests, we determined a fair value by applying valuation techniques, which included Level 3 inputs, to various characteristics of the GMAC Preferred Membership Interests as follows:

- Utilizing information as to the pricing on similar investments and changes in yields of other GMAC securities, we developed a discount rate for the valuation.
- Utilizing assumptions as to the receipt of dividends on the GMAC Preferred Membership Interests, the expected call date and a discounted cash flow model, we developed a present value of the related cash flows.

At June 30 and September 30, 2008 we adjusted our assumptions as to the appropriate discount rate to utilize in the valuation due to the changes in the market conditions which occurred in these periods. Additionally, we adjusted our assumptions as to the likelihood of payments of dividends and call date of the Preferred Membership Interests.

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements where the economics and sound business principles warrant their use. Our principal use of off-balance sheet arrangements occurs in connection with the securitization and sale of financial assets.

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The financial assets we sold consist principally of trade receivables that are part of a securitization program in which we have participated since 2004. This program expired on September 17, 2008 and was not renewed. As part of this program, we sold receivables to a wholly-owned bankruptcy remote special purpose entity (SPE). The SPE is a separate legal entity that assumes the risks and rewards of ownership of those receivables. Receivables sold under the program were sold at fair market value and were excluded from our condensed consolidated balance sheets. The loss on trade receivables sold was included in Automotive cost of sales and was \$2.6 million and \$2.4 million in the nine months ended September 30, 2008 and 2007, respectively. The banks and the bank conduits had no beneficial interest in the eligible pool of receivables at September 30, 2008, December 31, 2007 and September 30, 2007. We did not have a retained interest in the receivables sold, but performed collection and administrative functions. The gross amount of proceeds received from the sale of receivables under this program was \$1.6 billion and \$0.6 billion in the nine months ended September 30, 2008 and 2007.

In addition to this securitization program, we participate in other trade receivable securitization programs in Europe. Some of our direct or indirect subsidiaries have entered into factoring agreements to sell certain trade receivables to banks and to factoring companies. Limits are based on contractually agreed upon amounts and/or on the entities' balance of participating trade receivables. In 2008 the average facility limits for the participating entities were \$79 million in total. The banks and factoring companies had a beneficial interest of \$24 million, \$26 million, and \$18 million in the participating pool of trade receivables at September 30, 2008, December 31, 2007 and September 30, 2007, respectively.

We lease real estate and equipment from various off-balance sheet entities that have been established to facilitate the financing of those assets for us by nationally prominent lessors that we believe are creditworthy. These assets consist principally of office buildings and machinery and equipment. The use of such entities allows the parties providing the financing to isolate particular assets in a single entity and thereby syndicate the financing to multiple third parties. This is a conventional financing technique used to lower the cost of borrowing and, thus, the lease cost to a lessee such as us. There is a well-established market in which institutions participate in the financing of such property through their purchase of ownership interests in these entities, and each is owned by institutions that are independent of, and not affiliated with, us. We believe that no officers, directors or employees of ours or our affiliates hold any direct or indirect equity interests in such entities.

The following table summarizes assets in off-balance sheet entities:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
	(Dollars in millions)		
Assets leased under operating leases	\$ 1,384	\$ 2,164	\$ 2,181
Trade receivables sold	<u>24</u>	<u>87</u>	<u>83</u>
Total	<u>\$ 1,408</u>	<u>\$ 2,251</u>	<u>\$ 2,264</u>

Guarantees Provided to Third Parties

We have provided guarantees related to the residual value of operating leases, certain suppliers' commitments, and commercial loans made by GMAC and outstanding with certain third parties. The maximum potential obligation under these commitments is \$796 million. This amount includes a guarantee provided to GMAC in Brazil in connection with dealer floor plan financing, which is secured by a \$565 million certificate of deposit purchased from GMAC to which we have title.

In connection with certain divestitures of assets or operating businesses, we have provided guarantees with respect to benefits to be paid to former employees relating to pensions, postretirement health care and life insurance, the most significant of which we provided to Delphi. Since 2005, we have recorded charges of \$11.7 billion related to the guarantees provided to Delphi. Due to the uncertainties surrounding Delphi's ability to emerge from bankruptcy it is reasonably possible that we could record additional charges in the future, but we currently are unable to estimate the amount of range of such losses, if any.

Refer to Note 11 to the condensed consolidated financial statements for additional information on guarantees we have provided.

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Decrease in Contractual Obligations

In our 2007 10-K, we reported minimum commitments under contractual obligations, which included obligations under our then current contractual labor agreements in North America. Before the Settlement Agreement could become effective, the Settlement Agreement was subject to the exhaustion of any appeals of the July 31, 2008 approval by the United States District Court for the Eastern District of Michigan and the completion of discussions between us and the staff of the SEC regarding the accounting treatment for the transactions contemplated by the Settlement Agreement on a basis we believed to be reasonably satisfactory. The Settlement Agreement became effective in September 2008.

The finalization of the Settlement Agreement decreased our related contractual obligations by \$13.4 billion in the aggregate.

The following table summarizes the decreases, by period, in our contractual obligations as a result of the Settlement Agreement:

	<u>2008</u>	<u>2009-2010</u>	<u>2011-2012</u>	<u>2013 and after</u>	<u>Total</u>
	(Dollars in millions)				
Postretirement benefits (a)(b)	\$ 3,338	\$ 6,802	\$ 4,814	\$ —	\$ 14,954
Less: VEBA assets (a)	<u>(3,338)</u>	<u>(6,802)</u>	<u>(4,814)</u>	<u>—</u>	<u>(14,954)</u>
Net postretirement benefits	—	—	—	—	—
Net increases due to finalization of the Settlement Agreement	<u>—</u>	<u>—</u>	<u>7,590</u>	<u>12,015</u>	<u>19,605</u>
Total	\$ —	\$ —	\$ 7,590	\$ 12,015	\$ 19,605
Remaining balance postretirement benefits (a)	\$ 728	\$ 1,772	\$ 5,248	\$ 41,311	\$ 49,059
Less: VEBA assets (a)	<u>(728)</u>	<u>(621)</u>	<u>—</u>	<u>—</u>	<u>(1,349)</u>
Net	—	1,151	5,248	41,311	47,710
Net increases (decreases) due to finalization of the Settlement Agreement	<u>165</u>	<u>(246)</u>	<u>(3,636)</u>	<u>(29,286)</u>	<u>(33,003)</u>
Total	\$ 165	\$ 905	\$ 1,612	\$ 12,025	\$ 14,707

(a) As reported in our 2007 10-K prior to the finalization of the Settlement Agreement.

(b) Amounts include postretirement benefits under the current contractual labor agreements in North America. The remainder of the estimated liability for benefits beyond the current labor agreement and for essentially all salaried employees, is classified under remaining balance of postretirement benefits. These obligations are not contractual.

Dividends

On July 14, 2008, our Board of Directors voted to suspend dividends on our common stock indefinitely.

Dividends may be paid on our common stock when, as, and if declared by our Board of Directors in its sole discretion out of amounts available for dividends under applicable law. Under Delaware law, our Board may declare dividends only to the extent of our statutory “surplus” (i.e., total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year.

Our policy is to distribute dividends on our common stock based on the outlook and indicated capital needs of the business. Cash dividends per share on common stock were \$0.50 and \$0.75 in the nine months ended September 30, 2008 and 2007, respectively (\$0.25 per quarter in the three months ended March 31, 2008 and June 30, 2008 and \$0.25 per quarter in the three months ended March 31, 2007, June 30, 2007 and September 30, 2007.) At the February 5, 2008 and May 6, 2008 meetings of our Board of Directors, the Board approved the payment of a \$0.25 quarterly dividend on common stock in the three months ended March 31, 2008 and June 30, 2008, respectively.

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Employees

At September 30, 2008, we employed 252,000 employees. The following table summarizes our employment by region:

	<u>September 30, 2008</u>	<u>December 31, 2007</u> (in thousands)	<u>September 30, 2007</u>
GMNA (a)	123	139	139
GME	56	57	58
GMLAAM	36	34	34
GMAP	35	34	34
Other	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>252</u>	<u>266</u>	<u>267</u>

(a) Of the approximately 3,400 employees who have elected to participate in the Salaried Window Program a majority have left active employment prior to November 1, 2008.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires the use of estimates, judgments and assumptions that affect the reported assets and liabilities at the financial statement dates and the reported revenue and expenses for the periods presented. Our significant accounting policies and critical accounting estimates are consistent with those described in Note 2 to the consolidated financial statements and the MD&A section in our 2007 10-K, and are included in our 2007 10-K in their entirety. There were no significant changes in our application of our critical accounting policies in the nine months ended September 30, 2008 with the exception that we adopted the provisions of SFAS No. 157, as further described in Note 13 to the condensed consolidated financial statements. We believe the accounting policies related to our defined benefit pension and other postretirement benefits plans, sales incentives, deferred taxes, provision for policy, warranty and recalls, impairment of long-lived assets, derivatives and valuation of vehicle operating lease and lease residuals are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. We have discussed the development, selection and disclosures of our critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures relating to these estimates. Significant changes to our critical accounting estimates regarding defined benefit pension and other postretirement benefits plans, deferred taxes, the valuation of cost and equity method investments and the valuation of vehicle operating leases and lease residuals are discussed below.

Pensions

We account for our defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" (SFAS No. 87) as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158) which requires that amounts recognized in the financial statements be determined on an actuarial basis. This determination involves the selection of various assumptions, including an expected rate of return on plan assets and a discount rate. Certain of our pension plans were remeasured in the three months ended September 30, 2008.

The expected return on plan assets that is included in pension expense is determined from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations, and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. Accordingly, due to the primarily long-term nature of this assumption we have not revised it

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for the remeasurements performed in the three months ended September 30, 2008, and further our net pension expense is based on the expected return on plan assets and not the actual return on plan assets. Differences between the expected return on plan assets and the actual return on plan assets are recorded to Other comprehensive income (loss) as an actuarial gain or loss, and subject to possible amortization into net pension expense over future periods. Therefore, despite the multiple remeasurements of our pension plans in the three months ended September 30, 2008, the effect of the recent downturn in the financial markets has not yet significantly affected our net pension expense.

Another key assumption in determining our net pension expense is the assumed discount rate to be used to discount plan obligations. In estimating this rate, we use an iterative process based on a hypothetical investment in a portfolio of high-quality bonds rated AA or higher by a recognized rating agency and a hypothetical reinvestment of the proceeds of such bonds upon maturity using forward rates derived from a yield curve until our U.S. pension obligation is defeased. We incorporate this reinvestment component into our methodology because it is not feasible, in light of the magnitude and time horizon over which our U.S. pension obligations extend, to accomplish full defeasance through direct cash flows from an actual set of bonds selected at any given measurement date.

As discussed in Note 10 to the condensed consolidated financial statements, our U.S. hourly pension plan projected benefit obligation (PBO) increased by \$2.7 billion at September 1, 2008 pursuant to the Settlement Agreement and, as discussed in Note 11 to the condensed consolidated financial statements, increased \$2.7 billion at September 30, 2008 pursuant to the Delphi First Hourly Pension Transfer. Additionally, our U.S. salaried pension plan PBO increased by \$3.6 billion at July 1, 2008 pursuant to our increase in pension benefits for salaried retirees over 65 provided to offset the elimination of postretirement medical benefits. Accordingly, our sensitivity analysis regarding discount rates included in our 2007 Form 10-K may have changed significantly as a result of the aforementioned increases in PBO.

Other Postretirement Benefits

We account for our OPEB in accordance with SFAS No. 106 as amended by SFAS No. 158, which requires that amounts recognized in financial statements be determined on an actuarial basis. This determination requires the selection of various assumptions, including a discount rate and health care cost trend rates used to value benefit obligations. In estimating the discount rate, we use an iterative process based on a hypothetical investment in a portfolio of high-quality bonds rated AA or higher by a recognized rating agency and a hypothetical reinvestment of the proceeds of such bonds upon maturity using forward rates derived from a yield curve until our U.S. OPEB obligation is defeased. We incorporate this reinvestment component into our methodology because it is not feasible, in light of the magnitude and time horizon over which our U.S. OPEB obligations extend to accomplish full defeasance through direct cash flows from an actual set of bonds selected at any given measurement date. We develop our estimate of the health care cost trend rates used to value benefit obligations through review of historical retiree cost data and near-term health care outlook which includes appropriate cost control measures we have implemented. Changes in the assumed discount rate or health care cost trend rate can have significant effect on our actuarially determined obligation and related OPEB expense.

Due to the events discussed in Note 10 to the condensed consolidated financial statements, we remeasured our U.S. OPEB obligation plans at various dates throughout the three months ended September 30, 2008. The following are the significant assumptions used in the measurement of the accumulated projected benefit obligations (APBO) for the various interim remeasurements:

Assumed Health-Care Trend Rates	2008
Initial health-care cost trend rate	8.2%
Ultimate health-care cost trend rate	5.0%
Number of years to ultimate trend rate	6

The U.S. health care trend rates are consistent with the rates used at December 31, 2007. Although the health care cost trend rate used in the remeasurements of our retiree medical plans in the three months ended September 30, 2008 was consistent with the rate used at December 31, 2007, the effect of the health care cost trend rate on the remeasurements of the UAW retiree medical plan obligation in the three months ended September 30, 2008 was largely eliminated as a result of the accounting

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recognition of the Settlement Agreement. Accordingly, the effect of the health care cost trend rate on the valuation of our retiree health care obligations is significantly reduced from that disclosed in our 2007 Form 10-K.

The measurement of the APBO also requires the selection of a discount rate. For the UAW retiree medical plan, the discount rate used in the three months ended September 30, 2008 was based on a yield curve of representative high-quality AA rated bonds for the benefits to be paid for the period from the Effective Date to the Implementation Date and the Settlement Agreement's discount rate of 9% for cash flows occurring after the Implementation Date. In estimating the discount rate for our other retiree medical plans, the discount rate used in the three months ended September 30, 2008 was based on a yield curve of representative high-quality AA rated bonds developed through the methodology described above.

Deferred Taxes

In accordance with SFAS No. 109, "Accounting for Income Taxes," (SFAS No. 109) valuation allowances have been established for deferred tax assets based on a "more likely than not" threshold. Our ability to realize our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. We consider the following possible sources of taxable income when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

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. We utilize a rolling three years of actual and current year anticipated results as our primary measure of our cumulative losses in recent years. However, because a substantial portion of those cumulative losses relate to various non-recurring matters and the implementation of our North American Turnaround Plan, we adjust those three-year cumulative results for the effect of these items. The analysis performed in the three months ended September 30, 2007 and March 31, 2008 indicated that in Canada, Germany, the United Kingdom and the United States, we had cumulative three-year losses on an adjusted basis. In Spain, we anticipated being in a cumulative three-year loss position in the near-term. This was considered significant negative evidence that is objective and verifiable and therefore, difficult to overcome. In addition our near-term financial outlook in these jurisdictions had deteriorated. Furthermore, as it relates to our assessment in the United States, many factors in our evaluation are not within our control, particularly:

- The possibility for continued or increasing price competition in the highly competitive U.S. market;
- Volatile fuel prices and the effect that may have on consumer preferences related to our most profitable products, fullsize pick-up trucks and sport utility vehicles;
- Uncertainty over the effect on our cost structure from more stringent U.S. fuel economy and global emissions standards which may require us to sell a significant volume of alternative fuel vehicles across our portfolio;
- Uncertainty as to the future operating results of GMAC; and
- Acceleration of tax deductions for OPEB liabilities as compared to prior expectations due to changes associated with the Settlement Agreement.

Accordingly, in the three months ended September 30, 2007, we concluded that the objectively verifiable negative evidence of our recent historical losses combined with our challenging near-term outlook out-weighed other factors and that it was more likely than not that we would not generate taxable income to realize our net deferred tax assets, in whole or in part in Canada, Germany and the United States. As such, we recorded full valuation allowances against our net deferred tax assets in Canada, Germany and the United States of \$39.0 billion in the three months ended September 30, 2007. In the three months ended March 31, 2008, we concluded that the objectively verifiable negative evidence of our recent historical losses combined with our challenging near-term outlook out-weighed other factors and that it was more likely than not that we will not generate taxable income to realize our net deferred tax assets, in whole or in part in Spain and the United Kingdom. As such, we recorded full valuation allowances against our net deferred tax assets in Spain and the United Kingdom of \$379 million in the three months ended March 31, 2008.

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With regard to Canada, Germany, Spain, the United Kingdom and the United States, we continue to believe that full valuation allowances are needed against our net deferred tax assets. Our three-year adjusted cumulative loss in the United States in September 30, 2008 has increased from that at December 31, 2007. The factors leading to our decision to record full valuation allowances against our net deferred tax assets in Spain and the United Kingdom are discussed in Corporate and Other operations in this MD&A.

We currently have recorded full valuation allowances against our net deferred tax assets in Brazil. Such valuation allowances were initially recorded in 2005. In 2006, 2007 and in the nine months ended September 30, 2008, we have generated taxable income in Brazil and accordingly, have reversed a portion of that valuation allowance to offset the tax provision for income earned in those periods. It is reasonably possible that our Brazilian operations will generate taxable income in 2008 and may show a forecast of future taxable income at that time, which may result in a change in our judgment regarding the need for a full valuation allowance in Brazil. However, global economic conditions have become increasingly unstable and it is not possible to objectively verify this information at this time. Accordingly, we have continued to conclude that it is more likely than not that we will not realize our net deferred tax assets in Brazil.

If, in the future, we generate taxable income in Canada, Germany, Spain, the United Kingdom the United States or other tax jurisdictions where we have recorded full valuation allowances, on a sustained basis, our conclusion regarding the need for full valuation allowances in these tax jurisdictions could change, resulting in the reversal of some or all of the valuation allowances. If our Canadian, German, Spanish, United Kingdom, U.S. operations or operations in other tax jurisdictions generate taxable income prior to reaching profitability on a sustained basis, we would reverse a portion of the valuation allowance related to the corresponding realized tax benefit for that period, without changing our conclusions on the need for a full valuation allowance against the remaining net deferred tax assets.

Valuation of Cost and Equity Method Investments

Equity investees accounted for under the cost or equity method of accounting are evaluated for impairment in accordance with APB No. 18. An impairment charge would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In determining if a decline is other than temporary we consider such factors as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity affiliate, the near-term and longer-term operating and financial prospects of the affiliate and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery.

When available, we use quoted market prices to determine fair value. If quoted market prices are not available, fair value is based upon valuation techniques that use, where possible, market-based inputs. Generally, fair value is estimated using a combination of the income approach and the market approach. Under the income approach, estimated future cash flows are discounted at a rate commensurate with the risk involved using marketplace assumptions. Under the market approach, valuations are based on actual comparable market transactions and market earnings and book value multiples for comparable entities. The assumptions used in the income and market approaches have a significant effect on the determination of fair value. Significant assumptions include estimated future cash flows, appropriate discount rates, and adjustments to market transactions and market multiples for differences between the market data and the equity affiliate being valued. Changes to these assumptions could have a significant effect on the valuation of our equity affiliates.

In the three and nine months ended September 30, 2008, we recorded impairment charges related to our Common Membership Interests in GMAC of \$0 and \$2.0 billion and to our Preferred Membership Interests in GMAC of \$251 million and \$1.0 billion, respectively. In addition, we have continued to record our proportionate share of GMAC's loss. At September 30, 2008, the balance of investment in our Common Membership Interests in GMAC was \$1.9 billion and the balance of our Preferred Membership Interests in GMAC was \$43 million. It is reasonably possible that in the near-term our proportionate share of future equity method losses related to our Common Membership Interests would reduce our recorded investment in these interests to zero. If this occurs, we would continue to record our proportionate share of future equity method losses to the extent of the sum of our additional investments in and advances to GMAC, which includes our Preferred Membership Interests and the participation in GMAC's loan to ResCap, and our commitments to provide additional financial support to GMAC, which include our guarantees of the residual values of vehicles on operating leases.

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Valuation of Vehicle Operating Leases and Lease Residuals

In accounting for vehicle operating leases, we must make a determination at the beginning of the lease of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from nine months to four years. The customer is obligated to make payments during the term of the lease to the contract residual. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception.

Residual values are initially determined by consulting independently published residual value guides. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination declines. The adjustment may be in the form of revisions to the depreciation rate or recognition of an impairment charge. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. Additionally, for operating leases arising from vehicles sold to dealers, an adjustment may also be made to the estimate of marketing incentive accruals for residual support and risk sharing programs initially recognized when vehicles are sold to dealers. When a lease vehicle is returned to us, the asset is reclassified from Equipment on operating leases, net to Inventory at the lower of cost or estimated fair value, less costs to sell.

In the three months ended September 30, 2008, we decreased our accrual for residual support and risk sharing by \$0.7 billion due to our recent experience related to dealer/lessee lease buy-outs and improvement in residual values of fullsize pick-ups and sport utility vehicles. In the nine months ended September 30, 2008 we increased our accrual for residual support and risk sharing by a net \$0.9 billion and we recognized impairment charges of \$0.1 billion.

Our depreciation methodology related to Equipment on operating leases, net considers our expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used automotive vehicle values. The critical assumptions underlying the estimated carrying value of automotive lease assets include: (1) estimated market value information obtained and used in estimating residual values; (2) proper identification and estimation of business conditions; (3) our remarketing abilities; and (4) our vehicle and marketing programs. Changes in these assumptions could have a significant effect the value of the lease residuals.

Sales Incentives

We record the estimated effect of sales incentives to our dealers and customers as a reduction of revenue at the later of the time of sale or when an incentive program has been announced to our dealers. There may be numerous types of incentives available at any particular time, including a choice of incentives for a specific model. Incentive programs are generally brand specific, model specific or regionally specific, and are for specified time periods, which may be extended. Significant factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product, product mix and the rate of customer acceptance of any incentive program, and the likelihood that an incentive program will be extended, all of which are estimated based on historical experience and assumptions concerning customer behavior and future market conditions. Additionally, when an incentive program is announced, we determine the number of vehicles in dealer inventory that are eligible for the incentive program, and record a reduction of our revenue in the period in which the program is announced. If the actual number of affected vehicles differs from this estimate, or if a different mix of incentives is actually paid, the reduction in revenue for sales incentives could be affected. As discussed above, there are a multitude of inputs affecting the calculation of the estimate for sales incentives, an increase or decrease of any of these variables could have a significant effect on the reduction of revenue for sales incentives.

Accounting Standards Not Yet Adopted

Accounting standards not yet adopted are discussed in Note 2 to the condensed consolidated financial statements.

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Forward-Looking Statements

In this report and in reports we subsequently file with the SEC on Forms 10-K and 10-Q and file or furnish on Form 8-K, and in related comments by our management, our use of the words “expect,” “anticipate,” “estimate,” “forecast,” “initiative,” “objective,” “plan,” “goal,” “project,” “outlook,” “priorities,” “target,” “intend,” “when,” “evaluate,” “pursue,” “seek,” “may,” “would,” “could,” “should,” “believe,” “potential,” “continue,” “designed,” “impact” or the negative of any of those words or similar expressions is intended to identify forward-looking statements that represent our current judgment about possible future events. All statements in this report and subsequent reports which we may file with the SEC on Forms 10-K and 10-Q or file or furnish on Form 8-K, other than statements of historical fact, including without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. We believe these judgments are reasonable, but these statements are not guarantees of any events or financial results, and our actual results may differ materially due to a variety of important factors that may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8-K. Such factors include among others the following:

- Our ability to maintain adequate liquidity and financing sources and an appropriate level of debt;
- Our ability to complete planned asset sales;
- Continued economic and automotive industry instability or poor economic conditions in the U.S. and global markets, including the credit markets, or changes in economic conditions, commodity prices, housing prices, currency exchange rates or political stability in the markets in which we operate;
- Our ability to realize production efficiencies, to achieve reductions in costs as a result of the turnaround restructuring and health care cost reductions, to achieve planned levels of working capital reductions and to implement capital expenditures at levels and times planned by management;
- Shortages of and price increases for fuel;
- Market acceptance of our new products including cars and crossover vehicles;
- The ability of our customers, dealers, distributors and suppliers to obtain adequate financing on acceptable terms to continue their business relationships with us;
- Significant changes in the competitive environment, including as a result of industry consolidation, and the effect of competition in our markets, including on our pricing policies or use of incentives;
- Changes in the existing, or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;
- The effectiveness of recent or future actions by the U.S. federal government, including the \$25 billion loan program for automobile manufacturers and suppliers and recently enacted legislation relating to mortgage assets;
- Costs and risks associated with litigation;
- The final results of investigations and inquiries by the SEC;
- The potential effect if we receive a “going concern” statement in our auditors’ report on our 2008 financial statements;
- Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, including the estimates for the Delphi pension benefit guarantees, which could result in an effect on earnings;
- Negotiations and bankruptcy court actions with respect to Delphi’s obligations to us and our obligations to Delphi, negotiations with respect to our obligations under the benefit guarantees to Delphi employees and our ability to recover any indemnity claims against Delphi;
- Labor strikes or work stoppages at our facilities or our key suppliers such as Delphi or financial difficulties at our key suppliers such as Delphi;
- Additional credit rating downgrades and the effects thereof; and
- Changes in relations with unions and employees/retirees and the legal interpretations of the agreements with those unions with regard to employees/retirees, including the negotiation of new collective bargaining agreements with unions representing our employees in the United States other than the UAW.

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In addition, GMAC's actual results may differ materially due to numerous important factors that are described in GMAC's most recent report on SEC Form 10-K, which may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8-K. The factors identified by GMAC include, among others, the following:

- Rating agencies may downgrade their ratings for GMAC or ResCap in the future, which would adversely affect GMAC's ability to raise capital in the debt markets at attractive rates and increase the interest that it pays on its outstanding publicly traded notes, which could have a material adverse effect on its results of operations and financial condition;
- GMAC's business requires substantial capital, and if it is unable to maintain adequate financing sources, its profitability and financial condition will suffer and jeopardize its ability to continue operations;
- The profitability and financial condition of its operations are dependent upon our operations, and it has substantial credit exposure to us;
- Recent developments in the residential mortgage market, especially in the nonprime sector, may adversely affect GMAC's revenue, profitability and financial condition;
- Changes in the competitive markets in which GMAC operates, including increased competition in the automotive financing, mortgage and/or insurance markets or generally in the markets for securitizations or asset sales, its margins could be materially adversely affected.

We caution investors not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where we are expressly required to do so by law.

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Item 3. Quantitative And Qualitative Disclosures About Market Risk

Except as discussed below, there have been no significant changes in our exposure to market risk since December 31, 2007. Refer to Item 7A in our 2007 10-K.

Subsequent to September 30, 2008, credit market volatility increased significantly, creating broad credit concerns. If this condition persists it will affect our ability to manage risks related to market changes in foreign currency exchange rates, interest rates and commodity prices to which we are exposed in the ordinary course of business as some derivative counterparties have been and may be unwilling to enter into transactions with us due to our credit rating.

In addition, based on the provisions of SFAS No. 157, which require companies to consider nonperformance risk, as part of the measurement of fair value of derivative liabilities, we may record changes in the fair value of our derivative liabilities based on our current credit standing. At September 30, 2008 our derivative liabilities totaled \$3.4 billion.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure 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

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officer, principal operating officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chairman and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act), at September 30, 2008. Based on that evaluation, our CEO and CFO concluded that, at that date, our disclosure controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 were not effective at a reasonable assurance level because of the identification of material weaknesses in our internal control over financial reporting, which we view as an integral part of our disclosure controls and procedures. The effect of such weaknesses on our disclosure controls and procedures, as well as remediation actions taken and planned, are described in Item 9A, Controls and Procedures, of our Annual Report on Form 10-K for the year ended December 31, 2007.

Remediation and Changes in Internal Controls

We developed and are in the process of implementing remediation plans to address our material weaknesses. In the three months ended September 30, 2008 we hired a new Manager of Internal Controls and Sarbanes-Oxley Compliance to lead our corporate testing efforts and improve our internal control over financial reporting. The following specific remedial actions have been put in place to address our material weaknesses.

Employee Benefits material weakness:

- Established and are currently executing against a project plan using internal and external resources to redesign, enhance and strengthen our roles and responsibilities and processes related to the communication and accounting for employee benefits.
- Made significant progress in the compilation and analysis of world-wide benefit arrangements.
- Made significant progress in strengthening the controls over the completeness and accuracy of census data for the actuarial valuation process.

Income Tax Accounting material weakness:

- Continued to re-design and strengthen our tax accounting process using internal and external resources.
- Implemented key controls at corporate and regions for identified critical work streams.

Period End Financial Reporting Process material weakness:

- Implemented more stringent authorization and review procedures for manual journal entries recorded at the corporate level.
- Performed parallel testing and user training for a new consolidation system.
- Developed enhanced controls and user checklists to be used with the new consolidation system and related processes.

As discussed in our Annual Report on Form 10-K for the years ended December 31, 2007 and December 31, 2006, management concluded that controls over the period end financial reporting process were not operating effectively and that ongoing remediation is necessary to ensure that the following processes are implemented: (1) improved analysis; (2) continued review of complex accounting estimates and transactions; (3) integration of personnel with appropriate technical expertise into the close process; and (4) improved monitoring controls at Corporate Accounting and business units.

As previously noted, we augmented the resources in Corporate Accounting, the Tax Department and other key departments by utilizing 179 external resources for the quarter and implemented additional closing procedures in 2008. As a result, we believe that there are no material inaccuracies or omissions of material fact and, to the best of our knowledge, believe that the condensed consolidated financial statements at and for the three and nine months ended September 30, 2008, fairly present in all material respects our financial condition and results of operations in conformity with accounting principles generally accepted in the United States of America.

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Other than as described above, there have not been any other changes in our internal control over financial reporting in the three and nine months ended September 30, 2008, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our 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 internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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PART II

Item 1. Legal Proceedings

Canadian Export Antitrust Class Actions

In the previously reported antitrust class action consolidated in the U.S. District Court for the District of Maine, *In re New Market Vehicle Canadian Export Antitrust Litigation Cases*, the U.S. Court of Appeals for the First Circuit reversed the certification of the injunctive class and ordered dismissal of the injunctive claim on March 28, 2008. The U.S. Court of Appeals for the First Circuit also vacated the certification of the damages class and remanded to the U.S. District Court for the District of Maine for determination of several issues concerning federal jurisdiction and, if such jurisdiction still exists, for reconsideration of that class certification on a more complete record. The parties are now briefing for the District Court the defendants' various motions for summary judgment and motions in limine, as well as plaintiffs' renewed motion for class certification.

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Health Care Litigation — 2007 Agreement

In the previously reported class lawsuit brought in the U.S. District Court for the Eastern District of Michigan by the UAW and eight putative class representatives, *UAW, et al. v. General Motors Corporation*, we completed settlement negotiations and entered into the Settlement Agreement with the UAW and the putative classes on February 21, 2008. The Court certified the class and granted preliminary approval of the Settlement Agreement on March 4, 2008. Notice of the settlement was mailed to 520,000 class members, and the final hearing to review the fairness of the Settlement Agreement was held on June 3, 2008. On July 31, 2008, the Court approved the Settlement Agreement. On September 2, 2008, the judgment became final as the period to file appeals related to the Court's order expired, with no appeals filed.

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GM Securities and Shareholder Derivative Suits

In the previously reported case, *In re General Motors Corporation Securities and Derivative Litigation*, on September 23, 2008 the United States District Court for the Eastern District of Michigan preliminarily approved the proposed settlement in the GM Securities litigation. The court set a hearing for final approval for December 22, 2008.

With regard to the shareholder derivative suits pending in the United States District Court for the Eastern District of Michigan, on September 23, 2008 the district court preliminarily approved the settlement. The Court set a hearing for final approval for December 22, 2008. The Notice and Stipulation of Settlement are available at www.gm.com.

In the previously reported case, *Salisbury v. Barnevik, et al.*, brought in the Circuit Court of Wayne County, Michigan, the Court has continued the stay in the proceedings until November 2008.

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GMAC Bondholder Class Actions

With respect to the previously reported litigation consolidated under the caption *J&R Marketing SEP, et al. v. General Motors Corporation, et al.*, on October 9, 2008, the U.S. Court of Appeals for the Sixth Circuit denied plaintiffs' motion for rehearing and rehearing en banc.

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ERISA Class Actions

In connection with the previously reported case *In re General Motors ERISA Litigation*, the United States District Court for the Eastern District of Michigan gave final approval to the proposed settlement on June 5, 2008. In July 2008, one of the objectors to plaintiffs' attorneys' fees award filed an appeal with the United States Court of Appeals for the Sixth Circuit. On September 18, 2008, the Court of Appeals dismissed the appeal upon appellant-objector's motion.

In connection with the previously reported cases of *Young, et al. v. General Motors Investment Management Corporation, et al.* and *Mary M. Brewer, et al. v. General Motors Investment Management Corporation, et al.*, on March 24, 2008 the U.S. District Court for the Southern District of New York granted our motions to dismiss both of these cases on statute of limitations grounds. Plaintiffs have appealed the dismissal in both cases.

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Patent and Trade Secrets Litigation

In the previously reported case *John Evans and Evans Cooling Systems, Inc. v. General Motors Corporation*, on October 28, 2008, the parties reached an agreement on a term sheet to settle the case. A definitive agreement is being drafted.

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Coolant System Class Action Litigation

As previously reported, in October 2007 the parties reached a tentative settlement that would resolve certain claims in the putative class actions related to alleged defects in the engine cooling systems in our vehicles. The settlement received final approval from the Circuit Court of Jackson County, Missouri on September 5, 2008 and from the Superior Court in Almeida County, California on October 23, 2008. The ruling of the California court remains subject to appeal.

As also previously reported, parallel class action was initiated in Canada alleging that 1995 to 2003 vehicles with 3.1, 3.4, 3.8 and 4.3 liter engines suffered from engine cooling system defects. On August 28, 2008, the parties reached a tentative settlement of the Canadian litigation on essentially the same terms as in the U.S. On October 30, 2008, the Superior Court in Ontario approved that settlement. The approval order remains subject to potential appeal.

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Pick-up Truck Parking Brake Litigation

The Corporation has been named in four class action lawsuits alleging that certain 1998 through 2004 C/K pick-up trucks have defective parking brakes. The cases are *Bryant v. General Motors Corporation*, filed on March 11, 2005 in the Circuit Court for Miller County, Arkansas; *Hunter v. General Motors Corporation*, filed on January 19, 2005 in Superior Court in Los Angeles, California; *Chartrand v. General Motors Corporation, et al.* filed on October 26, 2005 in Supreme Court, British Columbia, Canada; and *Goodridge v. General Motors Corporation, et al.* filed on November 18, 2005 in the Superior Court of Justice, Ontario, Canada. The complaints allege that parking brake spring clips wear prematurely and cause failure of the parking brake system, and seek compensatory damages for the cost of correcting the alleged defect, interest costs and attorney's fees. The two Canadian cases also seek punitive damages and "general damages" of \$500 million. On August 15, 2006, the Miller County Circuit Court in the *Bryant case* certified a nationwide class consisting of original and subsequent owners of 1999 through 2002 GM series 1500 pick-up trucks and sport utility vehicles equipped with automatic transmissions and registered in the United States. On June 19, 2008, the Supreme Court of Arkansas affirmed the certification decision. We intend to file a petition for certiorari seeking review of the certification decision in the U.S. Supreme Court.

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Environmental Matters

Greenhouse Gas Lawsuit

In the case of *California ex rel. Lockyer v. General Motors Corporation, et al.*, which has been previously reported, the State of California filed its appeal brief in January 2008, and the defendants filed their responsive brief in March 2008. Several groups filed amicus briefs in support of the defendants, including the State of Michigan, the U.S. Chamber of Commerce and the National Association of Manufacturers.

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EPA Environmental Appeal Board Remands Hazardous Waste Region V Case, Affecting Regions II and III Enforcements

On June 22, 2008 the Environmental Protection Agency (EPA) Environmental Appeal Board reversed and remanded a 2006 Administrative Law Judge ruling that had found us liable for violating hazardous waste rules in Region V for the handling and storage of used solvents. As previously reported, EPA Regions II, III and V have brought enforcement actions against several of our assembly plants seeking penalties for alleged noncompliance with the Resource Conservation Recovery Act (RCRA) rules for the handling and storage of solvents used to purge colors from paint applicators. In March 2006 an administrative law judge found us liable for RCRA violations at three plants in Region V and assessed a \$568,116 penalty. We are preparing for a fact hearing on remand.

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Item 1A. Risk Factors

Other than discussed below, there have been no material changes to the Risk Factors as previously disclosed in Part I, “*Item 1A Risk Factors*” in our 2007 10-K.

We are dependent on asset sales and other operating initiatives and cash flow transactions because in the current environment our operations do not generate sufficient cash to fund our obligations as they come due.

Based on our estimated cash requirements through December 31, 2009, we do not currently expect our operations to generate sufficient cash flow to fund our obligations as they come due, and we do not currently have other traditional sources of liquidity available to fund these obligations. Accordingly, we are pursuing a combination of operating and related initiatives, as well as asset sales and capital market activities, to generate incremental cash flows as discussed above under the heading “Management Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.” These efforts will be very challenging given the current business environment and we cannot assure you that they will be sufficient to meet our short-term, medium-term and long-term liquidity needs.

In particular, one consequence of the global economic downturn and credit crisis has been an erosion of consumer confidence and demand for new vehicles, with October 2008 sales of light vehicles for the U.S. industry falling to their lowest level for October since 1982. Due to the prevailing global economic conditions as well as our current financial condition and near-term outlook, we currently do not have access to the capital markets on acceptable terms for purposes of implementing the \$2 billion to \$3 billion of fundraising that was included in our July 2008 liquidity plan and continues to be an important component of our capital planning. In addition, as a result of the global credit market crisis, conditions for asset sales have become very difficult as tight global credit conditions have adversely affected the ability of potential buyers to finance such asset purchases. We do not believe that these adverse conditions are likely to improve significantly in the near future.

Inadequate liquidity could materially and adversely affect our business operations in the future.

We require substantial liquidity to implement long-term cost savings and restructuring plans, continue capital spending to support product programs and development of advanced technologies, meet scheduled term debt and lease maturities, make scheduled cash contributions to the New VEBA trust for postretirement health care and to run our regular business operations. If we continue to operate at or close to the minimum cash levels necessary to support our regular business operations, we may be forced to further curtail capital spending, research and development and other programs that are important to the future success of our business. Our suppliers could respond to an apparent weakening of our liquidity position by requesting quicker payment of invoices or other assurances. If this were to happen, our need for cash would be intensified, and we may be unable to make payments to our suppliers as they become due.

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Our efforts to maintain our liquidity position will be very challenging given the current business environment. Moreover, the full effect of many of these actions will not be realized until later in 2009, even if they are successfully implemented. Our ability to maintain adequate liquidity through the end of 2008 and during the first half of 2009 will depend significantly on the level of vehicle sales, completion of some of our planned asset sales, curtailment of operating expenses and capital spending even further than planned, generation of additional working capital or the availability of funding under one or more current or future federal government programs. We are committed to exploring all of these options because there is no assurance that industry or capital markets conditions will improve within that time frame. Even if we implement the planned operating actions that are substantially within our control, our estimated liquidity during the remainder of 2008 will be at or near the minimum amount necessary to operate our business. Looking into the first two quarters of 2009, even with our planned actions, our estimated liquidity will fall significantly short of the minimum required to operate our business unless economic and automotive industry conditions significantly improve, we receive substantial proceeds from asset sales, we take more aggressive working capital initiatives, we gain access to capital markets and other private sources of funding, we receive government funding under one or more current or future programs, or some combination of the foregoing occur.

In connection with their year-end audit of our annual financial statements, our independent auditor assesses whether a statement should be included in their audit report related to the existence of substantial doubt related to our ability to continue as a going concern. If the report on our audited financial statements included such a statement, we would not be in compliance with the covenants in certain significant credit agreements, including our \$4.5 billion secured revolving credit facility and \$1.5 billion U.S. term loan, both of which would be callable by the lenders. Additionally, if we fail to make payments on our obligations as they become due we could be in default on our indebtedness. In this connection, we have other significant obligations that include cross-defaults provisions that could be triggered by a failure to comply with those credit agreements. We would need to seek a waiver from the lenders of any covenant breaches or cross defaults, or arrange for substitute financing. There is no assurance that we could cure a default, secure a waiver or arrange substitute financing in such circumstances or that we would not incur significant costs in doing so.

Deterioration in U.S. and global financial markets has had and may continue to have a material adverse impact on consumers, dealers and suppliers.

The recent unprecedented deterioration in the U.S. and global credit markets and the financial services industry has negatively impacted our operations in several ways. For instance, market turmoil and tightening of credit, as well as the recent and dramatic decline in the housing market in the United States and Western Europe, has led to a lack of consumer confidence and widespread reduction of business activity generally and specifically to a rapid decline in vehicle purchases, which reduces our automotive revenues and operating cash flow. The recent decline in stock prices has also reduced the availability of funds for customers, dealers and suppliers that invested directly or indirectly in the stock market.

In addition, some of our suppliers are experiencing serious cash flow problems due to the credit market crisis, which could be aggravated by a reduction in production volumes not only by us but also by our competitors, who frequently purchase from the same suppliers that we do. When similar situations have occurred in the past, our suppliers have attempted to increase their prices, pass through increased costs, alter payment terms or seek other relief. Some of our suppliers may be forced to reduce their output, shut down their operations or file for bankruptcy protection, which in some cases would make it difficult for us to continue production of certain vehicles.

We do not expect that the difficult economic conditions, and their effect on the automotive industry, are likely to improve significantly in the near future, and any continuation or worsening of the credit crisis, or even the fear of such a development, could intensify the adverse effects of these difficult market conditions.

Negative developments in the availability or terms of consumer credit through GMAC or other sources could adversely affect our sales.

Based on our historical relationship, GMAC finances a significant percentage of our vehicle sales and virtually all of our U.S. sales involving subsidized financing such as sales incentives. Due to the current conditions in credit markets, GMAC is experiencing difficulty accessing new funding, and other sources of financing are not readily available to fully replace GMAC's

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role in supporting our dealers and their retail customers. GMAC recently announced that it has raised credit standards for new vehicle purchasers. In addition, GMAC has stopped leasing in Canada and has almost eliminated the availability of vehicle leases in the U.S. due to the scarcity of new funding and the steep decline in residual values of leased vehicles. If consumers are unable to obtain financing on a timely basis and on reasonable terms, demand for our vehicles could be adversely affected. Many of our competitors have captive finance subsidiaries that are better capitalized than GMAC and so may be able to offer credit to consumers on better terms than GMAC is able to offer. Additionally, other lenders have tightened their lending standards making it more difficult for consumers to qualify for loans or to borrow money on a timely basis or reasonable terms, which could reduce the demand for our vehicles.

Similarly, many of the dealers that sell our products rely on GMAC financing to purchase our vehicles on a wholesale basis. Any decline in the availability of GMAC wholesale dealer financing, whether as a result of GMAC's liquidity constraints or otherwise, may cause dealers to modify, delay or cancel their plans to purchase vehicles from us. Additionally, any decline in the availability of other sources of dealer financing could have a similar adverse effect.

Consolidation within the automotive industry may provide our competitors with a cost or strategic advantage.

The automotive industry is highly competitive and manufacturing capacity currently exceeds demand, particularly in established markets like the United States and Europe, which have traditionally accounted for a significant portion of our sales and profitability. Many analysts predict consolidation will occur in the auto industry in response to the current industry weakness. We recently explored the possibility of a strategic acquisition that we believed would generate significant cost reduction synergies and substantially strengthen our financial position in the medium and long term, while being neutral or modestly positive to cash flow even in the near term. While the acquisition could potentially have provided significant benefits, we have concluded that it is more important at the present time to focus on our immediate liquidity challenges and, accordingly, we have set aside consideration of such a transaction as a near-term priority.

If industry consolidation occurs among our competitors, they may be able to reduce their fixed costs, achieve higher levels of penetration in the markets in which we compete, gain access to new technologies and take advantage of other synergies. Such consolidation by our competitors could lead to increased competition with more efficient manufacturers in the markets in which we operate and have an adverse affect on our business.

There can be no assurance that the \$25 billion loan program for automobile manufacturers and suppliers will provide loans to us on a timely or sufficient basis.

The EISA authorizes the DOE to lend up to \$25 billion on favorable terms to automobile manufacturers and suppliers. We can provide no assurance, however, as to the amount or timing of any loans that might be made available to us under the program. Under the EISA, the DOE is authorized to select projects by determining whether the loan recipient (1) is financially viable without the receipt of the federal loan, (2) will provide sufficient information to the DOE to ensure that the funds are expended efficiently and effectively and (3) has met other criteria that may be established by the DOE. In addition, in order for an automobile manufacturer to be eligible for a loan it must satisfy average fuel economy requirements set forth in regulations promulgated by the DOE. These various criteria and limitations could materially diminish our benefits from this program.

Although we believe, based on our preliminary analysis of these issued regulations, that a significant number of our projects through 2014 may qualify for funding under this program, the actual qualification of these projects will be subject to DOE review and approval. In addition, we expect that many vehicle manufacturers and their suppliers will apply for loans and assistance under this program, so it is not clear how much of the total \$25 billion of authorized loans will be made available to us. Furthermore, it is not clear how soon any loans might be made available to us, and the timing of disbursements of loan funding for any approved project would also depend upon the timing of our expenditures for those projects.

There can be no assurance that the global automobile market will not suffer a significant further downturn.

The challenging automobile market conditions that began a few years ago in North America have continued and in the most recent quarter expanded to some of our other operating regions. While the recent financial crisis and turmoil has affected our

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vehicle sales in historically mature markets more severely than our sales in emerging markets, all regions and countries around the world are affected by the global turmoil caused by the severe limitations on availability of credit, the threat of global recession, the uncertainty of the global credit and mortgage markets and the volatility of oil prices. These world-wide economic problems could lead to a significant further downturn in the global automobile market and adversely affect our automotive sales in all of our operating regions.

We have agreed to fund a trust pursuant to the Settlement Agreement that will require us to contribute significant assets in a relatively short time period.

If the arrangements contemplated by the Settlement Agreement are implemented as expected in January 2010, we will be required to pay or transfer more than \$25 billion in assets to the New VEBA in a relatively short time period. This amount includes \$7.5 billion in cash, the transfer of \$4.4 billion in convertible notes that were previously issued to a wholly-owned subsidiary and will mature in December 2012, and the transfer of amounts already funded by us in existing VEBAs. These payments or transfers will be made in the first three months of 2010. Further, in 2010, we may transfer an additional \$5.6 billion to the New VEBA, subject to adjustment, or we may instead opt to make annual payments of varying amounts between \$421 million and \$3.3 billion through 2020. We may also contribute \$1.6 billion immediately or opt to make up to 19 contingent payments of \$165 million as necessary to support the New VEBA's future solvency. Based on our estimated cash requirements through December 31, 2009, we do not currently expect our operations to generate sufficient cash flow to fund these obligations as they come due, and we do not currently have other traditional sources of liquidity available to fund these obligations. Accordingly, we are pursuing a combination of additional operating and related initiatives, as well as asset sales and capital market activities, to generate incremental cash flows. There can be no assurance, however, that we will be able to obtain all of the necessary funding that has not been set aside in existing VEBA trusts on terms that will be acceptable.

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

We are affected significantly by a substantial amount of governmental regulations that increase costs related to the production of our vehicles and affect our product portfolio. We anticipate that the number and extent of these regulations, and the costs and changes to our product line-up to comply with them, will increase significantly in the future. In the United States and Europe, for example, governmental regulation is primarily driven by concerns about the environment (including CO₂ emissions), vehicle safety and fuel economy. These government regulatory requirements complicate our plans for global product development and may result in substantial costs, which can be difficult to pass through to our customers, and may result in limits on the types of vehicles we sell and where we sell them, which can affect revenue.

The Corporate Average Fuel Economy (CAFE) requirements mandated by the U.S. government pose special concerns. In December 2007, the United States enacted the Energy Independence and Security Act of 2007, a new energy law that will require significant increases in CAFE requirements applicable to cars and light trucks beginning in the 2011 model year in order to increase the combined U.S. fleet average for cars and light trucks to at least 35 miles per gallon by 2020, a 40% increase. The estimated cost to the automotive industry of complying with this new standard will likely exceed \$100 billion, and our compliance cost could require us to alter our capital spending and research and development plans, curtail sales of our higher margin vehicles, cease production of certain models or even exit certain segments of the vehicle market. The National Highway Traffic Safety Administration (NHTSA) has issued a proposed rule to set the car and truck standards for the 2011 — 2015 model years and to make changes to the form of the standards and the associated credit mechanism. In comments we and the Alliance of Automobile Manufacturers, a trade association to which we belong, submitted we urged NHTSA to consider our concerns about the accuracy of the technology analyses used by NHTSA to estimate the costs and benefits of the proposed standards, and consider revising its overly aggressive rate of increase in the standards.

In addition, California and 12 other states have adopted a set of rules establishing CO₂ emission standards that effectively impose similarly increased fuel economy standards for new vehicles sold in those states (AB 1493 Rules). In addition, there are several other states considering the adoption of such standards. If stringent CO₂ emission standards are imposed on us on a state-by-state basis, the result could be even more disruptive to our business than the higher CAFE standards discussed above.

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The automotive industry has filed legal challenges to these state standards in California, Vermont and Rhode Island and dealers have filed a similar challenge in New Mexico. On September 12, 2007, the U.S. District Court for the District of Vermont rejected the industry's position that such state regulation of CO₂ emissions is preempted by federal fuel economy and air pollution laws. While the plaintiffs including us have appealed this decision and submitted opening briefs, there can be no assurance that the lower court's order will be reversed. On December 12, 2007, the U.S. District Court for the Eastern District of California ruled against the federal preemption arguments made by the automotive industry but did not lift its order enjoining California from enforcing the AB 1493 Rules in the absence of a waiver by the EPA. The industry has responded to that ruling by seeking a permanent injunction against the AB 1493 Rules. A related challenge in California state court is pending. On December 21, 2007, the U.S. District Court for the District of Rhode Island denied the state's motion to dismiss the industry challenge and announced steps for the case to proceed to trial. The defendants in the Rhode Island case have moved for dismissal of our complaint, and we are preparing a response. There can be no assurance that these legal challenges to the AB 1493 Rules will succeed.

On February 29, 2008, the EPA formally denied California's request for a waiver of federal preemption of its AB 1493 Rules. As a result, at this time the AB 1493 Rules cannot be enforced in California or any other state. California and many other states and non-governmental organizations, however, have filed actions in several federal courts to have the EPA's denial overturned. The EPA and automotive industry have filed to have these cases dismissed. In addition, the two leading Presidential candidates have expressed support for the AB 1493 Rules, and indicating that the EPA's decision may be reversed in a future administration, thereby permitting those Rules to be enforced in all the states that have adopted or will adopt them. There can be no assurance that the legal efforts to dismiss or deny the challenges to the EPA's action will succeed. As a result of the failure of the legal efforts, or a different decision by a successor EPA Administrator, the AB 1493 Rules might become enforceable.

In addition, a number of countries in Europe are adopting or amending regulations that establish CO₂ emission standards or other frameworks that effectively impose similarly increased fuel economy standards for vehicles sold in those countries, or establish vehicle-related tax structures based on them.

Delphi is unlikely to emerge from bankruptcy in the near-term and possibly may not emerge at all.

In January 2008, the U.S. Bankruptcy Court entered an order confirming Delphi's POR and related agreements including certain agreements with us. On April 4, 2008 Delphi announced that, although it had met the conditions required to substantially consummate its POR, including obtaining exit financing, Delphi's plan investors refused to participate in a closing that was commenced but not completed on that date. The current credit markets, the lack of plan investors and the challenges facing the auto industry make it difficult for Delphi to emerge from bankruptcy. As a result, it is unlikely that Delphi will emerge from bankruptcy in the near-term, and it is possible that it may not emerge successfully or at all. We believe that Delphi will continue to seek alternative arrangements to emerge from bankruptcy, but there can be no assurance that Delphi will be successful in obtaining any alternative arrangements. In October 2008 we agreed subject to certain conditions to extend our outstanding \$300 million advance to June 30, 2009 and to accelerate our North American payables to Delphi in the second quarter of 2009, so that Delphi would have additional liquidity. We may choose to assist Delphi further by providing additional financial support to Delphi, receiving significantly less than the distributions that we expect from the resolution of Delphi's bankruptcy proceedings or assuming some of Delphi's obligations to its workforce and retirees, if such support would be in our interest. In addition, if Delphi is unable to successfully emerge from bankruptcy in the near term, it may be forced to sell all of its assets. As a result, we may be required to pay additional amounts to secure the parts we need until alternative suppliers are secured or new contracts are executed with the buyers of Delphi's assets. In addition the Benefit Guarantee Agreements may be triggered, which would result in additional liabilities to us. We may also be subject to additional litigation regarding Delphi.

Financial difficulties, labor stoppages or work slowdowns at key suppliers could result in a disruption in our operations and have a material adverse effect on our business.

We rely on many suppliers to provide us with the systems, components and parts that we need to manufacture our automotive products and operate our business. In recent years, a number of these suppliers, including but not limited to Delphi, have experienced severe financial difficulties and solvency problems and some have reorganized under the U.S. Bankruptcy Code. This trend has intensified in recent months. Financial difficulties or solvency problems at these or other suppliers could

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materially adversely affect their ability to supply us with the systems, components and parts that we need, which could disrupt our operations including production of certain of our higher margin vehicles. It may be difficult to find a replacement for certain suppliers without significant delay. Similarly, a substantial portion of many of these suppliers' workforces are represented by labor unions. Workforce disputes that result in work stoppages or slowdowns at these suppliers could also have a material adverse effect on their ability to continue meeting our needs.

Our significant investment in new technology may not result in successful vehicle applications.

We intend to invest approximately \$4.8 billion in 2009 to support our products and to develop new technology, and we have announced that capital expenditures after 2009 will stabilize in the range of \$6.5 billion to \$7.0 billion per year. In some cases, such as hydrogen fuel cells, the technologies are not yet commercially practical and depend on significant future technological advances by us and by suppliers, especially in the area of advanced battery technology. For example, we have announced that we intend to produce by November 2010 the Chevrolet Volt, an electric car, which requires battery technology that has not yet proven to be commercially viable. There can be no assurance that these advances will occur in a timely or feasible way, that the funds that we have budgeted for these purposes will be adequate or that we will be able to establish our right to these technologies. Moreover, our competitors and others are pursuing the same technologies and other competing technologies, in some cases with more money available, and there can be no assurance that they will not acquire similar or superior technologies sooner than we do or on an exclusive basis or at a significant price advantage. Finally, if our announced plans to conserve and generate liquidity do not succeed, we may be forced to reduce, delay or cancel our planned investments in new technology in order to maintain adequate liquidity to fund our business operations and meet our obligations as they come due.

Our indebtedness and other financial obligations are significant and could negatively impact our operations in future periods.

We have a substantial amount of indebtedness, which requires significant interest and principal payments. At September 30, 2008, we had approximately \$45 billion in outstanding debt. In addition, under the Settlement Agreement with the UAW, we are obligated to pay more than \$7.5 billion in early 2010. Our plans to generate increased liquidity include asset sales, curtailing operating and capital expenditures, generating additional working capital, accessing capital markets and obtaining government funding under one or more programs. Any additional indebtedness we add to our current debt levels through capital market activities, federal funding or other transactions to enhance liquidity would increase the impact of the related risks described below.

Our significant indebtedness may have several important consequences, including the following:

- Requiring us to dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our indebtedness, which will reduce the funds available for other purposes, such as product development;
- Making it more difficult for us to satisfy our obligations with respect to our outstanding loans payable, long-term indebtedness and amounts due under the Settlement Agreement;
- Impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions, refinancing indebtedness or other purposes;
- Limiting our ability to take advantage of business opportunities as they arise;
- Placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged;
- Limiting our ability to withstand competitive pressures and reducing our flexibility in responding to changing business and economic conditions and
- Increasing our vulnerability to interest rate increases, since certain of our borrowings are at variable rates.

Our business may be materially affected by decreases in the residual value of off-lease vehicles.

In addition to the effect on GMAC of the residual value of off-lease vehicles discussed in our 2007 10-K Risk Factors, we are also negatively affected by decreases in the residual value of off-lease vehicles through our residual support programs, our ownership of lease-related assets and the effect of leasing activity on our retail sales. We record an estimate of marketing incentive accruals for residual support and risk sharing programs when vehicles are sold to dealers. To the extent the residual

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value of off-lease vehicles decreases, we are required to increase our estimate of the residual support required to be provided to GMAC to subvent leases or increase risk sharing payments to GMAC. We also own certain lease-related assets that GMAC paid to us as a dividend prior to the consummation of the GMAC Transaction, the value of which would be impaired by decreases in the residual value of off-lease vehicles. In addition, changes in expected lease residual values may affect the cost of leasing transactions and the types of leasing transactions available to end-use customers. Fewer financing options could make purchasing a vehicle less attractive. Should market conditions continue to drive further reduction in the residual value of leased vehicles, we may suspend or eliminate lease financing. The elimination of this financing alternative could have a negative effect on our operations. Any one or more of these consequences could have a material adverse effect on our business.

Risks related to our 49% equity interest in GMAC

Risks Related to GMAC's Business

GMAC's business and the businesses of its subsidiaries, including ResCap, require substantial capital, and continued disruption in its funding sources and access to the capital markets could continue to have a material adverse effect on its liquidity and financial condition.

GMAC's liquidity and ongoing profitability are, in large part, dependent upon its timely access to capital and the costs associated with raising funds in different segments of the capital markets. GMAC depends and will continue to depend on its ability to access diversified funding alternatives to meet future cash flow requirements and to continue to fund its operations. GMAC's funding strategy and liquidity position have been significantly adversely affected by the ongoing stress in the credit markets that began in the middle of 2007 and reached unprecedented levels during recent months. The capital markets remain highly volatile, and access to liquidity has been significantly reduced. These conditions, in addition to the reduction in its credit ratings, have resulted in increased borrowing costs and its inability to access the unsecured debt markets in a cost-effective manner. This has resulted in an increased reliance on asset-backed and other secured sources of funding. Some of these facilities have not renewed placing additional pressure on its liquidity position. GMAC's inability to renew the remaining loans and facilities as they mature could have a further negative impact on its liquidity position. GMAC also has significant maturities of unsecured notes each year. In order to retire these instruments, it either will need to refinance this debt or generate sufficient cash to retire the debt.

In addition, continued or further negative events specific to GMAC or us, as GMAC's 49% owner and largest customer, could further adversely impact its funding sources. Furthermore, GMAC has recently provided a significant amount of funding to ResCap and may provide additional funding to ResCap in the future; as a result, any negative events with respect to ResCap could serve as a drain on GMAC's financial resources and have an adverse effect on its liquidity and consolidated financial position. GMAC has not made, and is not making, any commitment to continue to fund ResCap or to forgive ResCap debt and is not subject to any contractual obligation to do so.

ResCap's liquidity has been significantly impaired, and may be further impaired, due to circumstances beyond GMAC's control, such as adverse changes in the economy and general market conditions. Continued deterioration in GMAC's business performance could further limit, and recent reductions in ResCap's credit ratings have limited, ResCap's ability to access the capital markets on favorable terms. During recent volatile times in the capital and secondary markets, especially since August 2007, access to aggregation and other forms of financing, as well as access to securitization and secondary markets for the sale of ResCap's loans, has been severely constricted. Furthermore, GMAC's access to capital has been impacted by changes in the market value of its mortgage products and the willingness of market participants to provide liquidity for such products.

The profitability and financial condition of GMAC's operations are heavily dependent upon our operations.

A significant portion of GMAC's customers are our customers and our dealers and employees. As a result, a significant adverse change in our business, including significant adverse changes in our liquidity position and access to the capital markets, the production or sale of our vehicles, the quality or resale value of our vehicles, our use of marketing incentives, our relationships with our key suppliers, our relationship with the UAW and other labor unions and other factors impacting us or our employees could have a significantly adverse effect on GMAC's profitability and financial condition.

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GMAC provides vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily our dealers. GMAC also finances the purchase of new and used vehicles by our dealers through wholesale financing, extends other financing to our dealers, provides fleet financing for our dealers to buy vehicles they rent or lease to others, provides wholesale vehicle inventory insurance to our dealers, provides automotive extended service contracts through our dealers and offers other services to our dealers. In 2007, GMAC's shares of our retail sales and sales to dealers were 35% and 82%, respectively, in markets where we operate. As a result, our level of automobile production and sales directly impacts GMAC's financing and leasing volume, the premium revenue for wholesale vehicle inventory insurance, the volume of automotive extended service contracts and the profitability and financial condition of our dealers to which GMAC provides wholesale financing, term loans and fleet financing. In addition, the quality of our vehicles affects GMAC's obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of our vehicles, which may be impacted by various factors relating to our business such as brand image or the number of new vehicles we produce, affects the remarketing proceeds GMAC receives upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

The occurrence of recent adverse developments in the mortgage finance and credit markets has adversely affected ResCap's business, liquidity and capital position and has raised substantial doubt about ResCap's ability to continue as a going concern.

ResCap has been negatively impacted by the events and conditions in the broader mortgage banking industry, most severely but not limited to the nonprime and nonconforming mortgage loan markets. Fair market valuations of mortgage loans held-for-sale, mortgage servicing rights, securitized interests that continue to be held by ResCap and other assets and liabilities it records at fair value have significantly deteriorated due to weakening housing prices, increasing rates of delinquencies and defaults of mortgage loans. These same deteriorating factors have also resulted in higher provision for loan losses on ResCap's mortgage loans held-for-investment and real estate lending portfolios. The market deterioration has resulted in rating agency downgrades of asset- and mortgage-backed securities which in turn has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. Most recently, the widely publicized credit defaults and/or acquisitions of large financial institutions in the marketplace has further restricted credit in the United States and international lending markets. ResCap is highly leveraged relative to its cash flow and continues to recognize substantial losses resulting in a significant deterioration in capital. Furthermore, in light of the decline in ResCap's consolidated tangible net worth, as defined, Fannie Mae has requested additional security for some of ResCap's potential obligations under its agreements with them. ResCap has reached an agreement in principle with Fannie Mae, under the terms of which ResCap will provide them additional collateral valued at \$200 million, and agree to sell and transfer the servicing on mortgage loans having an unpaid principal balance of approximately \$12.7 billion, or approximately 9% of the total principal balance of loans ResCap services for them. Fannie Mae has indicated that in return for these actions, they will agree to forbear, until January 31, 2009, from exercising contractual remedies otherwise available due to the decline in consolidated tangible net worth, as defined. Actions based on these remedies could have included, among other things, reducing ResCap's ability to sell loans to them, reducing its capacity to service loans for them, or requiring it to transfer servicing of loans ResCap services for them. GMAC management believes that selling the servicing related to the loans described above will have an incremental positive impact on ResCap's liquidity and overall cost of servicing, since it will no longer be required to advance delinquent payments on those loans. Meeting Fannie Mae's collateral request will have a negative impact on ResCap's liquidity. Moreover, if Fannie Mae deems ResCap's consolidated tangible net worth, as defined, to be inadequate following the expiration of the forbearance period referred to above, and if Fannie Mae then determines to exercise their contractual remedies as described above, it would adversely affect GMAC's profitability and financial condition. There continues to be a risk that ResCap will not be able to meet its debt service obligations, default on its financial debt covenants due to insufficient capital and/or be in a negative liquidity position in 2008. Additionally, ResCap's ability to participate in any governmental investment program or the TARP, either directly or indirectly through GMAC, is unknown at this time.

In light of ResCap's liquidity and capital needs, combined with volatile conditions in the marketplace, there is substantial doubt about ResCap's ability to continue as a going concern. If unanticipated market factors emerge and/or GMAC no longer continues to support ResCap's capital or liquidity needs, or ResCap is unable to successfully execute its other initiatives, it would have a material adverse effect on GMAC's business, results of operations and financial position.

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GMAC's profitability and financial condition has been materially adversely affected by declines in the residual value of off-lease vehicles, and the residual value of off-lease vehicles may continue to decrease.

GMAC's expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, GMAC incurs additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off-lease vehicles and new vehicle market prices heavily influence used vehicle prices and thus the actual residual value of off-lease vehicles. Also contributing to the weakness in the used vehicle market are the historically low consumer confidence levels, which influence major purchases, and the weakening financial condition of auto dealers. The recent sharp decline in demand and used vehicle sale prices for sport-utility vehicles and trucks in the United States and Canada has affected GMAC's remarketing proceeds for these vehicles, and has resulted in impairments of \$716 million and \$93 million during the three months ended June 30, 2008, and September 30, 2008, respectively. Weak residual values also contributed to the loss provision of \$109 million and \$240 million during the three months ended June 30, 2008, and September 30, 2008, respectively, on GMAC's balloon finance contract portfolio. These trends may continue or worsen. Our brand image, consumer preference for our products, and our marketing programs that influence the new and used vehicle market for our vehicles also influence lease residual values. In addition, GMAC's ability to efficiently process and effectively market off-lease vehicles impacts the disposal costs and proceeds realized from the vehicle sales. While we provide support for lease residual values, including through residual support programs, our support does not in all cases entitle GMAC to full reimbursement for the difference between the remarketing sales proceeds for off-lease vehicles and the residual value specified in the lease contract. Differences between the actual residual values realized on leased vehicles and GMAC's expectations of such values at contract inception could continue to have a negative impact on its profitability and financial condition.

General business and economic conditions may significantly and adversely affect GMAC's revenues, profitability and financial condition.

GMAC's business and earnings are sensitive to general business and economic conditions in the United States and in the markets in which it operates outside the United States. A downturn in economic conditions resulting in increased short- and long-term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings or a decline in the strength of national and local economies and other factors that negatively impact household incomes could decrease demand for its financing and mortgage products and increase mortgage and financing delinquency and losses on its customer and dealer financing operations. GMAC has been negatively impacted due to (i) the significant stress in the residential real estate and related capital markets in 2007 and 2008, and, in particular, the lack of home price appreciation in many markets in which it lends and (ii) decreases in new and used vehicle purchases, which have reduced the demand for automotive retail and wholesale financing.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States or GMAC's markets outside the United States were to continue in their current condition or further weaken, or if home prices or new and used vehicle purchases continue at the currently reduced levels or experience further declines, GMAC could continue to be adversely affected, and it could become more expensive for it to conduct its business. For example, business and economic conditions that negatively impact household incomes or housing prices could continue in their current condition or further decrease (i) the demand for its mortgage loans and new and used vehicle financing and (ii) the value of the collateral underlying its portfolio of mortgage and new and used vehicle loans held for investment and interests that continue to be held by GMAC, and further increase the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on GMAC's loans (especially its nonprime mortgage loans) as experienced recently could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm GMAC's ability to sell its mortgage and new and used vehicle loans, the prices it receives for its mortgage and new and used vehicle loans, or the value of its portfolio of mortgage and new and used vehicle loans held for investment or interests from its securitizations, which could harm its revenues, profitability and financial condition. Continued adverse business and economic conditions could, and in the

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near term likely will, further impact demand for housing, new and used vehicles, the cost of construction, and other related factors that have harmed, and could continue to harm, the revenues and profitability of its business capital operations.

In addition, GMAC's business and earnings are significantly affected by the fiscal and monetary policies of the U.S. government and its agencies and similar governmental authorities in the markets in which it operates outside the United States. GMAC is particularly affected by the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. The Federal Reserve's policies influence the new and used vehicle financing market and the size of the mortgage origination market, which significantly impacts the earnings of its businesses and the earnings of its business capital activities. The Federal Reserve's policies also influence the yield on its interest-earning assets and the cost of its interest bearing liabilities. Changes in those policies are beyond GMAC's control and difficult to predict, and could adversely affect its revenues, profitability and financial condition.

Risks Related to GMAC's Becoming a Bank Holding Company

GMAC's business, financial condition and results of operations could be adversely affected by new regulations to which it may become subject as a result of becoming a bank holding company, by new regulations or by changes in other regulations or the application thereof.

GMAC is currently in discussions with the Federal Reserve System regarding becoming a bank holding company under the U.S. Bank Holding Company Act of 1956. Any application may not ultimately be approved. If GMAC submits a formal application that is approved, it expects to be able to continue to engage in most of the activities in which it currently engages. However, it is possible that certain of GMAC's existing activities will not be deemed to be permissible under applicable regulations if its application is successful. In addition, if GMAC successfully converts into a bank holding company, it will be subject to the comprehensive, consolidated supervision of the Federal Reserve System, including risk-based and leverage capital requirements and information reporting requirements. This regulatory oversight is established to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders.

The financial services industry, in general, is heavily regulated. Proposals for legislation further regulating the financial services industry are continually being introduced in the U.S. Congress and in state legislatures. The agencies regulating the financial services industry also periodically adopt changes to their regulations. In light of current conditions in the U.S. financial markets and economy, regulators have increased their focus on the regulation of the financial services industry. For instance, in October 2008, Congress passed the Emergency Economic Stabilization Act of 2008, which in turn created the TARP and the CPP. GMAC is unable to predict how these programs will be implemented or in what form or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect GMAC in substantial and unpredictable ways and could have an adverse effect on its business, financial condition and results of operations.

GMAC is also affected by the policies adopted by regulatory authorities and bodies of the U.S. and other governments. For example, the actions of the Federal Reserve System and international central banking authorities directly impact GMAC's cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments it holds. In addition, such changes in monetary policy may affect the credit quality of its customers. Changes in domestic and international monetary policy are beyond GMAC's control and difficult to predict.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 6. Exhibits

Exhibit Number	Exhibit Name
10(a)	General Motors Executive Retirement Plan, As Amended August 4, 2008
10(b)	Amended and Restated Global Settlement Agreement Between Delphi Corporation and General Motors Corporation, Dated September 12, 2008
10(c)	Amended and Restated Master Restructuring Agreement Between Delphi Corporation and General Motors Corporation, Dated September 12, 2008
23	Consent of Hamilton, Rabinovitz and Associates
31.a	Section 302 Certification of the Chief Executive Officer
31.b	Section 302 Certification of the Chief Financial Officer
32.a	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.b	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

SIGNATURE

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

GENERAL MOTORS CORPORATION
(Registrant)

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

Date: November 10, 2008

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

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GENERAL MOTORS CORPORATION

**General Motors
Executive Retirement Plan**

**Effective for Retirements on and after
January 1, 2007**

(Effective October 1, 2008)

**GENERAL MOTORS
EXECUTIVE RETIREMENT PLAN**

The Executive Retirement Plan (ERP) is an unfunded, nonqualified deferred compensation plan. The Plan is structured to qualify for certain exemptions from the eligibility, funding and other requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and, further, ERP benefits are computed without regard to compensation limits imposed under the Internal Revenue Code.

Article I. Purpose; Administration; and Effective Date

Article I, Section I. Purpose of the Plan

The purpose of the General Motors Executive Retirement Plan (the Plan) is to help provide eligible retiring salaried executive employees of General Motors Corporation (hereinafter referred to as the "Corporation") as well as eligible retiring executive employees of General Motors Acceptance Corporation (GMAC) and General Motors Asset Management (GMAM) an overall level of monthly retirement benefits, or lump sum distributions of account balances, which are competitive with the benefits provided executives retiring from other major U.S. industrial companies. To achieve this goal, the monthly retirement benefits determined under the tax-qualified General Motors Retirement Program for Salaried Employees (hereinafter referred to as the "Retirement Program"), or account balances determined under the tax-qualified Savings-Stock Purchase Program (hereinafter referred to as the "S-SPP") plus any benefits payable under certain other GM-provided benefit programs, may be supplemented by benefits provided under the formulas of this Plan. It is intended that this Plan, in relevant part, qualify as an "excess benefit plan" under Section 3(36) of ERISA and, in relevant part, as a plan "providing deferred compensation for a select group of management or highly compensated employees" under Section 201(2) of ERISA.

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Article I, Section II. Administration of the Plan

- (a) This Plan shall at all times be maintained, considered, and administered as a non-qualified plan that is wholly separate and distinct from the Retirement Program and the S-SPP.
- (b) Benefits under this Plan are not guaranteed.
- (c) The Corporation is the Plan Administrator. The Plan Administrator has discretionary authority to construe, interpret, apply, and administer the Plan and serves as the first step of the Plan appeal process. Any and all decisions of the Plan Administrator as to interpretation or application of this Plan shall be given full force and effect unless it is proven that the interpretation or determination was arbitrary and capricious.
- (d) The Plan Administrator shall have the full power to engage and employ such legal, actuarial, auditing, tax, and other such agents, as it shall, in its sole discretion, deem to be in the best interest of the Corporation, the Plan, and its participants and beneficiaries.
- (e) The expenses of administering this Plan are borne by the Corporation and are not charged against its participants and beneficiaries.
- (f) Various aspects of Plan administration have been delegated to the Plan recordkeeper selected by the Plan Administrator. In carrying out its delegated responsibilities, the Plan recordkeeper shall have discretionary authority to construe, interpret, apply, and administer the Plan provisions. The discretionary authority delegated to the Plan recordkeeper shall, however, be limited to the Plan terms relevant to its delegated responsibilities and shall not permit the Plan recordkeeper to render a determination or to make any representation concerning benefits which are not provided by the express terms of the Plan. The Plan recordkeeper's actions shall be given full force and effect unless determined by the Plan Administrator to be contrary to the Plan provisions or arbitrary and capricious.
- (g) For purposes of the Plan, a Plan Year shall mean the 12-month period beginning January 1 and ending December 31.

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Article I, Section III. Effective Date

The Corporation established the Supplemental Executive Retirement Program ("SERP") under Article II of this Plan effective December 1, 1985. The Plan has been amended from time to time. Effective January 1, 2007, the name of the Plan was changed from the SERP to the "Executive Retirement Plan (ERP)". The terms and conditions of the ERP are set forth in Article II. ERP benefits for service through December 31, 2006 were frozen as described in Article II, Section II and Section III and new benefit formulas for service on and after January 1, 2007 were adopted, as described in Article II, Section IV and Section V. In addition, effective January 1, 2007, the Benefit Equalization Plan (BEP) was merged into this Plan, the terms and conditions of which are set forth in Article III.

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Article I, Section IV. Individuals Not Eligible; Suspensions; and Normal Retirement Age

- (a) The following classes of individuals are ineligible to participate in the Plan regardless of any other Plan terms to the contrary, and regardless of whether the individual is a common-law employee of the Corporation:
- (1) Any individual who provides services to the Corporation where there is an agreement with a separate company under which the services are provided. Such individuals are commonly referred to by the Corporation as “contract employees” or “bundled-services employees;”
 - (2) Any individual who has signed an independent contractor agreement, consulting agreement, or other similar personal services contract with the Corporation;
 - (3) Any individual that the Corporation, in good faith, classifies as an independent contractor, consultant, contract employee, or bundled-services employee during the period the individual is so classified by the Corporation.

The purpose of Section IV (a) is to exclude from participation in the Plan all persons who actually may be common-law employees of the Corporation, but are not paid as though they are employees of the Corporation regardless of the reason they are excluded from the payroll, and regardless of whether the exclusion is correct.

- (b) Notwithstanding the provisions of this Section IV, vested benefits will be suspended or forfeited if an executive employee or retired executive employee engages in activity that is competitive with the Corporation and/or otherwise acts in a manner inimical or contrary to the best interests of the Corporation or if an executive or a retired executive does not respond to the Corporation’s request for information relating to this paragraph.
- (c) Normal Retirement Age (NRA) is 65.

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Article II. Executive Retirement Plan

Article II, Section I. Eligibility and Vesting

- (a) Date of vesting is the first date the employee satisfies the requirements set forth in Section I (b), (c) and (d), respectively.
- (b) To be eligible for a vested benefit under Section II or III of this Article, payable upon separation from service, an executive employee must meet the following requirements:
 - (1) Be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee as of December 31, 2006 (appointments on or after January 1, 2007 are ineligible for benefits under Section II or III); and
 - (2) As of the date of vesting be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee; and
 - (3) As of the date of vesting have at least 10 years of combined Part B Retirement Program credited service, Part C Retirement Program credited service and credited service as determined under the Retirement Program accrued on and after January 1, 2007; and
 - (4) As of the date of vesting be at least 55 years old.
- (c) To be eligible for a vested benefit under Section IV of this Article, payable upon separation from service, an employee must meet the following requirements:
 - (1) Be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee on or after January 1, 2007 with a length of service date prior to January 1, 2001; and
 - (2) As of the date of vesting be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee; and

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Article II, Section I. (c) (3)

- (3) As of the date of vesting have at least 10 years of combined Part B Retirement Program credited service and credited service as determined under the Retirement Program accrued on and after January 1, 2007; and
- (4) As of the date of vesting be at least 55 years old.
- (d) To be eligible for a vested benefit under Section V of this Article, payable upon separation from service, an employee must meet the following requirements:
 - (1) Be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee on or after January 1, 2007 with a length of service date on or after January 1, 2001; and
 - (2) As of the date of vesting be a Regular Active or Flexible Service U.S. executive employee or U.S. International Service Personnel executive employee; and
 - (3) As of the date of vesting have at least 10 years of combined Part C Retirement Program credited service and S-SPP credited service accrued on and after January 1, 2007; and
 - (4) As of the date of vesting be at least 55 years old.
- (e) Eligible executives will be vested in any frozen SERP and/or ERP benefits under this Article II upon their attainment of age 55 with a minimum of 10 years' credited service where credited service is defined as:
 - (1) A combination of Part B credited service (as defined in the Retirement Program) plus credited service in the Retirement Program on and after January 1, 2007, or a combination of Part C credited service (as defined in the Retirement Program) plus S-SPP credited service for service on and after January 1, 2007.
- (f) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status may be eligible for benefits under Section II, IV or V if they meet all eligibility requirements, but are not eligible for benefits under the frozen Alternative SERP formula described in Section III.

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EXECUTIVE RETIREMENT PLAN**

Article II, Section II. Calculation of Regular Formula SERP Benefits for Credited Service Accrued Prior to January 1, 2007

- (a) Regular Formula SERP benefits determined under this Section II as in effect prior to January 1, 2007, shall be frozen as of December 31, 2006. The amount of the frozen Regular Formula SERP benefits shall be calculated using the following factors:
 - (1) Part B or Part C Retirement Program credited service accrued as of December 31, 2006.
 - (2) Average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007, as described in Article II, Section II (f).
 - (3) The sum of all frozen accrued monthly benefits determined under the Retirement Program as of December 31, 2006, prior to reduction for the cost of any survivor coverage.
 - (4) Two percent (2%) of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of actual receipt) multiplied by the executive's years of Part A or Part C credited service, determined as of December 31, 2006, under the Retirement Program.
- (b) Regular Formula SERP benefits under this Article II, Section II shall be determined for all executive employees on the active rolls as of December 31, 2006. Those appointed to executive positions on or after January 1, 2007 are ineligible for SERP benefits under this Section.
- (c) Executives must meet the eligibility and vesting requirements as set forth in Article II, Section I to be eligible for SERP benefits under this Article II, Section II.

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EXECUTIVE RETIREMENT PLAN**

Article II, Section II. (d)

- (d) The frozen monthly benefit determined under this Article II, Section II shall be an amount equal to two percent (2%) of average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007 (as described in Article II, Section II (f) below), multiplied by the years of credited service, determined as of December 31, 2006, used to determine the frozen Part B Supplementary benefit or the frozen benefit under the Account Balance Plan feature under Part C under the Retirement Program (hereinafter referred to as the "ABP"), less the sum of (1) all frozen accrued monthly benefits determined under the Retirement Program, prior to reduction for the cost of any survivor coverage, and BEP (if any), including the annuitized value of the frozen accrued ABP benefit (as described in Article II, Section II (g) below), (2) two percent (2%) of the monthly maximum Primary Social Security benefit payable in 2007 (regardless of actual receipt) multiplied by the executive's years of Part A or Part C credited service, determined as of December 31, 2006, under the Retirement Program, and (3) any benefits payable under certain other GM-provided benefit programs, such as Extended Disability Benefits.
- (e) The "Special Benefit" provided under the GM Health Care Program is not taken into account in determining the amount of any monthly SERP benefit payable under this Article II, Section II.
- (f) For purposes of this Article II, Section II, average monthly base salary means the monthly average of base salary for the highest 60 of the 120 months immediately preceding January 1, 2007. For executives with less than 60 months of base salary history prior to January 1, 2007, the executive's starting monthly base salary will be imputed for the number of months less than 60.
- (g) For purposes of determining the SERP benefits under this Article II, Section II for executives with a length of service date on and after January 1, 2001 who participate in the ABP, the frozen ABP amount accrued as of December 31, 2006 shall be converted to an annuity for the purpose of offsetting this amount from the target SERP using the following methodology:

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Article II, Section II. (g) (1)

- (1) First, credit the December 31, 2006 ABP account balance with interest credits until Normal Retirement Age (age 65) using the ABP crediting rate in effect as of December 31, 2006 to calculate a projected lump sum value at NRA.
 - (2) Second, convert the amount determined under (1) above to an annuity using the Retirement Program mortality table and the same ABP crediting rate used in Article II, Section II (g) (1) above as the discount rate.
 - a) Both the mortality table and the crediting rate will be those that were in effect under the Retirement Program as of December 31, 2006.
 - (3) Third, offset target frozen SERP with the annuitized amount determined under (2) above.
 - (h) For purposes of calculating the SERP benefits under this Article II, Section II, the SERP benefit amounts will not be increased due to any election regarding commencement of Retirement Program benefits on a reduced for early receipt basis.
 - (i) The monthly Social Security offset amount used in paragraph (d) of this Section shall be based upon the maximum 2007 monthly Primary Social Security benefit, regardless of the executive's age as of January 1, 2007 or availability to him/her of a U. S. Social Security benefit. This Social Security offset amount shall not be changed for any subsequent Social Security increase.
 - (j) Any post-retirement increase under the Retirement Program does not reduce any monthly benefit payable under this Plan. For purposes of this subsection, adjustments to the IRC Section 415 limits are not considered post-retirement increases.
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Article II, Section III. Calculation of Alternative Formula SERP Benefits for Credited Service Accrued Prior to January 1, 2007

- (a) Alternative Formula SERP benefits determined under this Article II, Section III as in effect prior to January 1, 2007, shall be frozen as of December 31, 2006. The amount of the frozen benefits shall be calculated using the following factors:
- (1) Part B or Part C Retirement Program credited service accrued as of December 31, 2006 (maximum 35 years).
 - (2) Average total direct compensation is the total of:
 - a) Average monthly base salary for the highest 60 of the 120 months immediately preceding January 1, 2007, as described in Article II, Section III (g) below, plus
 - b) Average monthly incentive compensation determined by dividing the total of the highest five of the ten years of annual incentive awards received for the period 1997 through 2006, as described in Article II, Section III (h) below, by 60.
 - (3) The sum of all frozen accrued monthly benefits determined under the Retirement Program as of December 31, 2006, prior to reduction for the cost of any survivor coverage.
 - (4) One hundred percent (100%) of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of actual receipt).
- (b) Alternative Formula SERP benefits under this Article II, Section III shall be determined for all executive employees on the active rolls as of December 31, 2006. Those appointed to executive positions on or after January 1, 2007 are ineligible for frozen Alternative Formula SERP benefits.
- (c) Executives must meet the eligibility and vesting requirements as set forth in Article II, Section I to be eligible for SERP benefits under this Article II, Section III.

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EXECUTIVE RETIREMENT PLAN**

Article II, Section III. (d)

- (d) The frozen monthly benefit determined under this Article II, Section III for an eligible retiring executive shall be the greater of the monthly benefit, if any, determined under either (1) the formula set forth in this Article II Section III or (2) the formula described in Article II, Section II.
- (e) The frozen monthly benefit determined under this Article II, Section III will equal 1.5% of average total direct compensation (monthly base salary plus average monthly annual incentive compensation, as defined in Article II, Section III (g) and Article II, Section III (h) below), multiplied by the executive's years of credited service (35-year maximum), determined as of December 31, 2006, used to determine the frozen Part B Supplementary benefits or the frozen ABP benefits, less the sum of (1) all frozen accrued monthly benefits determined under the Retirement Program, prior to reduction for the cost of any survivor coverage, and BEP (if any), including the annuitized value of any frozen accrued ABP benefit, (as described in Article II, Section III (i) below), (2) 100% of the maximum monthly Primary Social Security benefit payable in 2007 (regardless of executive's age in January 2007 or availability to him/her of a U.S. Social Security benefit), and (3) any benefits payable under certain other GM-provided programs, such as Extended Disability.
- (f) The "Special Benefit" provided under the GM Health Care Program is not taken into account in determining the amount of any monthly benefits payable under this Article II, Section III.
- (g) For purposes of this Article II, Section III, average monthly base salary means the monthly average of base salary for the highest 60 of the 120 months immediately preceding January 1, 2007. For executives with less than 60 months of base salary history prior to January 1, 2007, the executive's starting monthly base salary will be imputed for the number of months less than 60.

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Article II, Section III. (h)

- (h) For purposes of this Article II, Section III, average monthly incentive compensation means an amount determined by dividing the total of the highest five of the ten years of annual incentive awards received for the period 1997 through 2006, by 60. For executives with less than five years of service as of December 31, 2006 or those appointed to executive status within the last five years, the average of annual incentive compensation awards paid for service through December 31, 2006 divided by the number of years since date of hire or date of appointment to December 31, 2006 shall be imputed for the number of years less than five. Each annual incentive award amount is the final award amount related to the performance period year for which it was awarded. Moreover, neither Stock Performance Program awards, Stock Incentive Plan grants, Cash-Based Restricted Stock Unit awards nor any other form of incentive payment, are eligible for inclusion in determining a benefit under this Article II, Section III. Non-consecutive years within the 1997 through 2006 period may be used for determining the blended amount of average monthly (1) base salary, and (2) incentive compensation.
- (i) For purposes of calculating the benefits under this Article II, Section III for executives with a length of service date on and after January 1, 2001 who participate in the ABP, the frozen ABP account balance accrued as of December 31, 2006 shall be converted to an annuity for the purpose of offsetting this amount from the frozen target Alternative Formula SERP using the following methodology:
 - (1) First, credit the December 31, 2006 ABP account balance with interest credits until Normal Retirement Age (age 65) using the ABP crediting rate in effect as of December 31, 2006 to calculate a projected lump sum value at NRA.

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Article II, Section III. (i) (2)

- (2) Second, convert the amount determined under (1) above to an annuity using the Retirement Program mortality table and the same ABP crediting rate used in Article II, Section II (g) (1) as the discount rate.
 - a) Both the mortality table and the crediting rate will be those that were in effect under the Retirement Program as of December 31, 2006.
- (3) Third, offset frozen target Alternative Formula SERP with the amount determined under (2) above.
- (j) For purposes of calculating the SERP benefits under this Article II, Section III, the SERP benefit amounts will not be increased due to any election regarding commencement of Retirement Program benefits on a reduced for early receipt basis.
- (k) The monthly Social Security offset amount used in paragraph (e) of this Section shall be based upon the maximum 2007 Primary Social Security benefit, regardless of the executive's age as of January 1, 2007 or availability to him/her of a U. S. Social Security benefit. This Social Security offset amount shall not be changed for any subsequent Social Security increase.
- (l) Any post-retirement increase under the Retirement Program does not reduce any monthly frozen Alternative Formula benefit that may become payable. For purposes of this subsection, adjustments to the IRC Section 415 limits are not considered post-retirement increases.
- (m) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for benefits under this Article II, Section III.

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Article II, Section IV. Calculation of 1.25% Career Average Pay Benefits for Credited Service Accrued on and after January 1, 2007 for Executives With a Length of Service date Prior to January 1, 2001

- (a) Effective for service on and after January 1, 2007, ERP benefits under this Article II, Section IV for Regular Active or Flexible Service U.S. executives, or U. S. International Service Personnel executives, with a length of service date prior to January 1, 2001 will be calculated using a 1.25% Career Average Pay formula as set forth in this Article II, Section IV.
- (b) To be eligible for a 1.25% Career Average Pay ERP Benefit, an executive employee must:
 - (1) Be a Regular Active or Flexible Service U.S. executive, or U.S. International Service Personnel executive, on and after January 1, 2007 with a length of service date prior to January 1, 2001; and
 - (2) Be at work for GM or GMAM on or after January 1, 2007; and
 - (3) Meet the eligibility and vesting requirements as set forth in Article II, Section I.
- (c) Eligible executives will accrue benefits under this Article II, Section IV with respect to actual base salary and Annual Incentive Plan final awards received while an executive for service on and after January 1, 2007 equal to 1.25% of the total of base salary plus Annual Incentive Plan final awards received in excess of the compensation limit under IRC 401(a)(17) in effect for the Retirement Program. As benefits are specified on a career average pay basis, subsequent base salary increases will not impact the value of previously accrued benefits.
 - (1) Annual Incentive Plan final awards are defined as those paid with respect to annual incentive compensation performance periods commencing on and after January 1, 2007.
 - (2) Pro-rata annual incentive awards attributable to the year of retirement will not be used in the calculation of benefits under this Section.

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Article II, Section IV. (c) (3)

- (3) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for 1.25% Career Average Pay ERP benefits calculated with respect to annual incentive compensation.

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Article II, Section V. Calculation of 4% Defined Contribution Benefits for Credited Service Accrued on and after January 1, 2007

- (a) Effective for service on and after January 1, 2007, ERP benefits under this Article II, Section V for Regular Active or Flexible Service U.S. executives, or U.S. International Service Personnel executives, with a length of service date on and after January 1, 2001 will be accumulated using a 4% defined contribution formula.
- (b) To be eligible for the 4% defined contribution benefits under this Section , an executive employee must:
 - (1) Be a Regular Active or Flexible Service U.S. executive, or U.S. International Service Personnel executive, with a length of service date on or after January 1, 2001; and
 - (2) Be at work for GM or GMAM on or after January 1, 2007; and
 - (3) Meet the eligibility and vesting requirements as set forth in Article II, Section I.
- (c) Eligible executives with a length of service date on and after January 1, 2001 will accrue benefits under this Article II, Section V with respect to actual base salary and Annual Incentive Plan final awards received while an executive for service on and after January 1, 2007 equal to 4% of the total of base salary plus Annual Incentive Plan final awards received in excess of the annual compensation limit under IRC 401(a)(17) in effect for the S-SPP. Once the total of base salary and eligible Annual Incentive Plan final awards received in any Plan Year exceed the compensation limit under IRC 401(a)(17) in effect for the S-SPP for that year, notional contributions shall be allocated each pay period into an unfunded defined contribution account maintained for each eligible executive on a book reserve basis.
 - (1) Annual Incentive Plan final awards are defined as those paid with respect to annual incentive compensation performance periods commencing on and after January 1, 2007.

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Article II, Section V. (c) (2)

- (2) Pro-rata annual incentive awards attributable to the year of retirement will not be used in the calculation of benefits under this Section.
- (3) General Motors Asset Management executives who on or after August 4, 2003 are transferred to GMAM or hired or promoted into executive status are ineligible for the 4% benefits calculated with respect to annual incentive compensation.
- (d) The individual amounts for each eligible executive shall be an unfunded, notional defined contribution account that will be credited with earnings based on investment options as selected by the executive from the list below:
 - (1) GM \$1-2/3 Par Value Common Stock
 - (2) Promark Income Fund
 - (3) Pyramis Strategic Balanced Commingled Pool
 - (4) Promark Large Cap Index Fund
 - (5) Fidelity Emerging Market Fund
 - (6) Fidelity Contrafund
 - (7) Fidelity Diversified International

Until such time as the executive makes an eligible investment choice, the executive's account will be credited with earnings based on the Pyramis Strategic Balanced Commingled Pool. In the event any of the listed funds are discontinued, absent an election by the executive (if any), the notional amounts in such funds will be transferred to other funds designated by the Plan Administrator.

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Article II, Section VI. Payment of Benefits

- (a) Payment of benefits determined pursuant to Article II, Section II, III, IV or V of this Plan, are payable in accordance with the provisions of Article II, Section VI (c) below effective the first day of the month following the employee's separation from service.
 - (1) In the event of disability, as defined under IRC Section 409A, payment of benefits will commence from the first day of the month following twelve months of a Corporation approved disability leave of absence.
 - (2) Payment of benefits will commence not later than 90 days following separation from service or termination of disability leave of absence.
- (b) The payment of benefits under this Plan shall be reduced, in an amount up to \$5,000 per year, as repayment of amounts that a Participant owes the Corporation or any subsidiary, for any reason, including but not limited to benefit overpayments, wage overpayments, and amounts due under all incentive compensation plans. The Participant will be relieved of liability in the amount of the reduction following the payment to the Corporation.
- (c) Prior to payment, all vested Plan benefits, including any frozen SERP benefits, if applicable, will be converted to a five year monthly annuity form of payment.
 - (1) For retirements or death in service at or after age 60, the monthly value of benefits under the Plan shall be unreduced for early age receipt.
 - (2) For retirements commencing at age 55 to age 59 and 11 months, or death in service at or after age 55 and prior to age 60, the monthly value of any Plan benefits determined under Article II, Section IV, and any frozen SERP benefits determined under Article II, Section II or III for executives with a length of service date prior to January 1, 2001, shall be reduced for early age receipt prior to conversion to a five year monthly annuity form of payment. The defined contribution individual account plan benefits under Article II, Section V for executives with a length of service date on or after January 1, 2001 will be converted to a five year monthly annuity form of payment without applying an early age reduction.

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EXECUTIVE RETIREMENT PLAN**

Article II, Section VI. (c) (3)

- (3) In the event of disability as defined in Article II, Section VI (a) (1) above, the monthly value of benefits under Article II of this Plan shall be unreduced for early age receipt and converted to a five year monthly annuity using the following methodology:
 - a) First, offset the lifetime monthly annuity value of benefits under this Article II by the amount of any Extended Disability Benefits (EDB) payable to age 65 to determine the amount of monthly ERP and frozen SERP payable to age 65, if any.
 - 1) For this purpose, the conversion of any Article II, Section V ERP to a lifetime monthly annuity will use the discount rate specified in Article II, Section VI (c) (5) below in effect at the date of total and permanent disability retirement.
 - b) Second, convert the monthly value of benefits determined in Article II, Section VI (c) (3) a) above to a five year monthly annuity using age at effective date of total and permanent disability retirement.
 - c) Third, convert the lifetime monthly annuity value of benefits under this Article II payable from age 65 to a five year annuity using age 65 as the effective date of payment.
 - d) Fourth, add the five year annuity values calculated in Article II, Section VI (c) (3) (b) plus Article II, Section VI (c) (3) (c) above to determine the total amount of the five year annuity payment.
- (4) Early receipt reduction factors will be identical to those used under the terms of the Retirement Program.

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Article II, Section VI. (c) (5)

- (5) The conversion of the monthly value of any benefits determined under Article II, Section II, III and IV (after applying any reduction for early age receipt) to a five year annuity form of payment, shall be made using the July average of the 30-year U.S. Treasury Securities rate and the same mortality tables applicable under the Retirement Program at date of separation from service. The discount rate will be redetermined each year as the average of the 30-year U.S. Treasury Securities rate for the month of July and be effective for retirements commencing October 1 following each redetermination through September 30 of the succeeding year. The defined contribution benefits under Article II, Section V for executives with a length of service date on or after January 1, 2001, will not use a mortality table for the conversion to a five year annuity form of payment.
- (6) Should the executive die during the five year annuity payment period, the remaining five year annuity payments will be converted to a one-time lump sum and paid to a beneficiary named at date of retirement. If the executive is married at date of retirement spousal consent will be required to name a beneficiary other than the spouse. If the primary beneficiary has predeceased the executive, any contingent beneficiaries designated for the executive's Basic Group Life Insurance will receive the lump sum payment. If more than one person is named as the eligible beneficiary for the executive's Basic Group Life Insurance at date of death, the lump sum will be paid at the percentages designated for their respective interests as eligible beneficiaries of the executive's Basic Group Life Insurance. If their respective interests are not specified, their interests shall be several and equal. If a non-living entity such as a trust is named as beneficiary, or the executive should have no living beneficiary, any remaining five year annuity payments will be converted to a one-time lump sum for final payment.

**GENERAL MOTORS
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Article II, Section VI. (c) (7)

- (7) Should an executive who is vested pursuant to the provisions of Article II, Section I die during active service with General Motors, any five year annuity benefits payable under Article II, Section VI (c) (1) and Article II, Section VI (c) (2) will be converted to a one-time lump sum and paid to the executive's surviving spouse. If the executive is not married at date of death, the person designated as primary beneficiary for the executive's Basic Life Insurance will receive the lump sum payment. If the primary beneficiary has predeceased the executive any contingent beneficiaries designated for the executive's Basic Group Life insurance will receive the lump sum payment. If more than one person is named as the eligible beneficiary for the executive's Basic Group Life insurance at date of death, the lump sum will be paid at the percentages designated for their respective interests as eligible beneficiaries of the executive's Basic Group Life insurance. If their respective interests are not specified, their interests shall be several and equal. If a non-living entity such as a trust is named as beneficiary, or the executive should have no living beneficiary, the five year annuity payments will be converted to a lump sum for final payment.
- (8) The obligation to provide benefits under this Article II shall cease at the end of the five year annuity period or upon payment of a present value lump sum to multiple named beneficiaries, a trust or to the executive's estate as described in Article II, Section VI (c) (6) and Article II, Section VI (c) (7) above.

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Article II, Section VI. (c) (9)

- (9) The Plan benefits under this Article II for active executives who were age 62 and above as of December 31, 2004 with a minimum of 10 years Part B or Part C credited service under the Retirement Program are grandfathered for benefit amounts accrued and vested through December 31, 2004, in accordance with IRC Section 409A, under the terms of the Plan in effect prior to January 1, 2007. Benefit amounts accrued and vested after December 31, 2004 for such grandfathered executives are payable only as a lifetime monthly annuity. Such grandfathered executives are not eligible for the five year annuity form of payment.

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Article III. Benefit Equalization Plan

Article III, Section I. Eligibility and Vesting

- (a) Eligibility to participate in this Article III shall be limited solely to those active executive level or separated executive level employees, or the designated beneficiaries of such active executive level or separated executive level employees, whose aggregate contributions and benefits under the S-SPP are in excess of the maximum limitations on compensation, contributions and benefits imposed by Sections 401(a)(17) and/or 415 of the Code.
- (b) For purposes of this Article III, the terms “designated beneficiary” or “designated beneficiaries” shall include surviving spouses and contingent beneficiaries. The term “Participant” shall refer to an eligible active executive level employee or a former executive level employee who has separated from service and is otherwise eligible for benefits under this Article III.
- (c) Eligible executives were immediately vested in any benefits accrued under Article III, Section II (a) prior to January 1, 2007.
- (d) Eligible executives will become vested in any benefits accrued on and after January 1, 2007 under Article III Section II (a) upon their attainment of age 55 with a minimum of 10 years’ credited service. For this purpose, credited service is as defined in the S-SPP.

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Article III, Section II. Amount of Benefits

- (a) An executive level employee who is eligible to participate in this Article III, or the designated beneficiary of such a deceased executive level employee who was eligible to participate in this Article III, shall be eligible to receive the value of the assets that would have been purchased with GM S-SPP matching contribution amounts and the S-SPP 1% GM Benefit Contribution, if eligible, plus related earnings on such assets, set forth in Article III, Section II (b) below, but for the maximum benefit limitations imposed under Section 415(c) of the Code and maximum compensation limits imposed under Section 401(a)(17) of the Code. The portion of the Plan that provides benefits in the event the maximum compensation limits under Section 401(a)(17) of the Code apply is an unfunded plan for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The value of assets described in this Article III, Section II (a) shall be separately accounted for each employee or designated beneficiary.

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Article III, Section II (b)

(b) Prior to April 1, 2007 earnings on the unfunded, notional account assets will be valued as though such amounts had been invested in the GM \$1-2/3 par value Common Stock Fund under the S-SPP. Effective April 1, 2007 the value of the assets for each eligible executive shall be maintained in an unfunded, notional account that will be credited with earnings based on investment options as selected by the executive from the list below.

- (1) GM \$1-2/3 Par Value Common Stock
- (2) Promark Income Fund
- (3) Pyramis Strategic Balanced Commingled Pool
- (4) Promark Large Cap Index Fund
- (5) Fidelity Emerging Market Fund
- (6) Fidelity Contrafund
- (7) Fidelity Diversified International

Commencing effective April 1, 2007, until such time as the executive makes an eligible investment choice, the executive's account will be credited with earnings based on the Pyramis Strategic Balanced Commingled Pool. In the event any of the listed funds are discontinued, absent an election by the executive (if any), the notional amounts in such funds and future contributions that were designated for that fund will be transferred to the fund that such option is mapped to by the S-SPP.

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Article III, Section III. Payment of Benefits

- (a) For assets accrued and vested on or before December 31, 2004, payment of benefits in the amount determined pursuant to Article III, Section II (a) for separations prior to January 1, 2007, shall be payable to the Participant in a lump-sum amount on the earlier of the Participant's request or as soon as practicable following such Participant's total distribution of their S-SPP account. Such distributions will be based on the market value on the Business Day on which the request is received or the day in which the participant's S-SPP account is totally distributed, as confirmed by the GM Benefits & Services Center provided that the request is received or the S-SPP account is totally distributed before the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. (EST). A withdrawal request received and confirmed by the GM Benefits & Services Center after the close of business of the NYSE, or on a weekend or holiday observed by the NYSE, will be based on the market value on the next Business Day.
- (b) For separations on and after January 1, 2007, payment of vested plan benefits, in the amount determined pursuant to Article III, Section II (a) will be converted to a five year monthly annuity form of payment.
 - (1) Conversion of the account value at date of separation to a five year annuity will use the same discount rate applicable under Article II, Section VI (c) (5) at date of separation from service.
 - (2) If the separated executive is eligible for payment of Executive Retirement Plan (ERP) benefits under Article II, payable as a five year annuity, payment of benefits as a five year annuity under this Article III will be combined with and paid coincident with ERP payments under Article II.

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Article III, Section III. (c)

- (c) The payment of benefits under Article III, Section III (a), and (b) above shall be reduced in an amount up to \$5,000 per year as repayment of amounts that a Participant owes the Corporation or any subsidiary, for any reason, including benefit overpayments, wage overpayments, and amounts due under all incentive compensation plans. The Participant will be relieved of liability in the amount of the reduction following the payment to the Corporation.

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Article IV. Other Matters

Article IV, Section I. Amendment, Modification, Suspension, or Termination by Corporation

- (a) The Corporation reserves the right, by and through the Executive Compensation Committee of the Board of Directors or its delegate, to amend, modify, suspend, or terminate this Plan in whole or in part, at any time. No oral statements can change the terms of this Plan. This Plan can only be amended, in writing, by the Board of Directors, the Executive Compensation Committee, or an appropriate individual or committee as designated by the Board of Directors or Executive Compensation Committee. The Corporation shall not terminate the Plan if such termination would result in tax and penalties under Section 409A of the Code, unless the Corporation acknowledges in writing that one of the results of a termination will be tax and penalties under the Code. Absent an express delegation of authority from the Board of Directors or the Executive Compensation Committee, no one has the authority to commit the Corporation to any benefit or benefits provision not provided for under this Plan or to change the eligibility criteria or other provisions of this Plan.
- (b) The Corporation may, from time-to-time and in its sole discretion, adopt limited early retirement provisions to provide retirements (i) during a specified period of time, (ii) at a specified level of benefits, and (iii) for identified executive employees. Any such early retirement provisions relating to the Plan that may be adopted by the Corporation are made a part of this Plan as though set out fully herein.
- (c) The Corporation may, from time-to-time and in its sole discretion, adjust the amount of an executive's credited service used to determine the benefits under this Plan, or the amount of benefits payable to an executive under this Plan.

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Article IV Section II, Special Rules

- (a) Notwithstanding any provision of this Plan, no elections, modifications or distributions will be allowed or implemented if they would cause an otherwise eligible Participant to be subject to tax (including interest and penalties) under Section 409A of the Code, unless the Committee specifies in writing that such elections, modifications or distributions shall be made notwithstanding the impact of such tax (e.g. court order, adverse business conditions).
- (b) Specified employees, as defined by IRC 409A, will have a six month waiting period (or, if earlier, the date of death) before commencement of payment of any Plan benefits payable on account of a separation from service. During the six month waiting period, all amounts payable under this Plan will accumulate without interest and be paid effective with the seventh monthly payment.
- (c) If at the time of separation from service the present value of all benefits under the Plan is less than the dollar limit under Section 402(g) of the Code as adjusted by the Secretary of the Treasury (\$15,500 for 2008) such amount shall be paid in a lump sum within 90 days of such separation.
- (d) Notwithstanding the provisions of the Plan to the contrary, under the provisions of Treasury Regulation Section 1.409A-3(j) benefits may be paid prior to the applicable payment date in the following events:
 - (1) Pursuant to the terms of a Qualified Domestic Relations Order, as defined in Section 414(p) of the Code;
 - (2) To comply with an ethics agreement with the federal government, or to avoid a violation any domestic or foreign ethics law or conflicts law;
 - (3) To satisfy any Federal Insurance Contributions Act (FICA) tax obligations;
 - (4) To pay the Participant an amount required to be included in income due to a failure of the Plan to comply with Section 409A of the Code;
 - (5) Upon termination of the Plan;
 - (6) To pay state, local or foreign taxes arising from participation in the Plan; and

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Article IV Section II. (d) (7)

(7) To settle a bona fide dispute as to a Participant's right to a Plan distribution.

Notwithstanding the above, other than suspension or forfeiture as set forth in Article I, Section IV (b) with respect to any benefits that are vested or in payment pursuant to the terms of this Plan, the prior Benefit Equalization Plan or the prior Supplemental Executive Retirement Program (SERP), no amendment, modification, suspension, or termination may reduce the vested rights or benefits of participants under this Plan, including benefits being provided to current executive retirees or their surviving spouse, without the participant's, retiree's, or surviving spouse's written permission, unless such amendment, modification, suspension or termination is required by law.

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Article IV, Section III. Claim Denial Procedures

The Plan Administrator will provide adequate notice, in writing, to any Participant or beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial. The Participant or beneficiary will be given an opportunity for a full and fair review of a decision by the Plan Administrator denying a claim for benefits. An appeal may be filed with the Executive Compensation Committee of the Board of Directors, which has been delegated final discretionary authority to construe, interpret, apply, and administer the Plan. Such appeal to the Executive Compensation Committee must be filed, in writing, within 60 days from the date of the written decision from the Plan Administrator denying the claim for benefits. Such an appeal may be initiated by forwarding the request to General Motors Corporation, 300 Renaissance Center, Mail Code 482-C32-C61, P.O. Box 300, Detroit, Michigan 48265-3000. As a part of this review, the Participant or beneficiary must submit any written comments that may support their position. The Executive Compensation Committee shall be the final review authority with respect to appeals, and its decision shall be final and binding upon the Corporation and the participant or beneficiary.

Article IV, Section IV. Service of Legal Process

Service of legal process on General Motors Corporation may be made at any office of the CT Corporation. The CT Corporation, which maintains offices in 50 states, is the statutory agent for services of legal process on General Motors Corporation. The procedure for making such service generally is known to practicing attorneys. Services of legal process also may be made upon General Motors Corporation, 400 Renaissance Center, Mail Code 482-038-210, Detroit, Michigan 48265-4000.

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Article IV, Section V. Named Fiduciary

The Executive Compensation Committee of the Corporation's Board of Directors shall be the Named Fiduciary with respect to the Plan. The Executive Compensation Committee may delegate authority to carry out such of its responsibilities, as it deems proper, to the extent permitted by ERISA.

Article IV, Section VI. Non-Assignability

It is a condition of this Plan, and all rights of each Participant shall be subject thereto, that to the full extent permissible by law no right or interest of any Participant in this Plan or in his or her account shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, or in any other manner, and further excluding devolution by death or mental incompetence. No right or interest of any Participant in this Plan or in their account shall be liable for, or subject to, any obligation or liability of such Participant except as provided in Article II, Section VI (b).

**AMENDED AND RESTATED
GLOBAL SETTLEMENT AGREEMENT
BETWEEN
DELPHI CORPORATION,
on behalf of itself and certain of its subsidiaries and Affiliates,
AND
GENERAL MOTORS CORPORATION
DATED SEPTEMBER 12, 2008**

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EXHIBITS

- Exhibit A** **Master Restructuring Agreement**
 - Exhibit B** **PHI Protection Agreement**
 - Exhibit C** **Outstanding Delphi Invoices for which GM Has Withheld Payment
Due To Outstanding Prepetition Activities**
 - Exhibit D** **Form of Order Authorizing and Approving This Agreement**
 - Exhibit E** **Letter Agreement dated May 12, 2008 Among Delphi and GM Regarding Procedure for Payment of
Buy-Down Payments**
 - Exhibit F** **Summary of Terms of Series D Preferred Stock**
-

AMENDED AND RESTATED GLOBAL SETTLEMENT AGREEMENT

This Amended and Restated Settlement Agreement (together with all exhibits and attachments hereto, including, without limitation, the Restructuring Agreement, the "Agreement"), is entered into as of September 12, 2008, by and between Delphi Corporation ("Delphi"), on behalf of itself and its subsidiaries and Affiliates operating as debtors and debtors in possession in the Chapter 11 Cases (together with Delphi, the "Debtors"), and General Motors Corporation ("GM"). Each of the Debtors and GM is referred to herein individually as a "Party," and collectively, as the "Parties." As used herein, the phrases "this Agreement," "hereto," "hereunder," and phrases of like import shall mean this Agreement. All capitalized terms shall have the meanings ascribed to them in Article I hereof. Unless otherwise defined in this Agreement, capitalized terms in Articles II and III hereof shall have the meanings as set forth in the Labor MOUs.

RECITALS

WHEREAS, on October 8, 2005 and October 14, 2005, the Debtors commenced the Chapter 11 Cases in the Bankruptcy Court for the purpose of restructuring their businesses and related financial obligations pursuant to an overall transformation strategy that would incorporate the following structural components:

- (i) Modification of Delphi's labor agreements;
- (ii) Allocation of responsibilities between Delphi and GM concerning (a) certain legacy obligations, including various pension and other post-employment benefit obligations; (b) costs associated with the transformation of the Debtors' business (including the provision of financial and other forms of support by GM in connection with certain businesses that Delphi will retain and certain businesses that Delphi intends to sell or wind down); (c) the restructuring of ongoing contractual relationships; and (d) the amount and treatment of GM's claims in the Chapter 11 Cases;
- (iii) Streamlining of Delphi's product portfolio to capitalize on its world-class technology and market strengths and making the necessary manufacturing alignment with its new focus;
- (iv) Transformation of Delphi's salaried work force in keeping with a sustainable cost structure and streamlined product portfolio; and
- (v) Resolution of Delphi's pension issues.

WHEREAS, on March 22, 2006 Delphi, GM, and the UAW entered into the Initial UAW SAP, which was authorized and approved by the Bankruptcy Court by order entered on May 12, 2006 (Docket No. 3754);

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WHEREAS, on March 31, 2006, Delphi filed a motion under Bankruptcy Code sections 1113 and 1114 seeking to reject the majority of its collective bargaining agreements with its key unions and to modify retiree benefits (Docket No. 3035);

WHEREAS, on March 31, 2006, the Debtors filed the Section 365 Motion seeking authority to reject 5,472 supply contracts with GM pursuant to section 365 of the Bankruptcy Code (Docket No. 3033);

WHEREAS, on June 5, 2006, Delphi, GM, and the UAW entered into a supplement to the Initial UAW SAP to provide hourly UAW-represented employees with certain expanded options under the Initial UAW SAP, which was authorized and approved by the Bankruptcy Court by order entered on July 7, 2006 (Docket No. 4461);

WHEREAS, on June 16, 2006, Delphi, GM, and the IUE-CWA entered into the IUE-CWA SAP to provide, with financial support from GM, an attrition program to certain of the Debtors' IUE-CWA-represented employees, which was authorized and approved by the Bankruptcy Court by order entered on July 7, 2006 (Docket No. 4461);

WHEREAS, the Debtors, the UCC, and the Equity Committee have asserted that they may have causes of action against GM and defenses to any claims GM may have against the Debtors, including but not limited to those set forth in the GM Proof of Claim, arising from the Separation, post-Separation conduct by GM, and other matters;

WHEREAS, on June 22, 2007, Delphi, GM, and the UAW entered into the UAW MOU, which was ratified by Delphi's UAW-represented employees on June 28, 2007 and the UAW MOU was authorized and approved by the Bankruptcy Court by order entered on July 19, 2007 (Docket No. 8693) and was attached to the 2007 Plan as Exhibit 7.21(a);

WHEREAS, on June 22, 2007, Delphi, GM, and the UAW entered into the UAW Benefit Guarantee Term Sheet regarding (i) the freezing of the Delphi HRP, (ii) Delphi's cessation of OPEB, and (iii) the terms of a consensual triggering and application of the UAW Benefit Guarantee; the UAW Benefit Guarantee Term Sheet is annexed as Attachment B to the UAW MOU and was authorized and approved by the Bankruptcy Court by order entered on July 19, 2007 (Docket No. 8693);

WHEREAS, on July 31, 2006, GM, on behalf of itself and certain of its Affiliates and subsidiaries, filed the GM Proof of Claim;

WHEREAS, on July 31, 2007, Delphi, GM, and each of the IAM and IBEW entered into the IAM MOU and the IBEW MOUs, respectively, and on August 1, 2007, Delphi, GM, and the IUOE entered into the IUOE MOUs, each of which has been ratified by the Splinter Union Employees; the IAM MOU, the IBEW MOUs, and the IUOE MOU were authorized and approved by the Bankruptcy Court by order entered on August 16, 2007 (Docket No. 9107) and were attached to the 2007 Plan as Exhibits 7.21(d)-(i);

WHEREAS, on July 31, 2007, Delphi, GM, and each of the IAM, IBEW, and IUOE entered into the "Term Sheet — Delphi Cessation and GM Provision of OPEB," which is annexed as Attachment B to each of the IAM MOU, IBEW MOU, and IUOE MOU and was

authorized and approved by the Bankruptcy Court by order entered on August 16, 2007 (Docket No. 9107);

WHEREAS, on August 3, 2007, Delphi and GM entered into the Non-Represented Employees Term Sheet which was authorized and approved by the Bankruptcy Court by order entered on August 16, 2007 (Docket No. 9107);

WHEREAS, on August 5, 2007, Delphi, GM, and the IUE-CWA entered into the IUE-CWA MOU, which was ratified by Delphi's IUE-CWA-represented employees on August 18, 2007, which was authorized and approved by the Bankruptcy Court by order entered on August 16, 2007 (Docket No. 9106) and was attached to the 2007 Plan as Exhibit 7.21(b);

WHEREAS, on August 5, 2007, Delphi, GM, and the IUE-CWA entered into the IUE-CWA Benefit Guarantee Term Sheet regarding (i) the freezing of the Delphi HRP, (ii) Delphi's cessation of OPEB, and (iii) the terms of a consensual triggering and application of the IUE-CWA Benefit Guarantee; the IUE-CWA Benefit Guarantee Term Sheet is annexed as Attachment B to the IUE-CWA MOU and was authorized and approved by the Bankruptcy Court by order entered on August 16, 2007 (Docket No. 9106);

WHEREAS, on August 16, 2007, Delphi, GM, and the USW entered into the USW MOUs, which were ratified by Delphi's USW-represented employees on August 31, 2007; the USW MOUs were authorized and approved by the Bankruptcy Court by order entered on August 29, 2007 (Docket No. 9169) and were attached to the 2007 Plan as Exhibit 7.21(c);

WHEREAS, on August 16, 2007, Delphi, GM, and the USW entered into the USW Benefit Guarantee Term Sheet regarding (i) the freezing of the Delphi HRP, (ii) Delphi's cessation of OPEB, and (iii) the terms of a consensual triggering and application of the USW Benefit Guarantee; the USW Benefit Guarantee Term Sheet is annexed as Attachment B to the USW MOU and was authorized and approved by the Bankruptcy Court by order entered on August 29, 2007 (Docket No. 9169);

WHEREAS, on August 14, 2007, Delphi and GM entered into the Warranty Settlement Agreement to resolve, compromise, and/or settle certain outstanding warranty claims and issues; the Warranty Settlement Agreement was authorized and approved by the Bankruptcy Court by order entered on October 2, 2007 (Docket No. 10408); and pursuant to a letter agreement dated as of July 31, 2008, GM waived all Delphi cash payment obligations under the Warranty Settlement Agreement;

WHEREAS, on September 4, 2007, the Bankruptcy Court entered an order authorizing the withdrawal without prejudice of the Debtors' 1113/1114 Motion (Docket No. 9221);

WHEREAS, on September 6, 2007, Delphi and GM entered into the IP License; the IP License was authorized and approved by the Bankruptcy Court by order entered on October 3, 2007 (Docket No. 10429);

WHEREAS, contemporaneously herewith, the Parties are entering into the Restructuring Agreement, which is attached hereto as **Exhibit A**;

WHEREAS, on September 6, 2007, the Debtors filed with the Bankruptcy Court a disclosure statement and a proposed plan (the “2007 Plan”);

WHEREAS, (i) on October 29, 2007, the Debtors filed with the Bankruptcy Court certain proposed amendments to the Disclosure Statement and the 2007 Plan and to certain exhibits thereto, (ii) on or before November 16, 2007, the Debtors filed with the Bankruptcy Court further proposed amendments to the Disclosure Statement and the 2007 Plan and to certain exhibits thereto, (iii) on December 3, 2007, the Debtors filed with the Bankruptcy Court further proposed amendments to the Disclosure Statement and the 2007 Plan and to certain exhibits thereto, and (iv) on or about December 5, 2007, the Debtors filed with the Bankruptcy Court further proposed amendments to the Disclosure Statement and the 2007 Plan and to certain exhibits thereto;

WHEREAS, on December 20, 2007, the Bankruptcy Court entered an order approving the adequacy of the Disclosure Statement and granting the related solicitation procedures motion (Docket No. 11389);

WHEREAS, on January 7, 2008, the Bankruptcy Court entered an order authorizing the withdrawal without prejudice of the Debtors’ 365 Motion (Docket No. 11755);

WHEREAS, on January 25, 2008, the Bankruptcy Court entered an order confirming the 2007 Plan (as modified) (Docket No. 12359), which became a Final Order on February 4, 2008;

WHEREAS, the Global Settlement Agreement dated as of September 6, 2007 and amended as of December 7, 2007 (the “Original Agreement”) and the Master Restructuring Agreement dated September 6, 2007 and amended December 7, 2007 were exhibits to, and incorporated in, the confirmed 2007 Plan;

WHEREAS, on April 4, 2008, the Debtors announced that although they had met the conditions required to substantially consummate the 2007 Plan, including obtaining \$6.1 billion of exit financing, Delphi’s Plan Investors refused to participate in a closing that was commenced but not completed and refused to fund their obligations under the EPCA;

WHEREAS, Delphi and GM entered into that certain agreement dated May 9, 2008 (as amended, the “Liquidity Support Agreement”), which agreement was approved by the Bankruptcy Court by order entered on April 30, 2008 (Docket No. 13489);

WHEREAS, the Parties and unions representing Delphi hourly employees, former hourly employees, and hourly retirees have entered into agreements regarding: (1) an hourly 414(l) transfer(s); (2) the timing of the freeze of the Delphi HRP; and (3) the timing of the cessation of OPEB, and may enter into amendments to such agreements;

WHEREAS, Delphi and GM entered into an amendment of the Liquidity Support Agreement dated as of August 6, 2008, which amendment is pending before the Bankruptcy Court;

WHEREAS, by this Agreement the Parties desire to resolve all outstanding issues among them that have arisen or may hereafter arise prior to the effective date of this Agreement (collectively, the “Outstanding Issues”);

WHEREAS, resolution of the Outstanding Issues requires the Parties to make certain commitments, take certain actions, and receive certain consideration pursuant to, and subject to the terms and conditions of, this Agreement, the Non-Represented Employee Term Sheet, the Labor MOUs, the UAW SAP, the IUE-CWA SAP (each as may be amended, modified, or implemented in accordance with an implementation agreement), the IP License, the Warranty Settlement Agreement, and any Delphi Plan.

NOW, THEREFORE, in consideration for the mutual promises and agreements, the receipt and adequacy of which are mutually acknowledged, each Party hereby agrees that the Original Agreement is amended and restated to read as follows:

ARTICLE I

DEFINITIONS

Section 1.01 “**2007 Plan**” shall have the meaning ascribed to such term in the recitals.

Section 1.02 “**Active Splinter EPBO**” shall have the meaning ascribed to such term in section 2.02(f)(ii)(2) hereof.

Section 1.03 “**Actual HMO and DHMO Premiums**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.04 “**Actual Prescription Drug PBM Rebate Amount**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.05 “**Additional Releasing Parties**” shall mean (i) creditors of any of the Debtors and current and former holders of equity interests in Delphi, (ii) the Creditors’ Committee and all current and former members of the Creditors’ Committee in their respective capacities as such, (iv) the Equity Committee and all current and former members of the Equity Committee in their respective capacities as such, (v) the DIP Agent in its capacity as such, (vi) the DIP Lenders solely in their capacities as such, (vii) all Professionals, and (viii) with respect to each of the above-named persons or entities, and only in their aforementioned capacities, such person’s or entity’s Affiliates, current and former principals, officers, directors, agents, employees, advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities), in their capacities as such, but shall not include the Delphi-Related Parties, the Delphi Affiliate Parties, the UAW Releasing Parties, the IUE-CWA Releasing Parties, the USW Releasing Parties, the IAM Releasing Parties, the IBEW Releasing Parties, the IUOE Releasing Parties, and the Non-Represented Employees Releasing Parties.

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Section 1.06 “**Affiliates**” shall mean, with respect to any entity, any other entity directly or indirectly, controlling, controlled by or under direct or indirect common control with such entity.

Section 1.07 “**Bankruptcy Code**” shall mean the Bankruptcy Reform Act of 1978, as amended and codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended and in effect on the Petition Date.

Section 1.08 “**Bankruptcy Court**” shall mean the United States Bankruptcy Court for the Southern District of New York or such other court as may have jurisdiction over the Chapter 11 Cases.

Section 1.09 “**Bankruptcy Rules**” shall mean the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Cases or proceedings therein, and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Cases or proceedings therein, as the case may be.

Section 1.10 “**Benefit Guarantees**” shall mean the UAW Benefit Guarantee, the IUE Benefit Guarantee, and the USW Benefit Guarantee, collectively.

Section 1.11 “**Benefit Guarantee Term Sheets**” shall mean, collectively, the UAW Benefit Guarantee Term Sheet, the IUE-CWA Benefit Guarantee Term Sheet, and the USW Benefit Guarantee Term Sheet, the IAM, IBEW, and IUOE “Term Sheet-Delphi Cessation and GM Provision of OPEB,” and the Non-Represented Employees Term Sheet.

Section 1.12 “**Benefit Transition Period**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(2)(A) hereof.

Section 1.13 “**Carrier Administrative Fees**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.14 “**Cessation Date**” shall have the meaning ascribed to such term in section 2.02(a) hereof.

Section 1.15 “**Chapter 11 Cases**” shall mean the chapter 11 cases of the Debtors pending in the Bankruptcy Court and being jointly administered with one another under Case No. 05-44481, and the phrase “Chapter 11 Case” when used with reference to a particular Debtor shall mean the particular case under Chapter 11 of the Bankruptcy Code commenced by such Debtor in the Bankruptcy Court.

Section 1.16 “**Completion Costs**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.17 “**Confirmation Order**” shall mean the order entered by the Bankruptcy Court confirming the Plan under section 1129 of the Bankruptcy Code.

Section 1.18 “**Consideration**” shall have the meaning ascribed to such term in section 4.04(a) hereof.

Section 1.19 “**Continuing Agreements**” shall mean the agreements that will be assumed, ratified, or reinstated pursuant to section 5.01 of the Restructuring Agreement and any agreements entered into by any Delphi-Related Party and/or Delphi Affiliate Party, on the one hand, and any GM Related Party, on the other hand, after October 8, 2005.

Section 1.20 “**Covered Employees**” shall have the meaning ascribed to such term in each of the Benefit Guarantee Term Sheets.

Section 1.21 “**DAS**” shall mean Delphi Automotive Systems LLC, a Delaware limited liability company.

Section 1.22 “**Debtors**” shall have the meaning ascribed to such term in the Recitals.

Section 1.23 “**Delphi**” shall have the meaning ascribed to such term in the Preamble.

Section 1.24 “**Delphi Affiliate Parties**” shall mean Affiliates of the Debtors (other than the Delphi-Related Parties), and each of such Affiliate’s current and former principals, officers, directors, agents, employees, advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities) in their respective capacities.

Section 1.25 “**Delphi HRP**” shall mean the Delphi Hourly-Rate Employees Pension Plan.

Section 1.26 “**Delphi Pension Trust**” shall have the meaning ascribed to such term in section 2.03(c)(vi) hereof.

Section 1.27 “**Delphi Plan**” shall mean any Plan proposed or supported by Delphi.

Section 1.28 “**Delphi PRP**” shall mean the pre-retirement program option offered by Delphi as part of the SAPs.

Section 1.29 “**Delphi-Related Parties**” shall mean the Debtors, the estates of the Debtors as created under Bankruptcy Code section 541, the Delphi HRP, the Delphi Health Care Program for Hourly Employees, the Delphi Life and Disability Benefits Program for Hourly Employees, any other Delphi pension or welfare benefit plan, and each of their respective current and former principals, officers, directors, agents, employees, advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities) in their respective capacities.

Section 1.30 “**Delphi Surviving Claims**” shall have the meaning ascribed to such term in section 4.03(a) hereof.

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Section 1.31 “**DHMO**” shall mean “dental health maintenance organization.”

Section 1.32 “**DIP Agent**” shall mean the administrative agent for the DIP Lenders as defined in the DIP Credit Agreement.

Section 1.33 “**DIP Credit Agreement**” shall mean that certain Revolving Credit, Term Loan and Guaranty Agreement, dated as of May 9, 2008, by and among the Debtors, the DIP Agent, and the DIP Lenders, which was executed by the Debtors in connection with the DIP Facility, as amended, supplemented, or otherwise modified from time to time, and all documents executed in connection therewith.

Section 1.34 “**DIP Lenders**” shall mean the lenders and issuers from time to time party to the DIP Credit Agreement.

Section 1.35 “**Disclosure Statement**” shall mean the written disclosure statement (including all schedules thereto or referenced therein) that relates to the Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such disclosure statement may be amended, modified, or supplemented from time to time.

Section 1.36 “**Effective Date**” shall mean the first business day on which all conditions to the effectiveness of this Agreement as set forth in Article VI hereof have been satisfied.

Section 1.37 “**Emergence Date**” shall mean the day upon which the Plan is substantially consummated.

Section 1.38 “**EPBO**” shall have the meaning ascribed to such term in section 2.02(f) hereof.

Section 1.39 “**EPCA**” shall mean that certain Equity Purchase and Commitment Agreement, dated August 3, 2007 as amended pursuant to an amendment attached as an annex to the letter from the Plan Investors to Delphi dated December 7, 2007, between Delphi and the Plan Investors, without giving effect to any subsequent amendments, waivers, or other modifications thereto.

Section 1.40 “**Equity Committee**” shall mean the official committee of equity security holders appointed pursuant to section 1102(a) of the Bankruptcy Code in the Chapter 11 Cases on April 28, 2006, as reconstituted from time to time.

Section 1.41 “**ERISA**” shall have the meaning ascribed to such term in section 2.01(f) hereof.

Section 1.42 “**Final Order**” shall mean an order or judgment, the operation or effect of which has not been reversed, stayed, modified or amended, and as to which order or judgment (or any reversal, stay, modification, or amendment thereof) (a) the time to appeal, seek certiorari, or request reargument or further review or rehearing has expired and no appeal, petition for certiorari, or request for reargument or further review or rehearing has been timely

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filed, or (b) any appeal that has been or may be taken or any petition for certiorari or request for reargument or further review or rehearing that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed, from which certiorari was sought, or to which the request was made, and no further appeal or petition for certiorari or request for reargument or further review or rehearing has been or can be taken or granted.

Section 1.43 “**First Net Liability Transfer**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(4) hereof.

Section 1.44 “**First Net Liability Transfer Claim**” shall have the meaning ascribed to such term in section 4.04(a)(i) hereof.

Section 1.45 “**First Tranche Date**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(2) hereof.

Section 1.46 “**First Transfer Date**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(4) hereof.

Section 1.47 “**Freeze Date**” shall have the meaning ascribed to such term in section 2.03(a) hereof.

Section 1.48 “**GM**” shall have the meaning ascribed to such term in the Preamble.

Section 1.49 “**GM HRP**” shall mean the General Motors Hourly-Rate Employees Pension Plan.

Section 1.50 “**GM IUE-CWA Payment**” shall have the meaning ascribed to such term in section 3.03(b) hereof.

Section 1.51 “**GM Pension Trust**” shall have the meaning ascribed to such term in section 2.03(c)(vi) hereof.

Section 1.52 “**GM Proof of Claim**” shall mean proof of claim no. 13659 filed by GM on August 6, 2006 in the Chapter 11 Cases.

Section 1.53 “**GM Purchase Order**” shall mean a purchase order issued by GM or any and all of its Affiliates and accepted by DAS according to Standard GM Terms, it being agreed by the Parties that DAS shall be deemed to have accepted all such purchase orders accepted by the Delphi-Related Parties pursuant to Standard GM Terms; provided, however, that no purchase orders issued or to be issued by GM or any of its Affiliates to any Affiliate of Delphi that is not a Delphi-Related Party shall be a GM Purchase Order.

Section 1.54 “**GM-Related Parties**” shall mean GM, each of its Affiliates, the GM HRP, the GM Health Care Program for Hourly Employees, the GM Life and Disability Benefits Program for Hourly Employees, any other GM pension or welfare benefit plan, and each of their respective current and former principals, officers, directors, agents, employees,

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advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities) in their respective capacities.

Section 1.55 “**GM Surviving Claims**” shall have the meaning ascribed to such term in section 4.03(b) hereof.

Section 1.56 “**Gross Liability**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(1) hereof.

Section 1.57 “**GSA Consummation Date**” shall mean the date upon which occurs substantial consummation of a Delphi Plan that (A) provides for (i) the consideration to be received by GM as set forth in section 4.04 hereof and (ii) all releases described in section 4.01 hereof, and (B) contains provisions clarifying that to the extent of any inconsistency between the terms of the Delphi Plan and this Agreement (solely as to the subject matters addressed in this Agreement), the terms of this Agreement will govern.

Section 1.58 “**HMO**” shall mean a health maintenance organization.

Section 1.59 “**IAM**” shall mean, collectively, the International Association of Machinists and Aerospace Workers and its local unions that represent or formerly represented employees and former employees of the applicable Debtor entity.

Section 1.60 “**IAM MOU**” shall mean the “IAM-Delphi GM Memorandum of Understanding-Delphi Restructuring” entered into as of July 31, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IAM, including all attachments and exhibits thereto and all IAM-Delphi collective bargaining agreements referenced therein as modified and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.61 “**IAM Releasing Parties**” shall mean the IAM, all employees and former employees of Delphi-Related Parties represented or formerly represented by the IAM, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of Delphi-Related Parties.

Section 1.62 “**IBEW**” shall mean, collectively, the International Brotherhood of Electrical Workers and its local unions that represent or formerly represented employees and former employees of the applicable Debtor entity.

Section 1.63 “**IBEW MOUs**” shall mean the “IBEW-Delphi Powertrain-GM Memorandum of Understanding — Delphi Restructuring” and the “IBEW-Delphi Electronics & Safety — GM Memorandum of Understanding — Delphi Restructuring,” entered into as of July 31, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IBEW, including all attachments and exhibits thereto and all IBEW-Delphi collective bargaining agreements referenced therein as modified and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.64 “**IBEW Releasing Parties**” shall mean the IBEW, all employees and former employees of Delphi-Related Parties represented or formerly represented by the

IBEW, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of Delphi-Related Parties.

Section 1.65 “**Incremental PRP Obligation**” shall have the meaning ascribed to such term in section 2.03(c)(v) hereof.

Section 1.66 “**Initial UAW SAP**” shall mean the “UAW GM Delphi Special Attrition Program” entered into as of March 22, 2006, by and among Delphi, GM, and the UAW and subsequently clarified by the parties on March 27, 2006.

Section 1.67 “**IP License**” shall mean the intellectual property license agreement between Delphi and GM, dated as of September 6, 2007, which was authorized and approved by the Bankruptcy Court by order entered on October 3, 2007 (Docket No. 10429).

Section 1.68 “**IRS**” shall have the meaning ascribed to such term in section 2.03(b)(ii) hereof.

Section 1.69 “**IRS Ruling**” shall have the meaning ascribed to such term in section 2.03(c)(ii) hereof.

Section 1.70 “**IUE-CWA**” shall mean the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communication Workers of America and its applicable local unions.

Section 1.71 “**IUE-CWA Benefit Guarantee**” shall mean the Benefit Guarantee agreement between GM and the IUE-CWA, dated November 13, 1999, and signed November 14, 1999.

Section 1.72 “**IUE-CWA Benefit Guarantee Term Sheet**” shall mean the agreement among Delphi, GM, and the IUE-CWA, dated as of August 5, 2007, and annexed as Attachment B to the IUE-CWA MOU, as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.73 “**IUE-CWA Buy Down Amount**” shall have the meaning ascribed to such term in section 3.03(a)(iv) of this Agreement.

Section 1.74 “**IUE-CWA Buy Down Amount Invoice**” shall have the meaning ascribed to such term in section 3.03(a)(iv)(2) of this Agreement.

Section 1.75 “**IUE-CWA Buy Out Payments**” shall mean the buy out payments required to be made by Delphi pursuant to Section C.3.b of the IUE-CWA MOU.

Section 1.76 “**IUE-CWA MOU**” shall mean the IUE-CWA-Delphi-GM Memorandum of Understanding – Delphi Restructuring, entered into as of August 5, 2007, as approved by the Bankruptcy Court on August 16, 2007, among the IUE-CWA, Delphi, and GM, and all attachments and exhibits thereto and the IUE-CWA-Delphi National Agreement referenced therein as modified, and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.77 “**IUE-CWA-Related Reimbursements**” shall have the meaning ascribed to such term in section 3.03(e)(i) hereof.

Section 1.78 “**IUE-CWA Reimbursement Invoice**” shall have the meaning ascribed to such term in section 3.03(e)(iv) hereof.

Section 1.79 “**IUE-CWA Releasing Parties**” shall mean the IUE-CWA, all employees and former employees of Delphi-Related Parties represented or formerly represented by the IUE-CWA, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of Delphi-Related Parties.

Section 1.80 “**IUE-CWA Retirement Incentives**” shall mean the \$35,000 retirement incentives to be offered by Delphi pursuant to Section C.3.a of the IUE-CWA MOU and Attachment C thereto.

Section 1.81 “**IUE-CWA SAP**” shall mean the “IUE-CWA-GM-Delphi Special Attrition Program” entered into as of June 16, 2006, by and among Delphi, GM, and the IUE-CWA.

Section 1.82 “**IUOE**” shall mean collectively the International Union of Operating Engineers and its local unions that represent or formerly represented employees and former employees of the applicable Debtor entity.

Section 1.83 “**IUOE, IBEW and IAM Benefit Guarantee Term Sheet**” shall mean the agreement among Delphi, GM, the IUOE, the IBEW and the IAM, dated as of August 1, 2007, and annexed as Attachment B to each of the IUOE MOUs, the IBEW MOUs and the IAM MOU as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.84 “**IUOE MOUs**” shall mean the “IUOE Local 18S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” the “IUOE Local 101S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” and the “IUOE Local 832S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” all entered into as of August 1, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IUOE, including all attachments and exhibits thereto and all IUOE-Delphi collective bargaining agreements referenced therein as modified, and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.85 “**IUOE Releasing Parties**” shall mean the IUOE, all employees and former employees of Delphi-Related Parties represented or formerly represented by the IUOE, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of the Delphi-Related Parties.

Section 1.86 “**Labor MOUs**” shall mean the UAW MOU, the IUE-CWA MOU, the USW MOUs, the IAM MOU, the IBEW MOUs, and IUOE MOUs, collectively.

Section 1.87 “**Liquidity Support Agreement**” shall have the meaning ascribed to such term in the Recitals hereof.

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Section 1.88 “**Medical Claims Reimbursement Amount**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.89 “**Medicare Part D Subsidy Receipts**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.90 “**Non-Represented Employees Releasing Parties**” shall mean all non-represented hourly employees and former hourly employees of Delphi-Related Parties, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of the Delphi-Related Parties.

Section 1.91 “**Non-Represented EPBO**” shall have the meaning ascribed to such term in section 2.02(f)(ii)(1) hereof.

Section 1.92 “**Non-Represented and Splinter EPBO Payment**” shall have the meaning ascribed to such term in section 2.02(f) hereof.

Section 1.93 “**Non-Represented Employees Term Sheet**” shall mean the “Term Sheet — Delphi Cessation and GM Provision of OPEB for Certain Unrepresented Delphi Employee and Retirees” entered into on or about July 31, 2007, by and among Delphi and GM.

Section 1.94 “**Normal Cost**” shall have the meaning ascribed to such term in section 2.03(b)(iii) hereof.

Section 1.95 “**OPEB**” shall mean post-retirement health care benefits and employer-paid post-retirement basic life insurance benefits, collectively.

Section 1.96 “**OPEB Reimbursement Amount**” shall have the meaning ascribed to such term in section 2.02(b) hereof.

Section 1.97 “**Ordinary Course Relationship**” shall mean the ordinary course customer/supplier obligations owing between any Delphi-Related Party or any Delphi Affiliate Party, on the one hand, and any GM-Related Party, on the other hand, and matters related to, environmental, recall, product liability, and warranty obligations, but excluding matters relating to the agreements entered into in connection with the Separation and Settled Claims (as defined in the Warranty Settlement Agreement) other than the Environmental Matters Agreement (as defined in the Restructuring Agreement).

Section 1.98 “**Original Agreement**” shall have the meaning ascribed to such term in the Recitals hereof.

Section 1.99 “**Outstanding Issues**” shall have the meaning ascribed to such term in the Recitals hereof.

Section 1.100 “**Party**” or “**Parties**” shall have the meanings ascribed to such terms in the Preamble.

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Section 1.101 “**PBM**” shall have the meaning ascribed to such term in section 2.02(b)(ii) hereof.

Section 1.102 “**PBO**” shall have the meaning ascribed to such term in section 2.03(c)(iii) hereof.

Section 1.103 “**Petition Date**” shall mean, as applicable, (a) October 8, 2005 with respect to those Debtors filing their petitions for relief in the Bankruptcy Court on such date, or (b) October 14, 2005 with respect to those Debtors filing their petitions for relief in the Bankruptcy Court on such date.

Section 1.104 “**Plan**” shall mean any chapter 11 plan that is confirmed in the Chapter 11 Cases.

Section 1.105 “**Plan Investors**” shall mean A-D Acquisition Holdings, LLC, Harbinger Del-Auto Investment Company, Ltd., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Goldman Sachs & Co., and Pardus DPH Holding LLC.

Section 1.106 “**Preliminary Transferred Asset Amount**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(2)(A) hereof.

Section 1.107 “**Professional**” shall mean any Person retained in the Chapter 11 Cases by separate Bankruptcy Court order pursuant to sections 327 and 1103 of the Bankruptcy Code or otherwise; provided, however, that Professional does not include any Person retained pursuant to the Ordinary Course Professionals Order.

Section 1.108 “**Proof of Claim**” shall mean the proof of claim, as amended, filed by GM, on behalf of itself and certain of its Affiliates and subsidiaries, in the Chapter 11 Cases.

Section 1.109 “**PVB**” shall have the meaning ascribed to such term in section 2.03(c)(v)(1) hereof.

Section 1.110 “**Reimbursement Period**” shall have the meaning ascribed to such term in section 2.02(b) hereof.

Section 1.111 “**Restructuring Agreement**” shall mean the Amended and Restated Master Restructuring Agreement between Delphi and GM, dated as of the date hereof, which is attached hereto as **Exhibit A** and is hereby incorporated in its entirety as part of this Agreement.

Section 1.112 “**Retired Splinter EPBO**” shall have the meaning ascribed to such term in section 2.02(f)(ii)(3) hereof.

Section 1.113 “**SAPs**” shall mean the UAW SAP and the IUE-CWA SAP.

Section 1.114 “**Second Net Liability Transfer**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(5) hereof.

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Section 1.115 “**Second Net Liability Transfer Claim**” shall have the meaning ascribed to such term in section 4.04(a)(ii) hereof.

Section 1.116 “**Second Tranche Date**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(2) hereof.

Section 1.117 “**Second Transfer Date**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(5) hereof.

Section 1.118 “**Section 365 Motion**” shall mean the motion filed by the Debtors on March 31, 2006, with the Bankruptcy Court seeking authority to reject 5,472 supply contracts with GM pursuant to section 365 of the Bankruptcy Code, which the Bankruptcy Code authorized the Debtors to withdraw without prejudice by an order entered on January 7, 2008 (Docket No. 11755).

Section 1.119 “**Separation**” shall mean the transactions among GM, the Debtors, and Delphi Affiliate Parties occurring in connection with the entry into the Master Separation Agreement between Delphi and GM on January 1, 1999 and the transfer by GM and certain of its Affiliates of assets, liabilities, manufacturing sites, and employees relating to the former Delphi business sector of GM to certain of the Debtors and Delphi Affiliate Parties.

Section 1.120 “**Settlement Dispute**” shall mean one or more defaults or disputes between GM and any of the Debtors in which (i) the aggregate amount in controversy (including the monetary value or impact of any injunctive relief) exceeds \$500,000 (five hundred thousand dollars) and (ii) the claims asserted require the application or construction of this Agreement, the attachments or exhibits hereto (except for the Restructuring Agreement), or the provisions of the Plan relating to the subject matter of this Agreement. By way of clarification, it is not intended by the Parties that the term Settlement Dispute shall include commercial disputes that arise in the ordinary course of business with respect to the various current and future contracts pursuant to which any of the Debtors and/or the Delphi Affiliate Parties supplies components, component systems, goods, or services to any of the GM-Related Parties.

Section 1.121 “**Splinter Union Employees**” shall mean the Delphi hourly employees or retirees who are or were represented by the IAM, the IBEW, or the IUOE.

Section 1.122 “**Standard GM Terms**” shall mean the GM Terms and Conditions as revised in September 2004.

Section 1.123 “**Transferred Asset Amount**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(1) hereof.

Section 1.124 “**Transfer Date**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(1) hereof.

Section 1.125 “**True-up Amount**” shall have the meaning ascribed to such term in section 2.03(c)(iii)(2)(B) hereof.

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Section 1.126 “**UAW**” means the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America and its applicable local unions.

Section 1.127 “**UAW Benefit Guarantee**” shall mean the Benefit Guarantee agreement between GM and the UAW, dated as of September 30, 1999.

Section 1.128 “**UAW Benefit Guarantee Term Sheet**” shall mean the agreement among Delphi, GM, and the UAW, dated June 22, 2007, and annexed as Attachment B to the UAW MOU, as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement..

Section 1.129 “**UAW Buy Down Payments**” shall mean the buy down payments required to be made by Delphi pursuant to Section C.5.c of the UAW MOU.

Section 1.130 “**UAW Buy Out Payments**” shall mean the buy out payments required to be made by Delphi pursuant to Section C.5.b of the UAW MOU.

Section 1.131 “**UAW MOU**” shall mean the “UAW-Delphi-GM Memorandum of Understanding — Delphi Restructuring” entered into as of June 22, 2007, as approved by the Bankruptcy Court on July 19, 2007, by and among Delphi, GM, and the UAW, including all attachments and exhibits thereto and the UAW-Delphi National Agreement referenced therein as modified, and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement..

Section 1.132 “**UAW Reimbursement Invoice**” shall have the meaning ascribed to such term in section 3.02(j)(iv) hereof.

Section 1.133 “**UAW-Related Reimbursements**” shall have the meaning ascribed to such term in section 3.02(j)(i) hereof.

Section 1.134 “**UAW Retirement Incentives**” shall mean the \$35,000 retirement incentives to be offered by Delphi pursuant to Section C.5.a of the UAW MOU and Attachment C thereto.

Section 1.135 “**UAW Releasing Parties**” shall mean the UAW, all employees and former employees of Delphi-Related Parties represented or formerly represented by the UAW, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of Delphi-Related Parties.

Section 1.136 “**UAW SAP**” shall mean the Initial UAW SAP, as supplemented by the “Supplement to UAW-GM-Delphi Special Attrition Program Agreement Dated March 22, 2006” entered into as of June 5, 2006, by and among Delphi, GM, and the UAW.

Section 1.137 “**UCC**” shall mean the statutory committee of unsecured claimholders appointed in the Chapter 11 Cases.

Section 1.138 “**Unions**” shall mean the IAM, the IBEW, the IUE-CWA, the IUOE, the UAW, and the USW.

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Section 1.139 “**Unsecured Claims**” shall mean trade claims and other unsecured claims (excluding unsecured funded debt claims, claims by the GM Parties, GM Surviving Claims, securities claims, customer and environmental obligations, employee-related (excluding collective bargaining obligations) and other obligations, and litigation exposure and other liabilities that are covered by insurance) against the Debtors in the Chapter 11 Cases that are either (x) allowed or (y) asserted but not yet expunged or disallowed.

Section 1.140 “**USW**” shall mean collectively the United Steelworkers of America and its local unions that represent or formerly represented the employees or former employees of the applicable Debtor entity.

Section 1.141 “**USW Benefit Guarantee**” shall mean the Benefit Guarantee agreement between GM and the USW, dated December 13, 1999, and signed December 16 and 17, 1999.

Section 1.142 “**USW Benefit Guarantee Term Sheet**” shall mean the agreement among Delphi, GM, and the USW, dated as of August 16, 2007, and annexed as Attachment B to the USW MOUs, as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.143 “**USW Buy Out Payments**” shall mean the buy out payment required to be made by Delphi pursuant to Section C.2 of the USW MOU — Home Avenue and Section C.1 of the USW MOU — Vandalia and Attachment C thereto.

Section 1.144 “**USW MOUs**” shall mean collectively the “USW-Delphi-GM Memorandum of Understanding and Special Attrition Program — Vandalia — Delphi Restructuring” (“USW MOU — Vandalia”) and the “USW-Delphi-GM Memorandum of Understanding — Home Avenue — Delphi Restructuring” (“USW MOU — Home Avenue”), each entered into as of August 16, 2007, as approved by the Bankruptcy Court on August 29, 2007, by and among Delphi, GM, and the USW, including all attachments and exhibits thereto and all USW-Delphi collective bargaining agreements referenced therein as modified, and each as now or hereafter amended in connection herewith or implemented in accordance with an implementation agreement.

Section 1.145 “**USW-Related Reimbursements**” shall have the meaning ascribed to such term in section 3.04(d)(i) hereof.

Section 1.146 “**USW Reimbursement Invoice**” shall have the meaning ascribed to such term in section 3.04(d)(iv) hereof.

Section 1.147 “**USW Releasing Parties**” shall mean the USW, all employees and former employees of Delphi-Related Parties represented or formerly represented by the USW, and all persons or entities with claims derived from or related to any relationship with such employees or former employees of Delphi-Related Parties.

Section 1.148 “**USW Retirement Incentives**” shall mean the \$35,000 retirement incentives to be offered by Delphi pursuant to Section C.1.a of the USW- MOU — Home Avenue

and Attachment C thereto and the payments required to be made by Delphi pursuant to Section C.6 of the USW — MOU — Home Avenue.

Section 1.149 “**Warranty Settlement Agreement**” shall mean the Warranty, Settlement and Release Agreement and Covenant Not to Sue between Delphi and GM, dated as of August 14, 2007, which was authorized and approved by the Bankruptcy Court by order dated October 2, 2007 (Docket No. 10408).

ARTICLE II

COMMITMENTS REGARDING OPEB AND PENSION OBLIGATIONS

Section 2.01 **The Labor MOUs.** To help facilitate the Debtors’ business, financial and operational restructuring, the Parties have resolved certain matters concerning Delphi’s OPEB and pension obligations by entering into the Labor MOUs and Non-Represented Employees Term Sheet, all of which are incorporated herein by reference as if fully set forth herein. This summary of the terms of the Labor MOUs is qualified entirely by, and is subject to, the actual terms and conditions of the Labor MOUs. Nothing in Article II or III hereof is intended to limit, amend, modify, or supersede any term or condition in any of the Labor MOUs. The Labor MOUs provide, among other things, for:

- (a) the freezing in certain respects of the Delphi HRP;
- (b) Delphi’s cessation of hourly OPEB;
- (c) the extension of the period of time on or before which GM’s obligations under the GM-UAW Benefit Guarantee and GM — USW Benefit Guarantee may be triggered;
- (d) the extension of the period of time on or before which certain of Delphi’s obligations under the GM-Delphi Indemnification Agreement as to the UAW may be triggered;
- (e) the consensual triggering of the Benefit Guarantees and GM provision of OPEB to certain Delphi employees and retirees in a manner which relieves Delphi’s provision of OPEB;
- (f) the transfer of certain assets and liabilities from the Delphi HRP to the GM HRP pursuant to section 414(l) of the Internal Revenue Code of 1986, as amended (the “Code”) and Section 208 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and
- (g) GM provision of OPEB as referenced in the UAW SAP, the IUE-CWA SAP, the Non-Represented Term Sheet, and the special attrition programs negotiated with each union as part of the Labor MOUs.

The Parties will negotiate as soon as practicable with the respective Unions for modifications or amendments or agreements or consents regarding implementation of the Benefit

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Guarantee Term Sheets so that such agreements are consistent with and conform to the intent and purpose of this Agreement. Subject to the occurrence of the Effective Date, it is further understood that to the extent such agreements are not reached with all of the respective Unions, the 414(l) transfer, the freeze of the Delphi HRP, and the cessation of OPEB provided for herein shall be implemented to the fullest extent possible only with respect to those Unions with whom the Parties have reached such agreements (whether before or after the Effective Date), which agreements shall include contemporaneous effectiveness of releases on behalf of the GM-Related Parties and Delphi-Related Parties as contained in the respective Benefit Guarantee Term Sheets.

At any time on and after the earlier of (i) October 15, 2011, (ii) the date on which the Bankruptcy Court enters an order converting the Delphi Corporation chapter 11 case into a case under chapter 7 of the Bankruptcy Code, and (iii) the date on which the Bankruptcy Court enters an order dismissing the Delphi Corporation chapter 11 case, and solely with respect to any respective Union that has not delivered to Delphi and GM the agreement contemplated under Section 2.01 hereof that explicitly and unconditionally authorizes the occurrence of the 414(l) transfer (including the First Net Liability Transfer), the freeze of the Delphi HRP, the cessation of OPEB and the contemporaneous effectiveness of releases on behalf of the GM-Related Parties and Delphi-Related Parties as contained in the respective Benefit Guarantee Term Sheets, Delphi shall take reasonable best efforts to effect the cessation of OPEB and the freeze of the Delphi HRP as to such Union; it being understood that Delphi shall not be obliged to pay any money to any third party in exchange for such cessation or freeze.

Section 2.02 Certain Payments Between GM and Delphi Relating To Hourly Employee Benefits.

(a) Cessation of Delphi OPEB. Subject to the applicable Labor MOUs, Delphi shall amend the Delphi Health Care Program for Hourly Employees and the Delphi Life and Disability Benefits Program for Hourly Employees so as to cease to provide, offer, or have any liability for OPEB as of the earliest date(s), if any, agreed upon by each of the respective Union(s) (the "Cessation Date(s)"). The parties understand that the Cessation Date(s) may vary among each of the respective unions according to each respective union's agreement and with respect to corresponding groups of Delphi retirees. In this regard, GM shall provide OPEB following each Cessation Date only to the extent as set forth in the respective Labor MOUs. GM shall use its best efforts to begin to administer OPEB on or before the 90th day after the applicable Cessation Date(s) or as soon as practicable thereafter.

(b) GM Reimbursement for Delphi OPEB Costs. Notwithstanding any Labor MOU, on the Effective Date, GM shall assume financial responsibility to Delphi for all Delphi OPEB liability from and after the Effective Date, in order to put Delphi in the same financial position it would be in if the Cessation Date had occurred and Delphi had been relieved of any liability relating to OPEB as set forth in the section 2.02(a) of this Agreement. In order to implement and satisfy GM's assumption of financial responsibility for Delphi OPEB pursuant to the preceding sentence (and GM's agreement to reimburse Delphi for certain OPEB costs for the period commencing on January 1, 2007), GM shall reimburse Delphi's aggregate cash spending for all actual, documented amounts paid by Delphi to provide OPEB to hourly retirees under the Delphi Health Care Program for Hourly Employees and the Delphi Life and Disability Benefits Program for Hourly Employees as specified in section 2.02(b)(ii)(1 through 3) and 2.02(d),

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reduced by the amounts set forth in section 2.02(b)(ii)(4 and 5) (“OPEB Reimbursement Amount”) for the period commencing on January 1, 2007 and continuing through the earlier of the date when GM begins to administer OPEB following an applicable Cessation Date or Delphi’s cessation of OPEB pursuant to section 2.01 hereof (the “Reimbursement Period”). The Parties understand that, because the Cessation Date(s) may vary among each of the respective Unions according to each respective Union’s agreement and with respect to corresponding groups of Delphi retirees, the Reimbursement Period may also vary among each of the respective Unions. As a result, GM shall reimburse the OPEB Reimbursement Amount for each such Reimbursement Period as follows:

(i) Reimbursement Process.

(1) For the period January 1, 2007 through June 30, 2008, GM will reimburse Delphi for all properly invoiced and documented OPEB Reimbursement Amounts, reduced by an estimate of applicable credits under section 2.02(b)(ii)(4 and 5), on the later of the Effective Date and the date which is two (2) business days after Delphi has provided written notice to GM of the date on which the Effective Date will occur.

(2) For the period July 1, 2008 through the Effective Date, GM and Delphi will meet and confer within five business days of the Effective Date to establish a reasonable estimate of the OPEB Reimbursement Amount for such period, including an estimate of applicable credits under section 2.02(b)(ii)(4 and 5). Within five business days of establishing the estimate, or as soon as reasonably practicable thereafter, GM will reimburse Delphi 90 percent of such estimated amount. Within 30 days of the Effective Date, Delphi will submit to GM all of the documentation referenced in section 2.02(c)(i) through 2.02(c)(vi) hereof supporting Delphi’s actual cost for such amounts along with a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects. Within 30 days of its receipt of this documentation from Delphi, and subject to section 2.02(b)(ii)(4 and 5), GM will reimburse the shortfall between the 90 percent reimbursed estimate and Delphi’s actual OPEB Reimbursement Amount for this period. In the event the 90 percent reimbursement based on the estimated amount is greater than the final determination of Delphi’s OPEB Reimbursement Amount for this period, Delphi shall reimburse to GM the amount of the overpayment or GM, in its discretion, may take such overpayment as an offset or credit for amounts payable under section 2.02(b)(i)(3 or 4).

(3) For the period from the Effective Date through the earlier of the date when GM begins to administer OPEB following an applicable Cessation Date or Delphi’s cessation of OPEB pursuant to section 2.01 hereof, GM and Delphi will meet and confer within five business days of the Effective Date to establish a reasonable monthly estimate of the OPEB Reimbursement Amount, calculated separately for hourly retirees on a union-by-union basis for each month during such period, including an estimate of applicable credits under section 2.02(b)(ii)(4 and 5). Within five business days of the first day of each month thereafter, GM will pay Delphi 90 percent of such estimated monthly amount, continuing on a month-to-month basis through the applicable Reimbursement Period. Such estimated monthly amount shall be reduced by the pro-rata amount attributable to each union for which a Cessation Date occurs within such month and for each month following such Cessation Date. Within 30 days after the last day of each month, or at such time as soon thereafter as documentation is available,

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Delphi will submit to GM all of the documentation referenced in section 2.02(c)(i) through 2.02(c)(vi) hereof supporting Delphi's actual cost for such amounts along with a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects. Within 30 days of its receipt of this documentation from Delphi, and subject to section 2.02(b)(ii)(4 and 5), GM will reimburse the shortfall between the 90 percent reimbursed estimate and Delphi's actual monthly OPEB Reimbursement Amount. In the event the 90 percent reimbursement based on the estimated amount is greater than Delphi's actual monthly OPEB Reimbursement Amount, Delphi shall reimburse to GM the amount of the overpayment or GM, in its discretion, may take such overpayment as an offset or credit for any subsequent monthly amounts payable under this section 2.02(b)(i)(3) or any subsequent payments pursuant to section 2.02(b)(i)(4).

(4) In addition, with respect to the actual self-insured Medical Claims described in section 2.02(b)(ii)(1), GM also will reimburse Delphi for claims incurred within the Reimbursement Period that are paid by Delphi during the six month period following the Reimbursement Period within 30 days of GM's receipt from Delphi all of the documentation referenced in section 2.02(c)(i) through 2.02(c)(vi) hereof supporting Delphi's actual cost for such amounts along with a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects and subject to section 2.02(b)(ii)(4 and 5) and GM's right to apply any overpayment remaining from previously made estimated payments as an offset or credit to payments under this section 2.02(b)(i)(4).

(ii) OPEB Reimbursement Amount Calculation. The OPEB Reimbursement Amount will be calculated in accordance with the following:

(1) The actual self-insured Medical Claims (HSM, Durable Medical Equipment, Mental Health, Substance Abuse, Prescription Drug, Dental and Vision) for hourly retirees incurred in the Reimbursement Period and paid by Delphi within six months of the end of the applicable Reimbursement Period; plus the estimated additional claims costs completion value (the "Completion Costs") for incurred but not paid claims for hourly retirees as calculated by Watson Wyatt and agreed to by GM (the "Medical Claims Reimbursement Amount"). No additional reimbursement shall be provided for the value of any medical claims costs associated with payment run-out not comprehended by the six-month period and Completion Costs.

(2) The actual paid HMO and DHMO premiums for hourly retirees (the "Actual HMO and DHMO Premiums") for the Reimbursement Period.

(3) Actual administration fees paid to Delphi Health Care Program for Hourly Employees carriers (the "Carrier Administrative Fees") based only on Delphi hourly retired contract counts for the Reimbursement Period; provided, however, that for carriers whom Delphi does not pay on a per contract basis, the Carrier Administrative Fees shall be determined by taking Delphi's total administrative fees paid to such carrier during the Reimbursement Period, dividing that amount by the total population of Delphi participants serviced by the carrier during the Reimbursement Period, and then multiplying the quotient by the total number of retirees for whose OPEB GM is obligated to reimburse Delphi during the Reimbursement Period.

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(4) Allocated actual Prescription Drug Pharmacy Benefit Manager (“PBM”) rebates (the “Actual Prescription Drug PBM Rebate Amount”) received by Delphi from its PBM for the value of Delphi hourly retiree Prescription Drug claims for the Reimbursement Period. The Actual Prescription Drug PBM Rebate Amount shall consist of the amount of total PBM rebates attributable to hourly retirees received by Delphi for claims incurred during the Reimbursement Period. The Actual Prescription Drug PBM Rebate Amount shall be a credit against GM’s payment of the Medical Claims Reimbursement Amount. If the Actual Prescription Drug PBM Rebate Amount is not available at the time a payment of the Medical Claims Reimbursement Amount is due under section 2.02(b)(i), GM’s payment to Delphi of the Medical Claims Reimbursement Amount shall be reduced by the estimate of the Actual Prescription Drug PBM Rebate Amount, which shall be reconciled upon receipt of any remaining documentation under section 2.02(c)(iv) and (c)(v) hereof.

(5) Actual Medicare Part D subsidy receipts related to Prescription Drug claims for Delphi hourly retirees incurred during the Reimbursement Period (the “Medicare Part D Subsidy Receipts”). The Medicare Part D Subsidy Receipts shall be a credit against GM’s payment of the Medical Claims Reimbursement Amount. If the Medicare Part D Subsidy Receipts amount is not available at the time a payment of the Medical Claims Reimbursement Amount is due under section 2.02(b)(i), GM’s payment to Delphi of the payment of the Medical Claims Reimbursement Amount shall be reduced by the estimate of the Medicare Part D subsidy, which shall be reconciled upon receipt of any remaining documentation under section 2.02(c)(iv) and (c)(v) hereof.

(6) Within 180 days after the end of the Reimbursement Period, Delphi shall advise GM of any open credits, uncollected receivables, potential litigation settlements or other recoverable amounts directly associated with or allocable to Delphi hourly retirees for Medical Claims incurred in the applicable Reimbursement Period. At that time, GM and Delphi shall establish a mutually agreed upon process to ensure GM is reimbursed these recoverable amounts within thirty (30) days of Delphi’s receipt of such recoveries. GM shall only be reimbursed for credits, uncollected receivables, potential litigation settlements, or other recoverable amounts to the extent GM paid Delphi for the initial claim; provided, however, that where such amounts are not tied to specific claims, the reimbursement amount shall be determined as follows: (x) for carriers and service providers that only provide services relating to Delphi’s hourly plan, the reimbursement amount shall be determined by taking the amount of the credits, uncollected receivables, potential litigation settlements, and other recoverable amounts, dividing that amount by the total population of Delphi hourly participants, and then multiplying the quotient by the total number of Delphi’s hourly retirees, and (y) for carriers and service providers which provide services for both the Delphi and salaried plans, the reimbursement amount shall be determined by taking the amount of the credits, uncollected receivables, potential litigation settlements, and other recoverable amounts, dividing that amount by the total population of Delphi participants, and then multiplying the quotient by the total number of Delphi’s hourly retirees.

(7) Escheatment responsibility for self-insured carriers’ uncashed checks, including those payments reimbursed by GM pursuant to section 2.02(b) hereof, remain with Delphi or its carriers. GM does not assume any responsibility for escheatments related to the Delphi Health Care Program for Hourly Employees.

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(8) Any hourly retiree claims appeals associated with Medical Claims or HMO and DHMO premiums incurred in the Reimbursement Period and any retroactive adjustments related to section 2.02(b)(ii)(2) and (b)(ii)(4) hereof not comprehended in the original billing documentation shall be aggregated and addressed once per year following the final reimbursement payment.

(c) Health Care Information Sharing. GM shall execute the PHI Protection Agreement, a copy of which is attached hereto as **Exhibit B**. Subject to GM's execution of the PHI Protection Agreement, Delphi shall provide (to the extent available) GM with the eligibility records, self-insured Medical Claims, and insured health care arrangements for Delphi retirees for health care coverage provided by Delphi during the Reimbursement Period. The following documentation (to the extent available), including social security numbers and all identifying information, shall be made readily available to GM to document Delphi's costs for the Delphi retirees, surviving spouses and dependents:

(i) To document all incurred and paid self-insured Medical Claims (the Medical Claims Reimbursement Amount), Delphi shall provide to GM, as of the Cessation Date and monthly thereafter for a period of six months, full electronic claims and eligibility records, as available, transferred from Delphi's data warehouse to GM's similar data warehouse. Delphi shall also provide to GM claims data, in a mutually agreeable format, to document self-insured dental and vision coverages;

(ii) To document Actual HMO and DHMO Premiums, Delphi shall provide to GM, as of the Cessation Date, a data file listing all of the Delphi retirees enrolled for coverage under these insured arrangements along with the plan name, family status, and total individual monthly premium paid;

(iii) To document Carrier Administrative Fees, Delphi shall provide GM mutually agreed upon eligibility records supporting hourly retiree contract counts and appropriate Carrier agreement schedules that document per contract administrative fees;

(iv) To document the Actual Prescription Drug PBM Rebate Amount, Delphi shall provide PBM, banking, or other cash disbursement records to substantiate the amount of total PBM rebates received by Delphi for claims incurred during the Reimbursement Period and the amount of total Delphi prescription drug claims incurred during the Reimbursement Period;

(v) To document final Medicare Part D Subsidy Receipts, Delphi shall provide a data file, in a mutually agreeable format, of complete claim levels Medicare Part D subsidy reimbursement records and rebate factors applied; and

(vi) Delphi shall also provide the most recent documentation and audit papers relative to claims or eligibility records along with

supporting documentation on collection of overpayments incurred but not fully collected during the Reimbursement Period;

(vii) GM recognizes that some of the information that Delphi will provide pursuant to this section 2.02 is proprietary to Delphi and its carriers and administrators. GM agrees that such information, which Delphi identifies in writing as being proprietary, including but not limited to rebate amounts, carrier administrative fees, and HMO/DHMO premium rates, shall not be disclosed to third parties (other than GM's employees, agents, and advisors) except to the extent required by law, or to the extent such information otherwise becomes publicly available.

(d) Post-Retirement Basic Life Insurance Reimbursement. GM agrees that reimbursement payments for employer-paid, post-retirement life insurance premiums and administration of employer-paid, post-retirement life insurance incurred during the Reimbursement Period and paid by Delphi shall be made in accordance with the Reimbursement Process specified in section 2.02(b)(i).

(i) Until Covered Employees can be enrolled in the GM Life and Disability Benefits Program and the systems that support that program, Delphi shall maintain administration of the hourly employer-paid, post-retirement life insurance benefits for employees through the current administrator (MetLife). Delphi and its current administrator shall assist GM in the transition of records to the GM life insurance administrator to be completed by March 1, 2009 or such other date as may be required in accordance with the applicable Labor MOUs.

(ii) Delphi shall immediately direct and use commercially reasonable efforts to cause its life insurance carrier (MetLife) to transfer to GM current reserves as of January 1, 2007, associated with Delphi hourly employer-paid, post-retirement life insurance.

(iii) Delphi shall immediately direct and use commercially reasonable efforts to cause its Optional Life, Dependent Life and Personal Accident Insurance Plan carrier (MetLife) to transfer the Delphi Rate Reduction Reserves for the Optional Life, Dependent Life and Personal Accident Insurance Plans to GM. The amount that will be transferred for each plan shall be calculated by MetLife using the methodology agreed upon for flowbacks and check the box retirees. Upon the transfer, GM shall assume any and all obligations from Delphi to provide the benefits relating to the Delphi Rate Reduction Reserves for the Optional Life, Dependent Life and Personal Accident Insurance Plans transferred.

(e) Delphi Payments for Benefit Avoidance.

(i) Consistent with the applicable Benefit Guarantee Term Sheet, neither Delphi, a successor company, nor any Delphi operation divested after October 8, 2005 shall provide to Covered Employees any payments, contributions (matching or otherwise), or accruals to any defined benefit plan, defined contribution plan, or retiree welfare benefit plan (including, but not limited to payments, contributions, or accruals in a retiree medical account):

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(1) relating to pension, for the period of time the Covered Employee is eligible to accrue credited service in the GM HRP in accordance with the applicable Benefit Guarantee Term Sheet; and

(2) relating to OPEB, to any Covered Employee or other employee who attains or can attain eligibility for GM provided or GM funded OPEB through any means; provided, however, that UAW-represented employees shall not be excluded solely by reason of the possibility that they could flow back to GM and, provided further, that IUE-CWA represented employees shall not be excluded solely by reason of the possibility that they could participate in the SEPO (i.e., Attachment G to the IUE-CWA MOU).

(ii) UAW-Represented Covered Employees. Relating to pension, when UAW represented Covered Employees accrue credited service in the GM HRP pursuant to section F.2.b.1 of the UAW MOU, the UAW Benefit Guarantee Term Sheet, and section b. of the UAW Benefit Guarantee, Delphi shall pay GM annually, by January 31 of each year for the preceding calendar year, an amount equal to (x) the FAS-87 service cost for a non-elective 5.4% of wages contribution to the Individual Retirement Plan provisions of the Delphi HRP that, but for the UAW MOU, these Covered Employees would otherwise be eligible for under the UAW-Delphi Supplemental Agreement dated April 29, 2004, as amended; provided, however, that such amount shall be adjusted for interest based on Delphi's discount rate for FAS-87 pension accounting, and/or (y) if Delphi provides accruals in or contributions to any other defined benefit or defined contribution pension plan, the FAS-87 service cost of such benefits/accruals or the amount of such contributions that, but for the UAW MOU, such Covered Employees would otherwise be eligible for, provided, however, that such amount shall be adjusted for interest based on Delphi's discount rate for FAS-87 pension accounting. Delphi shall have no reimbursement obligation relating to the Delphi Personal Savings Plan matching contribution that, but for the UAW MOU, these Covered Employees would otherwise be eligible for under the UAW-Delphi Supplemental Agreement dated April 29, 2004, as amended.

(iii) IUE-CWA Represented Covered Employees.

(1) Relating to pension, during the period when IUE-CWA represented Covered Employees accrue credited service in the GM HRP under section b. of the IUE-CWA Benefit Guarantee (regardless of whether the IUE-CWA Benefit Guarantee or the IUE-CWA Benefit Guarantee Term Sheet ever become effective), Delphi shall pay GM annually, by January 31 of each year for the preceding calendar year, an amount equal to (x) the non-elective 7% defined contributions based upon a standard 2,080 hour work year that these Covered Employees would otherwise be eligible for under the Delphi Personal Savings Plan in accordance with the IUE-CWA MOU, and/or (y) if Delphi provides accruals in or contributions to any other defined benefit or defined contribution pension plan, the FAS-87 service cost of such

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benefits/accruals or the amount of such contributions that, but for the IUE-CWA MOU, such Covered Employees would otherwise be eligible for.

(2) Relating to OPEB, commencing on the date GM begins providing OPEB benefits pursuant to section E of the IUE-CWA MOU, or the IUE-CWA Benefit Guarantee Term Sheet or section c. of the IUE-CWA Benefit Guarantee (regardless of whether the IUE-CWA Benefit Guarantee or the IUE-CWA Benefit Guarantee Term Sheet ever become effective), Delphi shall pay GM annually, by January 31 of each year for the preceding year, an amount equal to (x) the 1% defined contributions in lieu of OPEB, based upon a standard 2,080 hour work year, that IUE-CWA Covered Employees who can attain eligibility for GM-provided or GM-funded OPEB through any means (other than becoming employed by GM pursuant to the SEPO attachment to the IUE-CWA MOU) would otherwise be eligible for under the Delphi Personal Savings Plan in accordance with the IUE-CWA MOU, but for the IUE-CWA MOU, and/or (y) if Delphi provides accruals in or contributions to any other retiree welfare benefit plan, the FAS-87 service cost of such benefits/accruals or the amount of such contributions that, but for the IUE-CWA MOU, such Covered Employees would otherwise be eligible for. Such payments shall continue until the year following the year the last such Covered Employee separates or retires from Delphi.

(iv) USW Represented Covered Employees.

(1) Relating to pension, during the period when USW represented Covered Employees accrue credited service in the GM HRP pursuant to section D of the USW MOU, or the USW Benefit Guarantee Term Sheet or section b. of the USW Benefit Guarantee (regardless of whether the USW Benefit Guarantee or the USW Benefit Guarantee Term Sheet ever become effective), Delphi shall pay GM annually, by January 31 of each year for the preceding calendar year, an amount equal to (x) the non-elective 7% defined contributions based upon a standard 2,080 hour work year that these Covered Employees would otherwise be eligible for under the Delphi Personal Savings Plan in accordance with the USW MOU, and/or (y) if Delphi provides accruals in or contributions to any other defined benefit or defined contribution pension plan, the FAS-87 service cost of such benefits/accruals or the amount of such contributions that, but for the USW MOU, such Covered Employees would otherwise be eligible for.

(2) Relating to OPEB, commencing on the date GM begins providing the OPEB benefits pursuant to section D of the USW MOU, or the USW Benefit Guarantee Term Sheet or section c. of the USW Benefit Guarantee (regardless of whether the USW Benefit Guarantee or the USW Benefit Guarantee Term Sheet ever become effective), Delphi shall pay GM annually, by January 31 of each year for the preceding year, an amount equal to (x) 25% of the notional accrual amount for Delphi-paid post retirement life insurance and the retiree medical account that USW Covered

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Employees who can attain eligibility for GM-provided or GM-funded OPEB through any means would otherwise be eligible for in accordance with the USW MOUs, but for the USW MOU, and/or (y) if Delphi provides accruals in or contributions to any other retiree welfare benefit plan, the FAS-87 service cost of such benefits/accruals or the amount of such contributions that, but for the USW MOU, such Covered Employees would otherwise be eligible for. Such payments shall continue until the year following the year the last such Covered Employee separates or retires from Delphi.

(v)Forecasts. By December 1 of each year (including 2008), Delphi shall provide to GM a forecast of all payments referenced in this section 2.02(e) that are to be made by January 31 for the following two years.

(vi)Supporting Documentation. In conjunction with the payments referenced in this section 2.02(e), Delphi shall provide to GM at the time of such payment supporting documentation by individual employee.

(f) Delphi Payment for GM Assumption of OPEB for Active and Retired Splinter Union Employees and Active and Retired Non-Represented Hourly Employees. Upon the Cessation Date, GM will assume OPEB responsibility for those active and retired Splinter Union Employees and non-represented hourly active and retired employees set forth on Attachment B to the IAM MOU, IBEW MOUs, and IUOE MOUs and the Non-Represented Employees Term Sheet. In exchange for this, Delphi shall pay GM within thirty (30) days of receipt of all of the documentation referenced in section 2.02(f)(i) the amounts of the Expected Post Retirement Benefit Obligation (“EPBO”) assumed by GM for active and retired Splinter Union Employees and non-represented hourly active and retired employees (the “Non-Represented and Splinter EPBO Payment”).

(i) To document the Non-Represented and Splinter EPBO Payment, GM shall provide Delphi within ninety (90) days of the Effective Date a calculation by GM’s actuaries (Watson Wyatt and MetLife). The EPBO shall be valued at the GM’s IUE plan value, as measured in GM’s first OPEB valuation on or after the Effective Date.

(ii) The Non-Represented and Splinter EPBO Payment shall be the sum of the following:

(1) 100% of the EPBO assumed by GM as of or prior to the Effective Date for active and retired non-represented hourly employees, eligible to receive OPEB from GM (the “Non-Represented EPBO”);

(2) 100% of the EPBO assumed by GM as of the Effective Date for active Splinter Union Employees (the “Active Splinter EPBO”); and

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(3) 50% of the EPBO assumed by GM as of or prior to the Effective Date for retired Splinter Union Employees eligible to receive OPEB from GM (the “Retired Splinter EPBO”).

(g) Cessation of Delphi OPEB True-up Obligations. Delphi has no obligation to make any OPEB true-up payments for or in relation to hourly employees at business units divested from Delphi prior to May 28, 1999 or Delphi-to-GM flowback employees regardless of when such flowback occurred or occurs.

(h) Audit Rights. GM and its representatives at GM’s expense shall have the right to audit all information used to derive any calculation or payment amount referenced in this section 2.02;provided, however, that (1) GM shall provide reasonable advance written notice of such audit and (2) such audit shall be conducted during normal business hours to the extent feasible without unreasonably interfering with Delphi’s normal operations. Delphi’s service providers, subject to and consistent with the applicable service provider contract, shall fully cooperate with any such audit. Each Party’s actuaries shall have the right to review the actuarial calculations, including underlying actuarial assumptions, for payments referenced in this section 2.02. Delphi and GM shall comply with reasonable requests from the other company’s principal outside corporate auditors regarding this section 2.02.

(i) Information List. Delphi shall provide to GM within ten (10) business days after the Effective Date an initial list of the following information as of the Effective Date for all Delphi active (with a seniority date on or before May 28, 1999) and retired hourly employees: social security number, name, birth date, credited service, wage rate, union affiliation, and active or retired status, and whether Delphi has them designated as a Covered Employee who can attain eligibility for GM-provided or GM-funded OPEB through any means (other than becoming employed by GM pursuant to the SEPO attachment to the IUE-CWA MOU or becoming a flowback pursuant to the UAW CBA). The final determination of who is such a Covered Employee shall be made by GM. The list shall also include the applicable information for eligible surviving spouses of such Covered Employees. Three months after the date the initial list is provided, Delphi shall provide a final list with the information requested.

(j) Offset. Notwithstanding anything to the contrary in this Agreement, any payment by GM or Delphi of any invoiced amount pursuant to this section 2.02 shall be subject to the right of GM or Delphi, as applicable, to offset all or part of such payment as provided in section 7.04 hereof.

Section 2.03 **Treatment of Delphi’s Pension Plans**. To help facilitate the Debtors’ business and financial restructuring, the Parties have resolved certain matters concerning Delphi’s pension obligations by entering into the Labor MOUs, all of which are incorporated herein by reference as if fully set forth herein. The Parties agree to the following actions with respect to Delphi’s pension plans:

(a) Pension Freeze. Delphi shall amend the Delphi HRP as set forth in each of the Labor MOUs so as to freeze benefit accruals for future service as of September 29, 2008 or the earliest date thereafter as permitted by law and the applicable Labor MOUs (and such date, as determined and applied separately for each Labor MOU, is hereinafter referred to

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the “Freeze Date”); provided, however, that the Individual Retirement Plan provisions of the Delphi HRP and the continuation of credited service for the Delphi employees participating in Delphi PRP of the SAPs are not required to be frozen.

(b) GM Reimbursement for Certain Delphi Contributions.

(i) Subject to section 2.03(b)(iii) below, GM shall reimburse Delphi for contributions actually made on or before each Freeze Date by Delphi to the Delphi HRP in respect of the “Normal Cost” of credited service accrued between January 1, 2007 and the earlier of such Freeze Date or Delphi’s freeze of the Delphi HRP pursuant to section 2.01 hereof in the Delphi HRP by participants whose accrued benefits (and allocable assets and liabilities) were transferred or intended to be transferred to the Delphi HRP in the spin-off of the Delphi HRP from the GM HRP in 1999 (after taking into consideration all subsequent true-up transfers) and attributable to the participants to which such Freeze Date applies. Such reimbursement payments shall be made by GM to Delphi (i) in the case of such contributions that were made prior to the Effective Date, within thirty (30) days following GM’s receipt of the agreed-upon calculation from Watson Wyatt of the “Normal Cost” (as defined in section 2.03(b)(iv) below) and (ii) in the case of such contributions that are made after the Effective Date, within thirty (30) days after each quarterly or minimum contribution due date by which Delphi has made such contributions, provided Delphi has delivered to GM the agreed-upon calculation from Watson Wyatt of the “Normal Cost” (as defined in section 2.03(b)(iv) below) on or before such quarterly or minimum contribution due date. GM shall not be obligated to reimburse Delphi for any contributions arising for any period of credited service earned by any current or former Delphi employee after the applicable Freeze Date.

(ii) If the Second Net Liability Transfer occurs and subject to section 2.03(b)(iii) below, GM shall reimburse Delphi, without duplication, for any contributions required to be made by Delphi to the Delphi HRP in full or partial satisfaction of the minimum statutory funding requirements for the period October 1, 2008 through the Second Transfer Date and actually made by Delphi during such period to the Delphi HRP and associated with the liabilities transferred from the Delphi HRP to the GM HRP pursuant to the Second Net Liability Transfer. Such reimbursement shall be made by GM after the Second Transfer Date and within thirty (30) days after receipt by GM of the agreed-upon calculation from Watson Wyatt of the aforesaid amounts required to be and actually contributed by Delphi to the Delphi HRP. GM shall not be obligated to reimburse Delphi for any contributions arising for any period of credited service earned after the Second Transfer Date by any current or former Delphi employee. In the event that the Internal Revenue Service (“IRS”) determines subsequent to the Second Transfer Date that Delphi is required to make an additional contribution to the Delphi HRP in respect of transferred benefit liabilities in the Second Net Liability Transfer, then GM shall reimburse Delphi the amount of such contribution and Delphi shall cause a transfer of such amount from the Delphi HRP to the GM HRP as an additional part of the Second Net Liability Transfer. Such reimbursement by GM shall be made as to

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permit Delphi to make such contribution on a timely basis (and not later than the applicable due date).

(iii) GM shall not be obligated to reimburse Delphi pursuant to Sections 2.03(b)(i) or (ii) above with respect to contributions attributable to (a) employees participating in the 2006 UAW or IUE-CWA Special Attrition Programs and, for employees participating in the pre-retirement program option in the 2007 UAW, IUE-CWA, or USWA Special Attrition Program — Transformation, other than contributions actually made by Delphi to the Delphi HRP in respect of the Normal Cost of credited service accrued following the commencement of the pre-retirement program period in accordance with the SAPs, and (b) credited service pursuant to Individual Retirement Plan provisions of the Delphi HRP; except to the extent that any such contributions are included in Transferred Asset Amount associated with the Second Transfer Date.

(iv) “Normal Cost” shall be defined as the current liability normal cost (as defined under ERISA calculated at the highest allowable interest rate) incurred from time to time by Delphi to the Delphi HRP for credited service earned by such individuals in the specified time period less the normal cost that would have been incurred with respect to such individuals during this time period had the Delphi HRP been frozen as of January 1, 2007. For purposes of the immediately preceding sentence, “current liability normal cost” shall be replaced with “target liability normal cost” as defined in the Pension Protection Act (“PPA”) based on the relevant elections made by Delphi with respect to service credited on or after October 1, 2008. The reimbursement payment amount pursuant to sections 2.03(b)(i) or (ii) hereof shall be calculated by Watson Wyatt acting on behalf of Delphi and confirmed by Watson Wyatt acting on behalf of GM.

(c) Transfer of Certain Pension-Related Assets and Liabilities.

(i) Delphi and GM shall cause separate transfers of pension assets and liabilities from the Delphi HRP to the GM HRP as set forth herein. The transfers shall have no effect on the amount of accrued pension benefits for employees who either remain in the Delphi HRP or are transferred to the GM HRP. Such transfers shall be in the amounts set forth in section 2.03(c)(iii) hereof and shall be conducted in accordance with Section 414(l) of the Code and Section 208 of ERISA.

(ii) IRS Ruling. The transfer shall be subject to the IRS ruling issued to Delphi and GM on May 29, 2007 related to the transfer (the “IRS Ruling”), as applicable.

(iii) Mechanics.

(1) For purposes of this Agreement, the “Transfer Date” shall mean each separate effective date of each 414(l) transfer, and the First Net Liability Transfer and the Second Net Liability Transfer shall be separate 414(l)

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transfers. For purposes of this Agreement, the term “Net Liability Transfer” is defined as the FAS-87 Projected Benefit Obligation (the “PBO”) transferred from the Delphi HRP as of the applicable Transfer Date, based on GM’s assumptions and methods as of December 31, 2007 for annual pension expense purposes of the GM HRP and including the discount rate of the GM HRP as of the last day of the month the transfer takes place (the “Gross Liability”), less the market value of corresponding assets calculated pursuant to Section 414(l) of the Code and the IRS Ruling, as it relates to the Delphi HRP transfer, using assumptions and methods agreed to with the IRS and agreed upon by GM and Delphi actuaries, that are transferred to the GM HRP as of the Transfer Date (the “Transferred Asset Amount”). The Net Liability Transfer shall be determined separately with respect to each 414(l) transfer.

(2) With respect to the First Net Liability Transfer and the Second Net Liability Transfer separately, Delphi shall make the transfer of the applicable Transferred Asset Amount in two tranches. The first tranche shall be completed within 10 days of the applicable Transfer Date, or such later date as agreed to by GM and Delphi (the “First Tranche Date”). The second tranche shall be completed within six months of the applicable First Tranche Date, or such later date as agreed to by GM and Delphi (the “Second Tranche Date”).

(A) With the first tranche, 90% (or such lesser percentage as agreed to by Delphi and GM) of the applicable Transferred Asset Amount shall be transferred from the Delphi HRP to the GM HRP based on the most recent valuation work by Delphi’s actuaries, Watson Wyatt, projected to the applicable Transfer Date (the “Preliminary Transferred Asset Amount”). The Delphi HRP shall make all benefit payments in respect of the applicable Gross Liability being transferred after the applicable Transfer Date and through the end of the sixth month beginning after the applicable Transfer Date or, if not administratively practicable, such other date as may be agreed by Delphi and GM (“Benefit Transition Period”). In the event these benefit payments exceed the remainder of the applicable Transferred Asset Amount, the GM HRP shall reimburse the Delphi HRP for such excess amount of benefit payments with applicable interest at the FAS-87 discount rate for the GM HRP used to calculate the applicable Net Liability Transfer. The GM HRP shall make all benefit payments attributable to the transferred Gross Liability after the applicable Benefit Transition Period.

(B) The second tranche shall consist of the remaining plan assets (the “True-up Amount”) necessary to be transferred so that 100% of the applicable Transferred Asset Amount is transferred. The True-Up Amount shall equal the amount of the 414(l) assets based on actual data as of the applicable Transfer Date less the Preliminary Transferred Asset Amount and benefit payments by the Delphi HRP after the applicable Transfer Date in respect of the corresponding Gross Liability being transferred. The assets transferred on the First or Second Tranche Date shall be adjusted to reflect the Delphi HRP’s actual rate of return on assets for the time period between the applicable Transfer Date and the date the assets are actually transferred to the GM HRP.

(3) Additional terms of the Net Liability Transfers, including the determination of the participants for whom benefit liabilities and corresponding assets shall be included in the transfer, shall be as set forth in the applicable Labor MOUs.

(4) The First Net Liability Transfer will occur no later than September 29, 2008 (the "First Transfer Date"). The First Net Liability Transfer from the Delphi HRP to the GM HRP shall be equal to an amount necessary to avoid any accumulated funding deficiency for the Delphi HRP for the plan year ended September 30, 2008 calculated as of the First Transfer Date, but in no event in an amount less than \$2.1 billion or more than \$2.4 billion (the "First Net Liability Transfer").

(5) The Second Net Liability Transfer will occur upon the GSA Consummation Date (the "Second Transfer Date"). The Second Net Liability Transfer from the Delphi HRP to the GM HRP shall include all allocable assets and liabilities, under the Delphi HRP for participants whose accrued benefits (and allocable assets and liabilities) were transferred or intended to be transferred to the Delphi HRP in the spin-off of the Delphi HRP from the GM HRP in 1999 (after taking into consideration all subsequent true-up transfers) calculated as of the Second Transfer Date (the "Second Net Liability Transfer").

(iv)Delphi Obligation for Delphi Active PRP Participants. For active Delphi PRP participants included in the Delphi HRP transfer on the First Transfer Date or Second Transfer Date, GM shall assume the responsibility for providing future service for this population under the GM HRP subject to Delphi providing GM with compensation equal to the value of this additional obligation ("Incremental PRP Obligation") through a direct cash payment on the applicable Transfer Date and in accordance with the applicable Labor MOU. The Incremental PRP Obligation shall equal the difference between:

(1) The present value of benefits ("PVB") for Delphi PRP participants assuming the full Delphi HRP basic benefit and early retirement supplement (and related benefits) payable at thirty (30) years of credited service shall be earned; and

(2) The PBO for Delphi PRP participants including the portion of the Delphi HRP basic benefit and early retirement supplement (and related benefits) earned based on credited service on the Transfer Date. For this purpose, the early retirement supplement shall be deemed "earned" pro rata over thirty (30) years of service, even though a participant who terminates before thirty (30) years of service generally is not entitled to a supplement.

(3) The PBO and PVB referenced in this section 2.03(c)(iv) shall be calculated based on GM's assumptions and methods as of the latest measurement date for pension expense purposes of the GM HRP and

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the discount rate as of the last day of the month in which the Transfer Date takes place.

(v) Description of Delphi Pension Trust. Assets of the Delphi HRP are held in a master pension trust (the “Delphi Pension Trust”) and the assets of the GM HRP are also held in a pension trust (the “GM Pension Trust”). The Delphi Pension Trust and the GM Pension Trust have assets invested in the same commingled trusts and other investment vehicles. The assets involve a combination of privately held and publicly held securities and other investment forms. The determination of which Delphi HRP assets are ultimately transferred on the First and Second Transfer Dates, with GMIMCo’s assistance, shall be mutually agreed by Delphi and GM. The determination shall be in accordance with the 414(l) asset allocation of the Delphi HRP participant liabilities to be transferred. Assets shall be transferred in-kind in a trust-to-trust transfer.

(d) Rights to Review Calculations. Each Party’s actuaries shall have the right to review the actuarial calculations, including underlying actuarial assumptions, for payments referenced in this section 2.03. Delphi and GM shall comply with reasonable requests from the other company’s principal outside corporate auditors regarding this section 2.03.

(e) Information List. Delphi shall provide to GM within ten (10) business days after the Effective Date an initial list of the following information as of the Effective Date for all Delphi active (with a seniority date on or before May 28, 1999) and retired hourly employees: social security number, name, birth date, credited service, wage rate, union affiliation, and active or retired status, and whether Delphi has them designated as a Covered Employee. The final determination of who is a Covered Employee shall be made by GM. The list shall also include information regarding surviving spouses of potential Covered Employees who may have a pension benefit under the Retirement Equity Act of 1984. Three months after the initial list is provided, Delphi shall provide a final list with the information requested.

(f) Offset. Notwithstanding anything to the contrary in this Agreement, any payment by GM or Delphi of any invoiced amount pursuant to this section 2.03 shall be subject to the right of GM or Delphi, as applicable and to the extent permitted by and in compliance with applicable law, to offset all or part of such payment as provided in section 7.04 hereof.

ARTICLE III

OTHER GM CONTRIBUTIONS TO LABOR MATTERS

To assist Delphi in its continued transformation to more competitive wage and benefit levels, to address capacity, divestiture, work rules, and staffing level issues, and to better position Delphi to retain existing business and attract new business, GM has agreed to make or hereby agrees to make, as applicable, certain additional contributions as set forth below. All references herein to contributions already agreed to by GM in the Restructuring Agreement, the UAW SAP, the IUE-CWA SAP, and the Labor MOUs are qualified entirely by, and are subject to, the actual terms and conditions of such agreements. Nothing in Article III hereof is intended

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to limit, amend, modify, or supersede any term or condition in any of the Restructuring Agreement, the UAW SAP, the IUE-CWA SAP, or the Labor MOUs.

Section 3.01 **Assumption of Labor-Related Obligations**. GM is agreeing in the Restructuring Agreement to assume certain labor-related obligations set forth in Article IV therein.

Section 3.02 **UAW**. With respect to the UAW-represented employees:

(a) **UAW SAP**. GM agreed in the UAW SAP to provide financial support for an attrition program to certain UAW-represented employees as set forth therein, which support included: (i) reimbursing Delphi for certain retirement incentives; (ii) assuming OPEB for certain UAW-represented employees; (iii) backstopping active healthcare and life insurance coverage for certain UAW-represented employees; and (iv) reimbursing Delphi for one-half of certain buy-out payments actually paid by Delphi;

(b) **UAW MOU**. GM agreed pursuant to the UAW MOU to provide financial support for an additional attrition program to certain UAW-represented employees as set forth in Section C.5 of the UAW MOU and Attachment C thereto, which support included: (i) assuming OPEB for certain UAW-represented employees and (ii) backstopping active healthcare and life insurance coverage for certain UAW-represented employees;

(c) **UAW Retirement Incentives**. GM agrees to reimburse Delphi using the procedure set forth in section 3.02(j) herein for the \$35,000 UAW Retirement Incentives actually paid by Delphi pursuant to Section C.5.a of the UAW MOU and Attachment C thereto;

(d) **UAW Buy Out Payments**. GM agrees to reimburse Delphi using the procedure set forth in section 3.02(j) herein for one-half of the UAW Buy Out Payments actually paid by Delphi pursuant to Section C.5.b of the UAW MOU and Attachment C thereto;

(e) **UAW Buy Down Payments**. GM agrees to reimburse Delphi using the procedure set forth in section 3.02(j) herein for all of the UAW Buy Down Payments actually paid by Delphi pursuant to Section C.5.c of the UAW MOU, including but not limited to UAW Buy Down Payments paid to eligible hourly employees transferred to divested businesses as confirmed in the May 12, 2008 letter attached as **Exhibit E** and incorporated herein by reference;

(f) **Flowbacks**. GM agreed pursuant to the UAW MOU to provide UAW-represented employees, who were on roll prior to October 8, 2005, without a valid flowback application on file, a final opportunity to apply for flowback by October 1, 2007, as set forth in Section C.1 therein;

(g) **Job Opportunities**. GM agreed pursuant to the UAW MOU to offer job opportunities at GM, as set forth in Section C.2 therein, to certain UAW-represented employees who were hired after October 18, 1999, but prior to October 8, 2005; and

(h) **Costs of Pre-Retirement Program**. Delphi agrees to continue to provide monthly wage payments and active employment benefits to PRP participants pursuant to

the UAW MOU. Commencing October 1, 2007, notwithstanding the requirements of the UAW MOU, Delphi shall continue to provide PRP participants with active health care coverage from Delphi in accordance with the “traditional option” of its pre-October 1, 2007 hourly health care program. This level of coverage shall be higher than that called for in the UAW-Delphi Supplemental Agreement dated April 29, 2004. GM shall bear the financial responsibility for any difference in the level of coverage between that which Delphi is continuing to provide per this section 3.02(i) and that which Delphi otherwise provides to its active UAW-represented employees as of October 1, 2007. GM and Delphi shall cooperate to implement an appropriate administrative fix consistent with their respective contractual obligations regarding the level of health care for PRP participants; it being understood that Delphi shall bear financial responsibility for the level of PRP active health care coverage Delphi provides other active UAW represented employees as of October 1, 2007, and GM shall bear financial responsibility only to the extent that the GM level of active health care coverage for active GM UAW-represented employees exceeds the Delphi level.

(i) Reimbursement Procedure. The reimbursements of the UAW Retirement Incentives, the UAW Buy Out Payments, and the UAW Buy Down Payments shall be made according to the following procedure:

(i) GM shall reimburse Delphi for 100% of the UAW Retirement Incentives, 50% of the UAW Buy Out Payments, and 100% of the UAW Buy Down Payments, as applicable, plus 100% of the incremental Delphi portion of FICA taxes paid due to the UAW Retirement Incentives, 50% of the incremental Delphi portion of FICA taxes paid due to the UAW Buy Out Payments, and 100% of the incremental Delphi portion of FICA taxes paid due to the UAW Buy Down Payments, as applicable (collectively, the “UAW-Related Reimbursements”).

(ii) The UAW Retirement Incentives, the UAW Buy Out Payments, and the UAW Buy Down Payments shall be made through Delphi payroll in the month that the employee retirement or buy out is effective, or, regarding buy down, the month each required payment is made, or as soon as possible thereafter. Delphi shall be responsible for all information reporting obligations arising from the UAW Retirement Incentives, the UAW Buy Out Payments, and the UAW Buy Down Payments and for remittance of all associated tax withholding and payroll taxes to the applicable taxing authorities.

(iii) The UAW Retirement Incentives, the UAW Buy Out Payments, and the UAW Buy Down Payments shall be reviewed by Delphi for garnishments, child support, or other payments for which Delphi is legally required to reduce payments to be made to an employee. GM shall reimburse Delphi the full amount due hereunder without regard to any legally required reduction of payments to an employee.

(iv) The amount of the UAW-Related Reimbursements and supporting detail showing the UAW Retirement Incentives, the UAW Buy Out Payments, and the UAW Buy Down Payments made by Delphi shall be provided in an invoice to GM (the “UAW Reimbursement Invoice”). The UAW Reimbursement Invoice shall be supported

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by the following information regarding each Delphi employee receiving such payment: name, social security number, CISCO code, last plant location, last employment status, date of retirement (if applicable), retirement type code (if applicable) (e.g. 30 & out, 85 point, 60 & 10, normal), date of separation (if applicable), the nature and amount of the payment, payment date, roll number, and detail showing the incremental Delphi portion of FICA tax payments made due to the UAW Retirement Incentives, the UAW Buy Out Payments, or the UAW Buy Down Payments, as applicable. Such UAW Reimbursement Invoice shall contain a representation that such information is substantially complete and substantially accurate in all respects.

(v) GM shall pay all amounts in each UAW Reimbursement Invoice that contains all information and representations required by section 3.02(j)(iv) hereof within thirty (30) days following the receipt by GM of each respective UAW Reimbursement Invoice or as otherwise agreed by GM and Delphi (if the 30th day falls on a weekend or holiday, GM shall pay Delphi on the next business day).

(j) Audit Rights. Delphi shall (a) permit GM and/or its agents at GM's expense to audit all information used to derive any calculation or payment amount referenced in this section 3.02, and (b) reasonably cooperate with GM and its agents in any such audit activities in a timely manner; provided, however, that (x) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit, and (y) GM shall reasonably cooperate with Delphi and its agents in any such audit activities.

(k) Offset. Notwithstanding anything to the contrary in this Agreement, any payment by GM of any invoiced amount pursuant to this section 3.02 shall be subject to GM's right to offset all or part of such payment as provided in section 7.04 hereof.

Section 3.03 IUE-CWA. With respect to the IUE-CWA-represented employees:

(a) IUE-CWA Labor Transformation.

(i) IUE-CWA SAP. GM agreed in the IUE-CWA SAP to provide financial support for an attrition program to certain IUE-CWA-represented employees as set forth therein, which support included: (1) assuming OPEB for certain IUE-CWA-represented employees; (2) backstopping active healthcare and life insurance coverage for certain IUE-CWA-represented employees; (3) reimbursing Delphi for certain retirement incentives; and (4) reimbursing Delphi for one-half of certain buy-out payments actually paid by Delphi.

(ii) IUE-CWA MOU. GM agreed pursuant to the IUE-CWA MOU to provide financial support for an attrition program for certain IUE-CWA-represented employees as set forth in Section C.3 of the IUE-CWA MOU and Attachment C thereto, which support included: (1) assuming OPEB for certain IUE-CWA-represented employees; and (2) backstopping active healthcare and life insurance coverage for certain IUE-CWA-represented employees.

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(iii)SEPO Opportunities. GM agreed pursuant to the IUE-CWA MOU to offer SEPO Opportunities to all current active IUE-CWA Employees hired prior to October 18, 1999 (other than those IUE-CWA Employees employed at the Gadsden Site) as set forth in Attachment G of the IUE-CWA MOU.

(iv)IUE-CWA Buy Down Amount.

(1) To fund the IUE-CWA buy downs, GM agrees to pay to Delphi an amount equal to the sum of \$105,000 times the number of production employees who do not accept an attrition option in any amount at any site (excluding Gadsden and temporary employees) plus \$10,000 times the number of skilled trades employees who do not accept an attrition option in any amount at any site (excluding Gadsden and temporary employees) as set forth in Section C.3.c. and Attachments A and F of the IUE-CWA MOU (the "IUE-CWA Buy Down Amount").

(2) No later than thirty (30) days before the Effective Date, Delphi shall deliver to GM an invoice for the IUE-CWA Buy Down Amount (the "IUE-CWA Buy Down Amount Invoice"), which shall include the names of the Delphi employees referenced in section 3.03(a)(iv)(1), and the last plant location, last employment status, job classification of, and shall contain a representation that such information is substantially complete and substantially accurate in all respects.

(3) GM shall pay the amount in the IUE-CWA Buy Down Amount Invoice on the later of (i) the Effective Date and (ii) thirty (30) days following the receipt by GM of the IUE-CWA Buy Down Amount Invoice that contains all information and representations required by section 3.03(a)(iv)(2).

(v)IUE-CWA Buy Out Payments. GM agrees to reimburse Delphi using the procedure set forth in section 3.03(e) herein for one-half of the IUE-CWA Buy Out Payments actually paid by Delphi pursuant to Section C.3.b of the IUE-CWA MOU and Attachment C thereto.

(vi)Retirement Incentives. GM agrees to reimburse Delphi using the procedure set forth in section 3.03(e) herein for the \$35,000 IUE-CWA Retirement Incentives actually paid by Delphi pursuant to Section C.3.a of the IUE-CWA MOU and Attachment C thereto.

(b) GM IUE-CWA Payment. GM agrees to pay Delphi a sum total amount of \$25 million (the "GM IUE-CWA Payment") on the Effective Date to provide for costs and expenses incurred by Delphi in connection with the execution and performance of the IUE-CWA MOU.

(c) IUE-CWA Claim. GM agrees to pay an amount equal to \$26 million on the Effective Date as reimbursement to Delphi for a portion of the allowed claim under the IUE-CWA MOU.

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(d) Costs of Pre-Retirement Program. Delphi agrees to continue to provide monthly wage payments and active employment benefits to PRP participants pursuant to the IUE-CWA MOU. Commencing October 1, 2007, notwithstanding the requirements of the IUE-CWA MOU, Delphi shall continue to provide PRP participants with active health care coverage from Delphi in accordance with the pre-October 1, 2007 hourly health care program option applicable to each of the PRP participants. This level of coverage shall be higher than called for in the IUE-CWA MOU. GM shall bear the financial responsibility for any difference in the level of coverage between that which Delphi is continuing to provide per this section 3.03(d) and that which Delphi otherwise provides to its active IUE-CWA represented employees as of October 1, 2007. Upon the conclusion of the GM-IUE-CWA national contract negotiations but in no event later than December 31, 2008, GM and Delphi shall cooperate to implement an appropriate administrative fix consistent with their respective contractual obligations regarding the level of health care for PRP participants; it being understood that Delphi shall bear financial responsibility for the level of PRP active health care coverage Delphi provides other active IUE-CWA represented employees as of October 1, 2007, and GM shall bear financial responsibility only to the extent that the GM level of active health care coverage for active GM IUE-CWA represented employees exceeds the Delphi level.

(e) Reimbursement Procedure. The reimbursement or payment, as applicable, of the IUE-CWA Retirement Incentives and the IUE-CWA Buy Out Payments shall be made according to the following procedures:

(i) GM shall reimburse Delphi for 100% of the IUE-CWA Retirement Incentives, 50% of the IUE-CWA Buy Out Payments, 100% of the incremental Delphi portion of FICA taxes paid due to the IUE-CWA Retirement Incentives, and 50% of the incremental Delphi portion of FICA taxes paid due to the IUE-CWA Buy Out Payments, as applicable (collectively, the “IUE-CWA-Related Reimbursements”).

(ii) The IUE-CWA Retirement Incentives, and the IUE-CWA Buy Out Payments shall be made through Delphi payroll in the month that the employee retirement or buy out is made, or as soon as possible thereafter. Delphi shall be responsible for all information reporting obligations arising from the IUE-CWA Retirement Incentives and the IUE-CWA Buy Out Payments, and for remittance of all associated tax withholding and payroll taxes to the applicable taxing authorities.

(iii) The IUE-CWA Retirement Incentives and the IUE-CWA Buy Out Payments shall be reviewed by Delphi for garnishments, child support, or other payments for which Delphi is legally required to reduce payments to be made to an employee. GM shall reimburse Delphi the full amount due hereunder with respect to the IUE-CWA Retirement Incentives and the IUE-CWA Buy Out Payments without regard to any legally required reduction of payments to an employee.

(iv) The amount of the IUE-CWA-Related Reimbursements and the supporting detail showing the IUE-CWA Retirement

Incentives and the IUE-CWA Buy Out Payments made by Delphi shall be provided in an invoice to GM (the “IUE-CWA Reimbursement Invoice”). The IUE-CWA Reimbursement Invoice shall be supported by the following information regarding each Delphi employee receiving such payment: name, social security number, CISCO code, last plant location, last employment status, date of retirement (if applicable), retirement type code (if applicable) (e.g. 30 & out, 85 point, 60 & 10, normal), date of separation (if applicable), the nature and amount of the payment, payment date, roll number, and detail showing the incremental Delphi portion of FICA tax payments made related to the IUE-CWA-Related Reimbursements. Such IUE-CWA Reimbursement Invoice shall contain a representation that such information is substantially complete and substantially accurate in all respects.

(v) GM shall pay all amounts in each IUE-CWA Reimbursement Invoice that contains all information and representations required by section 3.03(e)(iv) hereof within thirty (30) days following the receipt by GM of each respective IUE-CWA Reimbursement Invoice or as otherwise agreed by GM and Delphi (if the 30th day falls on a weekend or holiday, GM shall pay Delphi on the next business day).

(f) Audit Rights. Delphi shall (i) permit GM and/or its agents at GM’s expense to audit all information used to derive any calculation or payment amount referenced in this section 3.03 and (ii) reasonably cooperate with GM and its agents in any such audit activities in a timely manner; provided, however, that (x) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit and (y) GM shall reasonably cooperate with Delphi and its agents in any such audit activities.

(g) Notwithstanding anything to the contrary in this Agreement, GM shall make no payments or reimbursements under this section 3.03 that relate to the Gadsden facility.

(h) Offset. Notwithstanding anything to the contrary in this Agreement, any payment by GM of any invoiced amount pursuant to this section 3.03 shall be subject to GM’s right to offset all or part of such payment as provided in section 7.04 hereof.

Section 3.04USW. With respect to the USW-represented employees:

(a) USW MOUs.

(i)USW SAP. GM agreed pursuant to the USW MOUs to provide financial support for the USW SAP as set forth in Section C of the USW MOU-Home Avenue and Attachment C thereto, which support shall include: (i) assuming OPEB for certain USW-represented employees and (ii) backstopping active healthcare and life insurance coverage for certain USW-represented employees.

(ii)USW Buy Out Payments. GM agrees to reimburse Delphi using the procedure set forth in section 3.04(d) herein for one-half of the USW Buy Out Payments actually paid by Delphi pursuant to Section C.2 of the USW MOU

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— Home Avenue and Section C.1 of the USW MOU — Vandalia and Attachment C thereto.

(iii) Retirement Incentives. GM agrees to reimburse Delphi using the procedure set forth in section 3.04(d) herein for the USW Retirement Incentives actually paid by Delphi pursuant to Section C of the USW MOU-Home Avenue and Attachment C thereto.

(b) USW Claim. In resolution of certain claims asserted by the USW, including in connection with the modification of retiree benefit programs, and without any acknowledgement by either GM or Delphi of those claims, GM agreed pursuant to the USW MOU — Home Avenue to pay the amount of \$9 million to the VEBA described in Section F.3 of the USW MOU — Home Avenue.

(c) Costs of Pre-Retirement Program. Delphi agrees to continue to provide monthly wage payments and active employment benefits to PRP participants pursuant to the USW MOU — Home Avenue. Delphi shall provide such PRP participants active health care as described in Section E.12 of the USW MOU — Home Avenue. GM shall have no obligation to reimburse Delphi for providing this level of active health care to the USW PRP participants.

(d) Reimbursement Procedure. The reimbursement or payment, as applicable of the USW Retirement Incentives and the USW Buy Out Payments shall be made according to the following procedure:

(i) GM shall reimburse Delphi for 100% of the USW Retirement Incentives and 50% of the USW Buy Out Payments, as applicable, plus 100% of the incremental Delphi portion of FICA taxes paid due to the USW Retirement Incentives and 50% of the incremental Delphi portion of FICA taxes paid due to the USW Buy Out Payments, as applicable (collectively, the “USW-Related Reimbursements”).

(ii) The USW Retirement Incentives and the USW Buy Out Payments shall be made through Delphi payroll in the month that the employee retirement or buy out is made, or as soon as possible thereafter. Delphi shall be responsible for all information reporting obligations arising from the USW Retirement Incentives and the USW Buy Out Payments and for remittance of all associated tax withholding and payroll taxes to the applicable taxing authorities.

(iii) The USW Retirement Incentives and the USW Buy Out Payments shall be reviewed by Delphi for garnishments, child support, or other payments for which Delphi is legally required to reduce payments to be made to an employee. GM shall reimburse Delphi the full amount due hereunder without regard to any legally required reduction of payments to an employee.

(iv) The amount of the USW-Related Reimbursements and supporting detail showing the USW Retirement Incentives and the USW Buy Out Payments made by Delphi shall be provided in an invoice to GM (the “USW Reimbursement Invoice”). The USW Reimbursement Invoice shall be supported by

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the following information regarding each Delphi employee receiving such payment: name, social security number, CISCO code, last plant location, last employment status, date of retirement (if applicable), retirement type code (if applicable) (e.g. 30 & out, 85 point, 60 & 10, normal), date of separation (if applicable), the nature and amount of the payment, payment date, roll number, and detail showing the incremental Delphi portion of FICA tax payments made related to the USW-Related Reimbursements. Such USW Reimbursement Invoice shall contain a representation that such information is substantially complete and substantially accurate in all respects.

(v) GM shall pay all amounts in each USW Reimbursement Invoice that contains all information and representations required by section 3.04(d)(iv) hereof within thirty (30) days following the receipt by GM of each respective USW Reimbursement Invoice or as otherwise agreed by GM and Delphi (if the 30th day falls on a weekend or holiday, GM shall pay Delphi on the next business day).

(e) Audit Rights. Delphi shall (i) permit GM and/or its agents at GM's expense to audit all information used to derive any calculation or payment amount referenced in this section 3.04 and (ii) reasonably cooperate with GM and its agents in any such audit activities in a timely manner; provided, however, that (x) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit, and (y) GM shall reasonably cooperate with Delphi and its agents in any such audit activities.

(f) Offset. Notwithstanding anything to the contrary in this Agreement, any payment by GM of any invoiced amount pursuant to this section 3.04 shall be subject to GM's right to offset all or part of such payment as provided in section 7.04 hereof.

ARTICLE IV

RELEASES AND CLAIMS TREATMENT

In partial consideration for the promises and agreements made by the Debtors and GM pursuant to this Agreement, the Delphi Plan, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License and the Warranty Settlement Agreement, and subject to the provisions of section 4.03 of this Agreement, Delphi and GM agree to the following terms to resolve claims in existence as of the Effective Date that each of the Delphi-Related Parties or Delphi Affiliate Parties, on the one hand, and the GM-Related Parties, on the other hand, have or may have against each other, and that each of the Additional Releasing Parties, the UAW Releasing Parties, the IUE-CWA Releasing Parties, the USW Releasing Parties, the IAM Releasing Parties, the IBEW Releasing Parties, the IUOE Releasing Parties, and the Non-Represented Employees Releasing Parties have or may have against the GM-Related Parties.

Section 4.01 **Release of GM-Related Parties**.

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(a) The Debtors agree that effective as of the Effective Date, the GM-Related Parties shall be forever released by the Delphi-Related Parties from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever (excepting only the Delphi Surviving Claims), which the Delphi-Related Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen, existing as of the Effective Date, in law, at equity, or otherwise, that are directly or indirectly related to any of the Delphi-Related Parties, including without limitation claims based in whole or in part upon any act or omission, transaction, agreement, event, action, or other occurrence taking place or failing to take place on or before the Effective Date related to (i) the Separation, (ii) any collective bargaining agreements to which any Delphi-Related Party is now or has been a party, (iii) any agreement or obligation related to any employees or former employees of the Delphi-Related Parties, (iv) the Chapter 11 Cases, or (v) the formulation, preparation, negotiation, dissemination, confirmation, or consummation (but not performance) of the Plan, the Disclosure Statement, this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Warranty Settlement Agreement, or any contract, instrument, or other agreement or document created, modified, amended, or entered into in connection with any of the foregoing. The releases provided for in this section 4.01(a) include any and all claims that any of the Delphi-Related Parties has or would have been legally entitled to assert in its own right (whether individually or collectively) and shall be effective against any person or entity (including, without limitation, any holder of a claim against or equity interest in any of the Delphi-Related Parties) that would have been legally entitled to assert such claim derivatively or otherwise on behalf of any of the Delphi-Related Parties.

(b) The Debtors agree that effective as of the Effective Date, the GM-Related Parties shall be forever released by the Delphi Affiliate Parties from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever (excepting only the Delphi Surviving Claims), which the Delphi Affiliate Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen (whether based in whole or in part upon any act or omission, transaction, agreement, event, action, or other occurrence taking place or failing to take place on or before the Effective Date) existing as of the Effective Date, in law, at equity, or otherwise, that are related to (i) the Separation, (ii) any collective bargaining agreements to which any Delphi-Related Party is now or has been a party, (iii) any agreement or obligation related to any employees or former employees of the Delphi-Related Parties, (iv) the Chapter 11 Cases, (v) the formulation, preparation, negotiation, dissemination, confirmation, or consummation (but not performance) of the Plan, the Disclosure Statement, this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Warranty Settlement Agreement, or any contract, instrument, or other agreement or document created, modified, amended, or entered into in connection with any of the foregoing or (vi) any obligation of the GM Related Parties which is directly related to any obligation which is being released by the Delphi-Related Parties pursuant to section 4.01(a) of this Agreement. The releases provided for in this section 4.01(b) include any and all claims that any of the Delphi

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Affiliate Parties have or would have been legally entitled to assert in its own right (whether individually or collectively) and shall be effective against any person or entity (including without limitation, any holder of a claim against or equity interest in any of the Delphi Affiliate Parties) that would have been legally entitled to assert such claim derivatively or otherwise on behalf of any of the Delphi Affiliate Parties.

(c) Any Delphi Plan shall provide (and no modification or supplement thereto shall abrogate such provision) that effective as of the Emergence Date, the GM-Related Parties shall be forever released by the Additional Releasing Parties from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever, which the Additional Releasing Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen, existing as of the Effective Date, in law, at equity, or otherwise, that are directly or indirectly related to any of the Delphi-Related Parties, including without limitation claims based in whole or in part upon any act or omission, transaction, agreement, event, action, or other occurrence taking place or failing to take place on or before the Effective Date related to (i) the Separation, (ii) any collective bargaining agreements to which any Delphi-Related Party is now or has been a party, (iii) any agreement or obligation related to any employees or former employees of the Delphi-Related Parties, (iv) the Chapter 11 Cases, or (v) the formulation, preparation, negotiation, dissemination, confirmation, or consummation (but not performance) of the Plan, the Disclosure Statement, this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Warranty Settlement Agreement, or any contract, instrument, or other agreement or document created, modified, amended, or entered into in connection with any of the foregoing. The releases provided for in this section 4.01(c) shall include any and all claims that any of the Additional Releasing Parties have or would have been legally entitled to assert in its own right (whether individually or collectively) and shall be effective against any person or entity that would have been legally entitled to assert such claim derivatively or otherwise on behalf of any of the Additional Releasing Parties.

(d) Any Delphi Plan shall extend (and no modification or supplement thereto shall abrogate such extension) the releases set forth in section 4.01(a) and (b) of this Agreement through the Emergence Date.

(e) Effective as of the effective date of the UAW Benefit Guarantee Term Sheet, the GM-Related Parties shall be released by the UAW Releasing Parties as set forth in the UAW MOU.

(f) Effective as of the effective date of the IUE-CWA Benefit Guarantee Term Sheet, the GM-Related Parties shall be released by the IUE-CWA Releasing Parties as set forth in the IUE-CWA MOU.

(g) Effective as of the effective date of the USW Benefit Guarantee Term Sheet, the GM-Related Parties shall be released by the USW Releasing Parties as set forth in the USW MOUs.

(h) Effective as of the effective date of the IUOE, IBEW and IAM Benefit Guarantee Term Sheet, or any liabilities in connection with the IAM or such current or former employees, the GM-Related Parties shall be released by the IAM Releasing Parties as set forth in the IAM MOU.

(i) Effective as of the effective date of the IUOE, IBEW and IAM Benefit Guarantee Term Sheet, the GM-Related Parties shall be released by the IBEW Releasing Parties as set forth in the IBEW MOUs.

(j) Effective as of the effective date of the IUOE, IBEW and IAM Benefit Guarantee Term Sheet, the GM-Related Parties shall be released by the IUOE Releasing Parties as set forth in the IUOE MOUs.

(k) Effective as of the effective date of the Non-Represented Employees Term Sheet, the GM-Related Parties shall be released by the Non-Represented Employees Releasing Parties as set forth in the Non-Represented Employees Term Sheet.

(l) The Parties acknowledge that (x) the consideration provided by GM pursuant to this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, and the Warranty Settlement Agreement constitutes a substantial contribution to any Delphi Plan that is necessary to the success of any Delphi Plan, and (y) GM would not have made this contribution without the releases provided for in this Agreement and to be provided in any Delphi Plan. The Parties further acknowledge that nothing in the preceding sentence shall give rise to, or entitle GM to seek or be allowed, any claim against, or consideration from, any entity, including Delphi, other than as specifically approved by the Bankruptcy Court in the Confirmation Order and as agreed to by Delphi and GM in this Agreement.

Section 4.02 Release of Delphi-Related Parties and the Delphi Affiliate Parties.

(a) GM agrees that effective as of the Effective Date, the Delphi-Related Parties shall be forever released by the GM-Related Parties from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever (excepting only the GM Surviving Claims), which the GM-Related Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen, existing as of the Effective Date, in law, at equity, or otherwise, that are directly or indirectly related to any of the Delphi-Related Parties, including without limitation claims based in whole or in part upon any act or omission, transaction, agreement, event, action, or other occurrence taking place or failing to take place on or before the Effective Date related to (i) Separation, (ii) any collective bargaining agreements to which any Delphi-Related Party is now or has been a party, (iii) any agreement or obligation related to any employees or former employees of the Delphi-Related Parties, (iv) the Chapter 11 Cases, or (v) the formulation, preparation, negotiation, dissemination, confirmation, or consummation (but not performance) of any Delphi Plan, the Disclosure Statement, this Agreement, the Labor MOUs, the Non-Represented Employees Term

Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Warranty Settlement Agreement, or any contract, instrument, or other agreement or document created, modified, amended, or entered into in connection with any of the foregoing. The releases provided for in this section 4.02(a) shall include any and all claims that any of the GM-Related Parties have or would have been legally entitled to assert in its own right (whether individually or collectively) and shall be effective against any person or entity that would have been legally entitled to assert such claim derivatively or otherwise on behalf of any of the GM-Related Parties.

(b) GM agrees that effective as of the Effective Date, the Delphi Affiliate Parties shall be forever released by the GM-Related Parties from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever (excepting only the GM Surviving Claims), which the GM-Related Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen, (whether based in whole or in part upon any act or omission, transaction, agreement, event, action, or other occurrence taking place or failing to take place on or before the Effective Date, existing as of the Effective Date,) in law, at equity, or otherwise, that are related to (i) the Separation, (ii) any collective bargaining agreements to which any Delphi-Related Party is now or has been a party, (iii) any agreement or obligation related to any employees or former employees of the Delphi-Related Parties, (iv) the Chapter 11 Cases, (v) the formulation, preparation, negotiation, dissemination, confirmation, or consummation (but not performance) of any Delphi Plan, the Disclosure Statement, this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Warranty Settlement Agreement, or any contract, instrument, or other agreement or document created, modified, amended, or entered into in connection with any of the foregoing, or (vi) any obligation of the Delphi Affiliate Parties which is directly related to any obligation which is being released by GM pursuant to section 4.02(a) of this Agreement. The releases provided for in this section 4.02(b) include any and all claims that any of the GM-Related Parties have or would have been legally entitled to assert in its own right (whether individually or collectively) and shall be effective against any person or entity (including without limitation, any holder of a claim against or equity interest in any of the GM-Related Parties) that would have been legally entitled to assert such claim derivatively or otherwise on behalf of any of the GM-Related Parties.

(c) Without limiting any of the foregoing releases contained in Article IV, GM agrees that effective as of the Effective Date, Delphi and Delphi Canada Inc. shall be released by GM and General Motors of Canada Limited from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities which GM and General Motors of Canada Limited may have arising out of or related to the separation of leased employees from the Oshawa facility as contemplated in the Oshawa Labour and Management Services Agreement entered into as of May 1, 2000, by and among Delphi Canada Inc. and General Motors of Canada Limited.

Section 4.03 Surviving Claims.

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(a) Each release by a Delphi-Related Party or Delphi Affiliate Party of the GM-Related Parties pursuant to section 4.01 of this Agreement shall not release the GM-Related Parties from any claims arising in connection with the Ordinary Course Relationship, the Continuing Agreements, any rights, remedies, claims, or interests arising under agreements entered into between the Parties subsequent to the execution of this Agreement, and rights, remedies, claims, or interests that such Delphi-Related Party or Delphi Affiliate Party may be expressly receiving or expressly retaining pursuant to this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the IP License, the Liquidity Support Agreement or the Warranty Settlement Agreement on or after the Effective Date (collectively, the “Delphi Surviving Claims”).

(b) (i) Each GM-Related Party’s release of the Delphi-Related Parties or Delphi Affiliate Parties pursuant to section 4.02 of this Agreement and the Plan shall not release (A) the Delphi-Related Parties from: (1) claims that arose in connection with the Ordinary Course Relationship; provided, however, that asserted claims arising from an Ordinary Course Relationship that are specifically identified in Section II of the GM Proof of Claim shall not survive except those in an amount that shall not exceed \$8,000,869.04 in the aggregate for all such claims; provided further, however, that any payments by Delphi to GM with respect to any such claims shall be subject to either the Parties reaching agreement with respect to the issues related thereto or a judicial determination requiring Delphi to make such payments; (2) claims arising in connection with the Financial Services Supply Agreement and the Energy Services Agreement that are specifically identified in Sections III (b) and (c) of the GM Proof of Claim, which shall be deemed an allowed claim in the amount of \$448,245.28 for all such claims and shall be paid in full in cash on the Effective Date; (3) claims that arose in connection with the Assignment and Assumption Agreement – Industrial Revenue Bonds (as defined in the Restructuring Agreement) that are specifically identified in Section XII(b) of the GM Proof of Claim; provided, however, that any payments by Delphi to GM with respect to any such claims shall be subject to either the Parties reaching agreement with respect to the issues related thereto or a judicial determination requiring Delphi to make such payments; (4) claims asserted in Section XI of the GM Proof of Claim with respect to tax matters; provided further, however, that any payments by Delphi to GM with respect to any such claims shall be subject to either the Parties reaching agreement with respect to the issues related thereto or a judicial determination requiring Delphi to make such payments; and (5) any postpetition claims arising under Continuing Agreements or pursuant to the Ordinary Course Relationship, (B) the Delphi Affiliate Parties from any claims arising in connection with the Continuing Agreements or the Ordinary Course Relationship, provided that such claims as are identified in the GM Proof of Claim shall also be released with respect to the Delphi Affiliate Parties except to the extent that such parties are also liable for claims in the GM Proof of Claim described in subsections (A)(1), (3), (4) and (5) above but such liability shall not increase the aggregate claims cap established in (A)(1) above, (C) any rights, remedies, claims, or interests that such GM-Related Party may be expressly receiving or expressly retaining pursuant to the Plan, this Agreement, the Labor MOUs, the Non-Represented Employees Term Sheet, the IP License, the Liquidity Support Agreement or the Warranty Settlement Agreement, or (D) any rights, remedies, claims, or interests arising under agreements entered into between the Parties subsequent to the

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execution of this Agreement (collectively, the “GM Surviving Claims”) and (ii) the Plan and Confirmation Order shall expressly provide that the GM Surviving Claims are reinstated pursuant to Bankruptcy Code section 1124 and are not discharged pursuant to the Plan or the Confirmation Order subject to the subsequent allowance of the surviving portion of the GM Proof of Claim as to which the rights of the Delphi-Related Parties and Delphi Affiliate Parties are reserved.

Section 4.04 Consideration to be Received by GM.

(a) In connection with the transfer of certain pension assets and liabilities set forth in Section 2.03(c) hereof, GM shall receive the following consideration.

(i) Upon the occurrence of the First Transfer Date and completion of the First Net Liability Transfer, GM shall receive an allowed administrative expense claim under section 503(b) of the Bankruptcy Code in an amount equal to 77.5% of the First Net Liability Transfer; provided, however, that in no event shall such amount be less than \$1.6275 billion or greater than \$1.86 billion (the “First Net Liability Transfer Claim”).

(ii) Upon the occurrence of the Second Transfer Date and completion of the Second Net Liability Transfer, GM shall receive an allowed administrative expense claim under section 503(b) of the Bankruptcy Code in an amount equal \$2.055 billion less the amount of the First Liability Transfer Claim (the “Second Net Liability Transfer Claim”).

(b) Upon the occurrence of the Effective Date, GM shall receive an allowed general unsecured claim in the amount of \$2.5 billion (the “GM Unsecured Claim”); provided, however, that GM shall receive no distribution on such claim unless and until other holders of general unsecured claims (exclusive for all purposes of this section 4.04(b) of holders of TOPrS Claims, as defined in the 2007 Plan), shall have received distributions equal in value to 20% of such holders’ allowed general unsecured claims, the amount of such distributions to be based on the equity value of reorganized Delphi as set forth in the Disclosure Statement and such distribution to be determined exclusive of participation by such holders in any rights offering or similar undertaking. Once the other holders of general unsecured claims have received distributions equal to 20% of their allowed general unsecured claims exclusive of any value received as a result of participation by such holders in any rights offering or similar undertaking, GM shall receive any and all distributions on account of the GM Unsecured Claim until the value of such distributions is equal to 20% of the GM Unsecured Claim. Thereafter, the GM Unsecured Claim shall be *pari passu* with all other allowed general unsecured claims.

(c) If the GSA Consummation Date occurs and substantially all of the Debtors’ core businesses are revested in the reorganized Debtors, any distributions to GM as set forth in subsection (a) or (b) of this section 4.04 shall be in convertible preferred stock in reorganized Delphi, the material terms of which are set forth in Exhibit F; provided, however, that it is a condition to GM receiving such preferred stock in lieu of payment of the administrative expense claim referred to in subsection (a) of this section 4.04 and the GM Unsecured Claim that exit financing for such plan of reorganization not exceed \$3 billion (plus a

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revolving credit facility) and that there be no equity securities issued pursuant to any Plan that are senior to or *pari passu* with the preferred stock issued to GM as provided hereunder.

(d) GM consents to, and hereby irrevocably waives its right to object to, any Delphi Plan that would, if confirmed and implemented, satisfy the definition of "GSA Consummation Date" in this Agreement.

(e) The consideration to be received by GM pursuant to this section 4.04 and the survival of the GM Surviving Claims shall be in (i) satisfaction of all claims asserted or assertable under sections 501, 502, 503, 506, and 507 of the Bankruptcy Code or otherwise by the GM-Related Parties against the Debtors in the Chapter 11 Cases or in any subsequent liquidation under Chapter 11 or Chapter 7 of the Bankruptcy Code, including those asserted in the GM Proof of Claim, and (ii) settlement of the GM Proof of Claim.

ARTICLE V IMPLEMENTATION

Section 5.01 **Bankruptcy Court Filing**. As soon as practicable following the execution of this Agreement and the Restructuring Agreement, the Debtors shall file a motion in the Bankruptcy Court for an order approving this Agreement and authorizing the Debtors to take any and all actions in furtherance thereof.

Section 5.02 **Reasonable Best Efforts**. Each Party shall use its reasonable best efforts to satisfy the conditions precedent to the effectiveness of this Agreement, as set forth in Article VI hereof; it being understood, however, that neither Party shall be obligated to pay any money or provide any other consideration not otherwise expressly required by this Agreement in order to obtain any third party consent or agreement that is necessary for such effectiveness to occur.

Section 5.03 **Actions Concerning Complaint Filed Under Seal**. Within ten (10) business days following the satisfaction or waiver by both Parties of all conditions to the effectiveness of this Agreement, the Debtors shall withdraw with prejudice the Debtors' complaint against GM filed under seal on October 5, 2007.

Section 5.04 **Delphi Plan Requirements**. Any Delphi Plan shall (A) provide for (i) the consideration to be received by GM as set forth in section 4.04 hereof and (ii) all releases described in section 4.01 hereof, and (B) contain provisions clarifying that to the extent of any inconsistency between the terms of the Delphi Plan and this Agreement (solely as to the subject matters addressed in this Agreement), the terms of this Agreement will govern.

ARTICLE VI CONDITIONS TO EFFECTIVENESS

Section 6.01 **Conditions to Effectiveness**. The provisions of this Agreement, except for the provisions in sections 5.01 and 5.02 hereof (which shall become effective upon

execution of this Agreement), shall become effective upon the occurrence of all of the following events unless waived by consent of the Parties:

(a) The Bankruptcy Court shall have entered by September 29, 2008 an order, in form and substance substantially similar to the form of order attached hereto as **Exhibit D**, approving this Agreement, and such order shall not have been stayed, reversed, or modified by the time this Agreement would otherwise have gone effective; and

(b) The delivery to each of Delphi and GM on or prior to 3:00 p.m. EDT on September 28, 2008 of effective modifications or amendments or agreements or consents, in writing and in forms reasonably acceptable to Delphi and GM, from enough Unions to complete the First Net Liability Transfer; provided, however, that no delivery by a Union to GM or Delphi hereunder shall be effective unless such agreement explicitly and unconditionally authorizes the occurrence of the 414(l) transfer as set forth herein, the freeze of the Delphi HRP, the cessation of OPEB and the contemporaneous effectiveness of releases on behalf of the GM-Related Parties and Delphi-Related Parties as contained in the respective Benefit Guarantee Term Sheets;

provided, however, that no statute, rule or regulation or order, judgment or decree of any court or administrative agency or other governmental entity shall be in effect which prohibits the consummation of one or more of the transactions to be consummated under this Agreement, unless such transaction is severed pursuant to section 7.21 hereof; provided further, however, that the substantial majority of all assets, whether real or personal, used to produce any products pursuant to GM Purchase Orders shall be owned or leased by DAS (other than tooling owned by GM) and all obligations pursuant to the GM Purchase Orders shall be the responsibility of DAS. GM irrevocably consents to the performance of the GM Purchase Orders by DAS and any Delphi-Related Party that is directly or indirectly wholly-owned by Delphi, as directed by DAS; provided, however, that any change of the location of production shall require GM's prior written consent. Regardless of whether the transaction is severed, each of the Parties shall use reasonable efforts to prevent the entry of, and to appeal promptly, any injunction or other order prohibiting one or more of the transactions to be consummated under this Agreement.

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ARTICLE VII
MISCELLANEOUS

Section 7.01 **Resolution of Pending Setoff Issues.** On the MNS-2 payment date immediately following the Effective Date, GM shall pay to Delphi the aggregate amount of all outstanding Delphi invoices related to tooling procured by Delphi in accordance with GM Purchase Orders, for which GM has withheld payment due to outstanding prepetition amounts due to Delphi's sub-suppliers, including the invoices set forth on **Exhibit C** to this Agreement, provided that Delphi (i) confirms, in writing, GM's ownership of the applicable tooling free and clear of liens, claims and encumbrances, and (ii) agrees to indemnify and hold GM harmless from and against any liens, claims and encumbrances with respect to the applicable tooling.

Section 7.02 **No Undisclosed Agreements or Commitments.** There are no undisclosed agreements or commitments between or among the Parties regarding matters subject to the terms of this Agreement.

Section 7.03 **Termination.** This Agreement may be terminated and the transactions contemplated hereby may be abandoned as follows:

- (a) by mutual written consent of both Delphi and GM; or
- (b) by either GM or Delphi if the Effective Date has not occurred by September 29, 2008.

Section 7.04 **No Offset.** Notwithstanding anything to the contrary contained in this Agreement, the Parties' payment obligations under this Agreement are absolute and unconditional and will not be subject to any offset (except as expressly set forth in (i) the proviso below or (ii) the Liquidity Support Agreement) or defense of any nature whatsoever including upon a breach by Delphi or any of its Affiliates or GM or any of its Affiliates, as applicable, of any of their obligations under this Agreement or any other agreement; provided, however, that any payments by GM pursuant to this Agreement shall be subject to GM's right to offset all or part of such payment from any future amounts GM owes Delphi under this Agreement only if (i) agreed upon by GM and Delphi or (ii) GM determines that it made an overpayment of any amount paid pursuant to this Agreement and GM and Delphi are unable to resolve GM's claim for such amounts pursuant to the applicable dispute resolution provisions of this Agreement and GM provides Delphi with five (5) days' written notice before implementing such offset; provided further, however, that if it is judicially determined that GM did not have the right to offset such amount, GM shall pay Delphi such amount plus interest accruing on such amount from the date of setoff through the repayment date at the rate of 7.5% per annum. Neither this section 7.04 nor any other provision of this Agreement shall prohibit, restrict, or limit in any way the application of GM's contractual rights of setoff arising under any GM Purchase Order pursuant to GM's standard purchase order terms and conditions against other obligations arising under any GM Purchase Orders or agreements other than this Agreement.

Section 7.05 **Governing Law; Jurisdiction; Venue.** This Agreement shall be governed and construed in accordance with the internal laws of the State of New York, the forum

state in which the Bankruptcy Court sits, without regard to any conflict of law provision that could require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each Party hereby irrevocably and unconditionally agrees that the Bankruptcy Court shall retain exclusive jurisdiction over all matters related to the construction, interpretation or enforcement of this Agreement; provided, however, that the Bankruptcy Court shall not have jurisdiction over (i) disputes arising out of the provisions set forth in Article III of the Restructuring Agreement or the agreements referenced in sections 5.01(c) and (d) of the Restructuring Agreement, or (ii) disputes arising out of agreements between any Delphi-Affiliate Party on the one hand and GM or any of its Affiliates on the other in which disputes no Delphi-Related Party has an interest; and provided further that after the second anniversary of the Effective Date, the Bankruptcy Court shall retain non-exclusive jurisdiction over all matters related to the construction, interpretation or enforcement of this Agreement; and provided further that the jurisdiction of the Bankruptcy Court over all matters related to this Agreement shall terminate upon the fourth anniversary of the Effective Date. Each Party further agrees to waive any objection based on forum non conveniens.

Section 7.06 **Dispute Resolution**. In the event a Settlement Dispute arises among the Parties, upon the written request of either Party, such Settlement Dispute shall be referred to the Director of Business Development at GM and the Finance Director of Automotive Holdings Group or the Director, Strategic Planning at Delphi (at Delphi's discretion) for resolution in good faith. In the event that GM's Director of Business Development and Delphi's Finance Director of Automotive Holdings Group or the Director, Strategic Planning are unable to resolve such dispute, such Settlement Dispute shall be referred, at either Party's written request, to the Assistant Treasurer of GM and the Assistant Treasurer or Treasurer of Delphi (at Delphi's discretion). If within ten (10) days after such referral, GM's Assistant Treasurer and Delphi's Assistant Treasurer or Treasurer are unable to resolve the Settlement Dispute, the Settlement Dispute may be elevated by either Party to GM's Treasurer or Chief Financial Officer (at GM's discretion) and Delphi's Chief Executive Officer or Chief Financial Officer (at Delphi's discretion) for resolution. To the extent that the job title of any of the foregoing positions is changed, this section 7.06 shall be deemed to apply to such successor title or, if the position is eliminated or vacated, to the job title of the party taking over the responsibility of the eliminated or vacated position.

Section 7.07 **Joint Communication Program**. Delphi and GM shall work together to develop and implement a joint communication plan with respect to the subject matter of this Agreement.

Section 7.08 **No Solicitation**. Each Party acknowledges that this Agreement is not and shall not be deemed to be a solicitation to accept or reject a plan in contravention of Bankruptcy Code section 1125(b). Each Party further acknowledges that no securities of any Debtor are being offered or sold pursuant to this Agreement and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of any Debtor.

Section 7.09 **Negotiations Not Admissible**. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto are not admissible into evidence in any proceeding; provided, however, that this Agreement may be admissible in a proceeding to enforce the terms of this Agreement.

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Section 7.10 **Specific Performance.** Each Party acknowledges that the other Party would be irreparably damaged if this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, each Party shall be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms of this Agreement in addition to any other remedy to which the Parties may be entitled, at law, in equity or under this Agreement.

Section 7.11 **Representations and Warranties of the Debtors and GM.** Each Party represents and warrants, as to itself only (other than Delphi which represents and warrants on behalf of itself and the other Debtors), to the other Parties, that the following statements, as applicable to it, are true, correct, and complete as of the date of this Agreement:

(a) It is duly organized, validly existing, and in good standing under the laws of its state of organization and has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder;

(b) The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate action on its part; provided, however, that the Debtors' authority to enter into this Agreement is subject to Bankruptcy Court approval;

(c) This Agreement has been duly executed and delivered by it and constitutes its legal, valid, and binding obligation, enforceable against it and all of the parties for whom it signed this Agreement in accordance with the terms hereof, subject to satisfaction of all conditions set forth in Article VI of this Agreement; and

(d) The execution, delivery, and performance by it (when such performance is due) of this Agreement do not and shall not (i) violate any current provision of law, rule, or regulation applicable to it or any of its subsidiaries or its certificate of incorporation or bylaws or other organizational documents or those of any of its subsidiaries or (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

Section 7.12 **Waiver; Modification; Amendment.** Except as otherwise specifically provided herein, this Agreement may not be modified, waived, amended or supplemented unless such modification, waiver, amendment or supplement is in writing and has been signed by each Party. No waiver of any of the provisions of this Agreement shall be deemed or constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall any waiver be deemed a continuing waiver.

Section 7.13 **Binding Effect; Assignments.** This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, administrators, and representatives. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement shall be sold, assigned, or otherwise transferred by any Party without the prior written consent of the other Parties; provided, however, that neither the foregoing nor any other provision of this Agreement shall limit (i) any assignment in connection with the transfer of all or substantially all of the assets of Delphi and its Affiliates or (ii) any assignment not reasonably

expected to have a material impact on GM, on the benefits GM reasonably is expected to receive under this Agreement, or on the ability of the Debtors to fulfill any obligations to any GM-Related Parties under this Agreement, or any agreements assumed, reinstated, or ratified under the Restructuring Agreement.

Section 7.14 **Third Party Beneficiaries.** Except as otherwise provided in Article IV hereof with respect to releases of GM-Related Parties, Delphi-Related Parties and Delphi Canada Inc., nothing contained in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any person or entity other than the Parties hereto, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third party to any Party to this Agreement, nor shall any provision give any third party any right of subrogation or action over or against any Party to this Agreement.

Section 7.15 **Notices.** All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given (and shall be deemed to have been duly given upon receipt) if delivered personally, mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to Debtors:

Delphi Corporation
5725 Delphi Drive
Troy, Michigan 48098
Attn: John D. Sheehan
David M. Sherbin, Esq.
Sean P. Corcoran, Esq.

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606-1285
Attn: John Wm. Butler, Jr., Esq.
Ron E. Meisler, Esq.

and

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: Eric L. Cochran, Esq.
Kayalyn A. Marafioti, Esq.

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If to GM:

General Motors Corporation
767 Fifth Avenue
14th Floor
New York, New York 10153
Attn: Director of Business Development

and

General Motors Corporation
300 GM Renaissance Center
Detroit, Michigan 48265
Attn: General Counsel

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Jeffrey L. Tanenbaum, Esq.
Michael P. Kessler, Esq.
Robert J. Lemons, Esq.

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Rejection, any refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

Section 7.16 **Waiver of Right to Trial by Jury**. Each Party waives any right to trial by jury in any proceeding arising under or related to this Agreement.

Section 7.17 **Service of Process**. Each Party irrevocably consents to the service of process in any legal proceeding arising out of this Agreement by receipt of mailed copies thereof by national courier service or certified United States mail, postage prepaid, return receipt requested, to its applicable registered agent. The foregoing, however, shall not limit the right of a Party to effect service of process on the other Party by any other legally available method.

Section 7.18 **Interpretation**.

(a) In the event of any conflict between this Agreement and any of the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the Warranty Settlement Agreement, and the IP License, the provisions of such documents other than this Agreement shall govern.

(b) Reserved.

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(c) Any reference herein to any section of this Agreement shall be deemed to include a reference to any exhibit, attachment or schedule referred to within such section.

(d) All references to “\$” and dollars shall refer to United States currency.

(e) Consistent with Bankruptcy Rule 9006(a), if the due date for any action to be taken under this Agreement (including the delivery of notices) is not a business day, then such action shall be considered timely taken if performed on or prior to the next business day following such due date. Any reference to “days” in this Agreement shall mean calendar days unless otherwise specified.

Section 7.19 **Expenses.** Notwithstanding anything else contained in this Agreement, each Party shall bear all costs and expenses incurred or to be incurred on or after the GSA Consummation Date by such Party in connection with this Agreement and the consummation and performance of the transactions contemplated hereby.

Section 7.20 **Entire Agreement; Parties’ Intentions; Construction.** This Agreement, including all agreements incorporated by reference herein (e.g., the Labor MOUs, the Non-Represented Employees Term Sheet and the Transaction Facilitation Agreement (as defined in the Restructuring Agreement)) and the Confidentiality and Non-Disclosure Agreement between GM and Delphi dated September 12, 2005, as amended, constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all prior agreements, whether oral or written, with respect to such subject matter other than with respect to the agreements expressly assumed, ratified or reinstated in Article V of the Restructuring Agreement. The attachments and exhibits attached hereto are an integral part of this Agreement and are hereby incorporated into this Agreement and made a part hereof as if set forth in full herein. This Agreement is the product of negotiations between the Parties and represents the Parties’ intentions. In any action to enforce or interpret this Agreement, this Agreement shall be construed in a neutral manner, and no term or provision of this Agreement, or this Agreement as a whole, shall be construed more or less favorably to any Party.

Section 7.21 **Severability.** If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or unenforceable in any respect, the Parties shall negotiate in good faith to modify this Agreement to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 7.22 **Headings.** The table of contents and the headings of the Articles and sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

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Section 7.23 **Affiliates**. Any order entered by the Bankruptcy Court approving this Agreement shall provide that the Affiliates of GM and Delphi are deemed to have acknowledged and shall be bound by the terms hereof. GM and Delphi further agree to commercially reasonable efforts to cause their respective Affiliates to sign an acknowledgement agreeing to be bound by the terms hereof.

Section 7.24 **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement. Electronic delivery of an executed signature page of this Agreement shall be effective as delivery of a manually executed signature page of this Agreement.

[Signature pages follow.]
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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed and delivered by their respective, duly authorized officers, all as of the date first written above.

DELPHI CORPORATION,
including on behalf of its Debtor subsidiaries and Debtor
Affiliates

GENERAL MOTORS CORPORATION

By: _____
Name: John D. Sheehan
Title: Vice President, Chief Restructuring
Officer

By: _____
Name: Frederick A. Henderson
Title: President and Chief Operating
Officer

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Exhibit A
Master Restructuring Agreement

Exhibit B
PHI Protection Agreement

Exhibit C
**Amount of Outstanding Delphi Invoices for which GM Has Withheld Payment Due To
Outstanding Prepetition Activities**

Exhibit D
**Form of Order Authorizing And Approving Global Settlement Agreement and Master
Restructuring Agreement**

Exhibit E
**Letter Agreement dated May 12, 2008 Among Delphi and GM Regarding Procedure for
Payment of Buy-Down Payments**

Exhibit F
Summary of Terms of Series D Preferred Stock

**AMENDED AND RESTATED
MASTER RESTRUCTURING AGREEMENT
BETWEEN
DELPHI CORPORATION
AND
GENERAL MOTORS CORPORATION
DATED SEPTEMBER 12, 2008**

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Exhibit 5.01(b)(ii)	Letter agreement dated March 4, 1999 between Delphi and GM concerning certain asbestos liability, as supplemented by letter agreement dated May 10, 1999 between Delphi and GM
Exhibit 5.01(b)(iii)	Investment Tax Credit Transfer Agreement dated December 8, 2000 between Delphi Automotive Systems Corporation (n/k/a Delphi) and GM
Exhibit 5.01(b)(iv)	Management Services Agreement dated September 19, 2002, as amended, among Delphi Corporation and General Motors Management Corporation, Delphi Mechatronic Systems, Inc., Packard-Hughes Interconnect Company and ASEC

Exhibit 5.01(b)(v)	Manufacturing Battery Facilitation Agreement — Transaction Summary dated as of March 21, 2005 between Delphi and GM
Exhibit 5.01(b)(vi)	Agreement dated as of June 3, 2005 between Delphi and GM concerning certain matters related to Collins & Aikman Corporation
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AMENDED AND RESTATED MASTER RESTRUCTURING AGREEMENT

This Amended and Restated Master Restructuring Agreement (including all exhibits and attachments hereto, the “Agreement”) is entered into as of September 12, 2008, by and between Delphi Corporation (“Delphi”) and General Motors Corporation (“GM”). Each of Delphi and GM is referred to herein individually as a “Party,” and collectively, as the “Parties.” As used herein, the phrases “this Agreement,” “hereto,” “hereunder,” and phrases of like import shall mean this Agreement.

RECITALS

WHEREAS, on October 8, 2005 and October 14, 2005, the Debtors commenced the Chapter 11 Cases in the Bankruptcy Court for the purpose of restructuring their businesses and related financial obligations pursuant to an overall transformation strategy (the “Transformation Plan”) that would incorporate the following structural components:

- (i) Modification of Delphi’s labor agreements;
- (ii) Allocation of responsibilities between Delphi and GM concerning (a) certain legacy obligations, including various pension and other post-employment benefit obligations; (b) costs associated with the transformation of the Debtors’ business (including the provision of financial and other forms of support by GM in connection with certain businesses that Delphi shall retain and certain businesses that Delphi intends to sell or wind down); (c) the restructuring of ongoing contractual relationships; and (d) the amount and treatment of GM’s claims in the Chapter 11 Cases;
- (iii) Streamlining of Delphi’s product portfolio to capitalize on its world-class technology and market strengths and making the necessary manufacturing alignment with Delphi’s new focus;
- (iv) Transformation of Delphi’s salaried work force in keeping with a sustainable cost structure and streamlined product portfolio; and
- (v) Resolution of Delphi’s pension issues.

WHEREAS, the Parties have an extensive commercial relationship and an intertwined corporate and organizational history which has given rise to certain alleged claims and causes of action. Prior to 1999, GM operated Delphi’s businesses through various divisions and subsidiaries. Delphi was incorporated as a wholly owned subsidiary of GM in 1998. Effective January 1, 1999, GM transferred the assets and liabilities of certain divisions and subsidiaries to Delphi in accordance with the terms of a Master Separation Agreement between Delphi and GM. GM remains Delphi’s single largest customer, and Delphi is GM’s single largest supplier. Accordingly, resolution of the issues identified in clause (ii) of the first Recital is critical to the success of Delphi’s restructuring and vitally important to GM.

WHEREAS, the Parties entered into that certain Master Restructuring Agreement dated September 6, 2007 and amended December 7, 2007 (the “Original Restructuring Agreement”) and that certain Global Settlement Agreement dated as of September 6, 2007 and amended as of December 7, 2007 (together with the Original Restructuring Agreement, the “Original Agreements”) to settle various disputes and compromise claims.

WHEREAS, the Effective Date (as defined in each of the Original Agreements) has not occurred.

WHEREAS, subject to the requirements of Bankruptcy Rule 9019, the Parties have determined to settle various disputes and compromise certain claims as provided by two principal agreements that will replace the Original Agreements: (i) the Settlement Agreement and (ii) this Agreement (which is an exhibit to the Settlement Agreement and incorporated in its entirety by reference therein). The Settlement Agreement (including this Agreement) provides that the Parties shall perform the obligations set forth therein, financial or otherwise, in exchange for, among other things, the mutual releases of the Parties, their subsidiaries and Affiliates, and various third parties from all claims and causes of action other than as specified in the Settlement Agreement.

WHEREAS, the Settlement Agreement (other than this Agreement) addresses primarily those matters for which the Parties have agreed upon resolutions that can be implemented in the short term. Accordingly, most obligations set forth in the Settlement Agreement (other than this Agreement) are to be performed upon, or as soon as reasonably practicable after, the occurrence of the Effective Date. By contrast, resolution of most of the matters addressed in this Agreement shall require a significantly longer period that shall extend for a number of years after confirmation of a Delphi Plan. Performance of the obligations set forth in this Agreement is critical to the successful implementation of the Debtors’ Transformation Plan and is also vitally important to GM.

WHEREAS, GM will work cooperatively with Delphi in good faith to address issues relating to competitiveness at the UAW Keep Facilities after the expiration of the current collective bargaining agreements referenced in the applicable Labor MOUs.

WHEREAS, the effectiveness of this Agreement is conditioned on the approval of the Bankruptcy Court and the satisfaction of other conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, and subject to the terms and conditions hereof, the Parties, intending to be legally bound, hereby agree that the Original Restructuring Agreement is hereby amended and restated to read as follows:

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ARTICLE I
DEFINITIONS

Section 1.01 “401K Matching” shall mean cash paid by Delphi related to company match of employee contributions to employee retirement accounts pursuant to the applicable collective bargaining agreement, to hourly employees during the time period included in calculating the Labor Cost Amount.

Section 1.02 “Access Agreement” shall have the meaning ascribed to such term in Section 6.01 of this Agreement.

Section 1.03 “Active Basic Life Insurance” shall mean Basic Life Insurance, as defined in the applicable collective bargaining agreement, expenses accrued by Delphi to fund cash reserves maintained by METLife (or any other basic life insurance provider used by Delphi), with respect to hourly employees during the time period included in calculating the Labor Cost Amount.

Section 1.04 “Actual Applicable Labor Reimbursement Percentage” shall be calculated (i) for the calendar years 2008 through 2014, by (x) subtracting from the aggregate net sales across all the UAW Keep Facilities for a given calendar year the greater of zero or the excess, if any, of the Non-GM Business during such calendar year over the Approved Annual Amount, (y) dividing the remainder by the aggregate net sales across the UAW Keep Facilities for such calendar year, and (z) multiplying the quotient by 100 (i.e., (annual net sales — (the greater of zero or (Non-GM Business minus Approved Annual Amount))/ annual net sales) x 100); and (ii) for the calendar year 2015, by (x) subtracting from the aggregate net sales across all the UAW Keep Facilities from January 1, 2015 through September 14, 2015 the greater of zero or the excess, if any, of the Non-GM Business during such period over the Approved Annual Amount, (y) dividing the remainder by the aggregate net sales across the UAW Keep Facilities from January 1, 2015 through September 14, 2015, and (z) multiplying the quotient by 100.

Section 1.05 “Actual Pre-Effective Date Subsidy” shall have the meaning ascribed to such term in section 4.01(b)(i) of this Agreement.

Section 1.06 “Additional Labor Reimbursement” shall mean reimbursement of Delphi’s actual costs for Disability/Sickness & Accident, Supplemental Unemployment Benefits, Severance and Post 2009 Workers’ Compensation incurred after January 1, 2009 for Delphi’s UAW represented hourly active and inactive (current and former) employees at all UAW facilities based on work performed by such employees regardless of when such liability arose, it being understood and agreed that the Additional Labor Reimbursement is in addition to (but not duplicative of) reimbursement of Excess Labor Costs and Production Cash Burn and that the items which are included in both Additional Labor Reimbursement and Excess Labor Costs or Production Cash Burn shall continue as part of the Additional Labor Reimbursement at such time as they are no longer payable as part of Excess Labor Costs or Production Cash Burn.

Section 1.07 “Adjusted Sale Proceeds” shall mean the amount of the Sale Proceeds from the sale of any of the Sale Businesses following and taking into account any post-closing adjustments related to Net Working Capital, future gainsharing mechanisms or any other adjustments provided for in any purchase agreement between Delphi and the buyer; provided that Delphi shall use commercially reasonable efforts to mitigate any unfavorable post-closing adjustments.

Section 1.08 “Adjustment Determination Date” shall mean(a) the date or dates determination of any post-closing adjustments to the Sale Proceeds, including payments relating to any gainsharing mechanism, should be known or can be determined, or (b) 30 days after any measurement or reassessment date of Net Working Capital.

Section 1.09 “Adjustment Payment Calculation” shall have the meaning given in Section 4.04(i).

Section 1.10 “Adjustment Payment Date” shall mean the date that is 30 days after Delphi’s delivery of an Adjustment Payment Calculation.

Section 1.11 “Administrative Costs — National Benefit Center” shall mean accruals to fund a reserve to make cash payments by Delphi for administrative services provided for hourly employee benefit plans as applied to employees by the National Benefit Center for the period to which the calculation of the Labor Cost Amount applies.

Section 1.12 “Adrian Facility” shall mean the facility located at 1450 East Beecher Street, Adrian, Michigan 49221.

Section 1.13 “Affiliates” shall mean, with respect to any entity, any other entity directly or indirectly, controlling, controlled by or under direct or indirect common control with such entity.

Section 1.14 “Agreement” shall have the meaning ascribed to such term in the Preamble of this Agreement.

Section 1.15 “Anaheim Facility” shall mean the facility located at 1201 North Magnolia Avenue, Anaheim, California 92801.

Section 1.16 “Anderson Facility” shall mean the facility located at 2620 East 38th Street, Anderson, Indiana 46016.

Section 1.17 “Applicable Hours” shall mean the actual hours worked and estimated month end hours accrued consistent with current payroll processes for all active hourly employees (including straight time and overtime temporary employees, but excluding PRP Employees and employees in JOBs banks or on layoff or leaves) of Delphi at all Delphi Facilities for which Delphi is eligible to receive the labor reimbursement pursuant to section 4.01 hereof during any period referred to in section 4.01(c) hereof; provided, however, that hours worked by hourly employees of Delphi the cash expenditures in respect of which are not included in the definition of Labor Cost Amount shall not be Applicable Hours.

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Section 1.18 “Applicable Labor Reimbursement Percentage” shall mean (a) for any calendar month during the calendar year 2008, 100%; and (b) for any calendar month during the calendar years 2009 through 2015, the Actual Applicable Labor Reimbursement Percentage for the immediately preceding calendar year.

Section 1.19 “Applicable Production Cash Burn Percentage” shall mean (x) for any month during which net sales to GM and GM’s direct and indirect tiered suppliers for GM production are 95% or more of such Support Facility’s total net sales, 100%; (y) for any month during which net sales to GM and GM’s direct and indirect tiered suppliers for GM production are less than 95% of such Support Facility’s total net sales and such Support Facility has net sales to any other customer, the GM Percentage (as defined below); and (z) for any month in which a Support Facility has no net sales to any customer, the percentage that applied to the last month in which such Support Facility had net sales to any customer. “GM Percentage” shall mean the percentage of a Support Facility’s total net sales comprised by net sales to GM and GM’s direct and indirect tiered suppliers for GM production; provided, however, that for the last two (2) months of GM production at any Support Facility, the GM Percentage shall be the Applicable Production Cash Burn Percentage applicable to the month immediately preceding the last two months of GM production at such Support Facility.

Section 1.20 “Applicable Workers’ Compensation” shall mean accrued expenses by Delphi for workers’ compensation claims related to workers’ compensation claims based on work performed on or after January 1, 2006, by hourly employees for the time period included in calculating the Labor Cost Amount.

Section 1.21 “Approved Annual Amount” shall mean (i) for calendar years 2008 through 2014, \$240 million, unless GM and Delphi have otherwise agreed in writing, and (ii) for the period commencing on January 1, 2015 and ending on September 14, 2015, \$170 million, unless GM and Delphi have otherwise agreed in writing.

Section 1.22 “Article III Dispute” shall have the meaning ascribed to such term in section 3.10 of this Agreement.

Section 1.23 “Assignment and Assumption Agreement — Industrial Revenue Bonds” shall have the meaning ascribed to such term in section 5.01(a)(vi).

Section 1.24 “Assumed Liabilities” shall have the meaning ascribed to such term on **Exhibit 1.24** to this Agreement.

Section 1.25 “Athens Facility” shall mean the facilities consisting of two buildings located on U.S. Highway 31 South, Athens, Alabama 35611.

Section 1.26 “Bankruptcy Code” shall mean the Bankruptcy Reform Act of 1978, as amended and codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as in effect on the Petition Date.

Section 1.27 “Bankruptcy Court” shall mean the United States Bankruptcy Court for the Southern District of New York or such other court as may have jurisdiction over the Chapter 11 Cases.

Section 1.28 “Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedure.

Section 1.29 “Base Monthly Warranty Level” shall have the meaning ascribed to such term in section 4.02(e) of this Agreement.

Section 1.30 “Bereavement Leave” shall mean cash paid by Delphi for paid time off for specified bereavement periods, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount.

Section 1.31 “Booked Business” shall have the meaning ascribed to such term in section 3.01(b) of this Agreement.

Section 1.32 “Business Closing Date” shall have the meaning set forth in section 4.06(a)(ii) of this Agreement.

Section 1.33 “Business Optionee” shall have the meaning set forth in section 4.06(a)(i) of this Agreement.

Section 1.34 “Business Optionees” shall have the meaning set forth in section 4.06(a)(i) of this Agreement.

Section 1.35 “Business Optionor” shall have the meaning set forth in section 4.06(a)(i) of this Agreement.

Section 1.36 “Business Outside Date” shall have the meaning set forth in section 4.06(a)(vi) of this Agreement.

Section 1.37 “Business Transaction” shall have the meaning set forth in section 4.06(a)(i) of this Agreement.

Section 1.38 “Brookhaven Facility” shall mean the facility located at 925 Industrial Park Road, Brookhaven, Mississippi 39601.

Section 1.39 “BTAB Process” shall have the meaning ascribed to such term in section 4.03(b) of this Agreement.

Section 1.40 “Cancellation Claims” shall have the meaning ascribed to such term in section 8.06(a) of this Agreement.

Section 1.41 “Capital Procurement Agreement” shall mean the Capital Procurement Agreement, dated June 5, 2007, between GM and Delphi.

Section 1.42 “Capital Procurement Payment” shall mean the amount due from Delphi to GM under that certain Capital Procurement Agreement dated June 5, 2007 pursuant to Delphi’s purchase of the New Tooling and Equipment (as defined in the Capital Procurement Agreement) from GM in connection with a sale of the Sandusky Business.

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Section 1.43 “Chapter 11 Cases” shall mean the cases commenced by the Debtors on October 8, 2005, and October 14, 2005, under the Bankruptcy Code in the Bankruptcy Court.

Section 1.44 “Clinton Facility” shall mean the facilities located at 1001 Clinton Industrial Park, Clinton, Mississippi 39056.

Section 1.45 “Closing Date” shall mean the date of closing of a sale of any of the Sale Businesses.

Section 1.46 “COLA” shall mean cash paid by Delphi for Cost of Living Allowance, as defined in the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount. The definition of the Labor Cost Amount shall not include COLA after it ceases to be paid under the applicable collective bargaining agreement.

Section 1.47 “Columbus Facility” shall mean the facility located at 200 Georgesville Road, Columbus, Ohio 43228.

Section 1.48 “Component Parts” shall have the meaning ascribed to such term in section 3.01(a) hereof.

Section 1.49 “Confirmation Order” shall mean the order entered by the Bankruptcy Court confirming the Plan under section 1129 of the Bankruptcy Code.

Section 1.50 “Contract Term” shall have the meaning ascribed to such term in section 3.01(b).

Section 1.51 “Contractual Savings” shall have the meaning ascribed to such term in section 3.01(e).

Section 1.52 “Contribution Date” shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.53 “Coopersville Facility” shall mean the facility located at 999 Randall Road, Coopersville, Michigan 49404.

Section 1.54 “DAS” shall mean Delphi Automotive Systems LLC, a Delaware limited liability company.

Section 1.55 “Debtors” shall mean Delphi Corporation and its subsidiaries and Affiliates operating as debtors and debtors-in-possession in the Chapter 11 Cases.

Section 1.56 “Delphi” shall have the meaning ascribed to such term in the Preamble of this Agreement.

Section 1.57 “Delphi Assets” shall mean all assets contributed or transferred to Delphi or its Affiliates at the Contribution Date.

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Section 1.58 “Delphi Automotive Systems Business” means the business conducted by the Delphi Automotive Systems Sector of GM at any time on or before the Contribution Date.

Section 1.59 “Delphi Material Impact” shall have the meaning ascribed to such term in section 8.03(e) of this Agreement.

Section 1.60 “Delphi Guaranty Parties” shall have the meaning ascribed to such term in section 8.03(a) of this Agreement.

Section 1.61 “Delphi Notice” shall have the meaning ascribed to such term in section 8.03(e) of this Agreement.

Section 1.62 “Delphi Parties” shall mean Delphi and any and all of its subsidiaries and Affiliates.

Section 1.63 “Delphi Plan” shall mean any Plan proposed or supported by Delphi.

Section 1.64 “Delphi Products” shall have the meaning ascribed to such term in section 5.09(a) of this Agreement.

Section 1.65 “Delphi-Related Parties” shall mean the Debtors, the estates of the Debtors as created under Bankruptcy Code section 541, the Delphi Hourly-Rate Employees Pension Plan, the Delphi Health Care Program for Hourly Employees, the Delphi Life and Disability Benefits Program for Hourly Employees, any other Delphi pension or welfare benefit plan, and each of their respective current and former principals, officers, directors, agents, employees, advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities) in their respective capacities.

Section 1.66 “Delphi Retained Employment Liabilities” shall mean all liabilities and obligations relating to employees and former employees at the Employment Transfer Facilities arising from acts or events relating to employment occurring on or before the date the Employment Transfer takes place (regardless of when any related claim is made), all Delphi obligations under the UAW Benefit Guarantee Term Sheet, all accrued or vested pension benefits, all Delphi obligations for retired employees or employees who are PRP participants, all WARN Act notice obligations arising from the transactions contemplated in section 4.06 hereof, and all Delphi obligations under the SAP and SAP-T; provided, however, that Delphi Retained Employment Liabilities shall not include liabilities that have been assumed by GM with respect to any present or former Delphi employees pursuant to this Agreement or the Settlement Agreement. For the avoidance of doubt, obligations under Section 2.02(d) of the Settlement Agreement which are attributable to periods after the date the Employment Transfer takes place shall be assumed by the applicable Employment Party.

Section 1.67 “Delphi Supplier Cancellation Claims” shall have the meaning ascribed to such term in section 8.06(b) of this Agreement.

Section 1.68 “Delphi Suppliers” shall mean any and all entities that supply components, component systems, goods, or services to Delphi Parties.

Section 1.69 “Disability/Sickness & Accident” shall mean cash paid by Delphi for sickness and accident and accrued expense for extended disability, pursuant to the applicable collective bargaining agreement, to hourly employees during the time period included in calculating the Labor Cost Amount.

Section 1.70 “Dispute Resolution Termination Date” shall have the meaning ascribed to such term in section 8.03(e) of this Agreement.

Section 1.71 “DTI” shall have the meaning ascribed to such term in section 5.01(a)(i) hereof.

Section 1.72 “Effective Date” shall have the meaning ascribed to such term in 7.01 hereof.

Section 1.73 “Employer Taxes” shall mean cash paid by Delphi for state unemployment taxes, federal unemployment taxes, and social security taxes related to hourly employees for the time period included in calculating the Labor Cost Amount.

Section 1.74 “Employment Outside Date” shall have the meaning set forth in section 4.06(b)(i) of this Agreement.

Section 1.75 “Employment Party” shall have the meaning set forth in section 4.06(b)(i) of this Agreement.

Section 1.76 “Employment Transfer” shall have the meaning set forth in section 4.06(b)(i) of this Agreement.

Section 1.77 “Employment Transfer Facility” shall have the meaning set forth in section 4.06(b)(i) of this Agreement.

Section 1.78 “Encumbrance” shall mean: (i) with respect to the equity interests in the joint venture companies, any voting trust, shareholder agreement, proxy or other similar restriction; and (ii) with respect to any property or asset (including capital stock or other equity interests) any lien, charge, claim, pledge, security interest, conditional sale agreement or other title retention agreement, lease, mortgage, security interest, option or other encumbrance (including the filing of, or agreement to give, any financing statement under the Uniform Commercial Code of any jurisdiction or a similar law relating to security interests in and over personal property).

Section 1.79 “Environmental Matters Agreement” shall have the meaning ascribed to such term in section 5.01(a)(i) of this Agreement.

Section 1.80 “Excess Interiors Proceeds” shall mean an amount equal to (a) the Initial Sale Proceeds or Adjusted Sale Proceeds, as applicable, in connection with the sale of the Global Interiors & Closures Business, less (b) the lesser of (i) \$91 million and (ii) the Net Working Capital associated with the Global Interiors & Closures Business as of the Closing Date (to the extent included as part of the sale), and less (c) any Unrecovered Separation Costs; provided, however, that in no event shall the Excess Interiors Proceeds be less than zero.

Section 1.81 “Excess Labor Costs” shall mean (x) the product of the number of Applicable Hours multiplied by \$26 and subtracted from (y) the Labor Cost Amount.

Section 1.82 “Excess Sandusky Proceeds” shall mean an amount equal to (a) the Initial Sale Proceeds or Adjusted Sale Proceeds, as applicable, in connection with the sale of the Sandusky Business, less (b) the Capital Procurement Payment, less (c) the lesser of (i) \$35 million and (ii) the Net Working Capital associated with the Sandusky Business as of the Closing Date (to the extent included as part of the sale), and less (d) any Unrecovered Separation Costs; provided, however, that in no event shall the Excess Sandusky Proceeds be less than zero.

Section 1.83 “Excess Steering Proceeds” shall mean an amount equal to (a) the Initial Sale Proceeds or Adjusted Sale Proceeds, as applicable, in connection with the sale of the Global Steering Business, less (b) the lesser of (i) \$314.5 million and (ii) the Net Working Capital associated with the Global Steering Business as of the Closing Date (to the extent included as part of the sale), and less (c) any Unrecovered Separation Costs; provided, however, that in no event shall the Excess Steering Proceeds be less than zero.

Section 1.84 “Existing Agreements” shall have the meaning ascribed to such term in section 3.01(a) of this Agreement.

Section 1.85 “Financial Services Supply Agreement” shall have the meaning ascribed to such term in section 5.01(a)(iii) of this Agreement.

Section 1.86 “Fitzgerald Facility” shall mean the facility located at 342 Perry Road, Fitzgerald, Georgia 31750.

Section 1.87 “Flint East Facility” shall mean the facility located at 1300 Dort Highway, Flint, Michigan 48558.

Section 1.88 “Flint West Facility” shall mean the facility located at North Chevrolet Avenue, Flint, Michigan 48555.

Section 1.89 “Footprint Facilities” shall mean the UAW Footprint Facilities and the Kettering Facility.

Section 1.90 “Global Interiors & Closures Business” shall mean the properties, assets, rights, titles and interests owned by Delphi and its Affiliates that are primarily used or held for use in their global latches and door modules, cinching latches and strikers (except as set forth below), and instrument panels and cockpit modules business, including without limitation, the following assets, to the extent used primarily in, or primarily related to, such business: real property, personal property, inventory, contracts, administrative assets, permits, intellectual property, technical documentation, goodwill, interests in all joint ventures and any sale proceeds with respect to a sale of any of the foregoing (excluding de minimis asset sales and sales in the ordinary course of business, including sales of surplus and obsolete machinery and equipment), but excluding: (A) third party assets, including customer bailed assets such as tooling, dunnage, dies and molds, (B) Delphi corporate trademark rights (other than a transitional license to use any trademarks to the extent contained in tooling, molds, equipment, inventory or other stock on hand) and intellectual property which is not used primarily in connection with such business

(subject to the non-exclusive license to use such intellectual property described in section 4.06(a)(viii)), (C) cash, cash equivalents and accounts receivable, (D) corporate insurance policies, (E) books and records that are required to be retained by law; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such books and records and such books and records will be retained and not destroyed without providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (F) claims related to excluded assets and Retained Liabilities, (G) tax returns, refunds, credits, prepayments and deferred tax assets; provided, however, that in no event shall a Business Optionee or GM be required to make a payment to Delphi or a Business Optionor with respect to any of the foregoing other than providing to Delphi any tax refunds received by GM or the Business Optionee with respect to taxes paid by Delphi or any of its Affiliates, (H) assets used in common Delphi services (including, without limitation, accounting, insurance, IT, tax, legal, etc.) to the extent not primarily used in connection with such business; (I) pooled vehicles and vehicles under Delphi's corporate vehicle program, (J) personnel records other than transferable records relating to transferred employees; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such records and such records will be retained and not destroyed without providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (K) material subject to an attorney-client privilege which has not been waived or otherwise invalidated, (L) pension assets associated with Retained Liabilities, (M) the Columbus real property, (N) real property and inventory at Vandalia, Ohio and Grossepointersdorf, Austria, (O) all shared technical center or sales office properties, and (P) all assets relating to: (i) HVAC products, including condenser radiator form modules, (ii) power products, and (iii) any integral cinching latch, advanced development power cinching striker and advanced development power cinching latch products.

Section 1.91 "Global Sourcing" shall mean, for purposes of this Agreement only, the transfer of production by GM of any Component Part to an alternative supplier.

Section 1.92 "Global Steering Business" shall mean the properties, assets, rights, titles and interests owned by Delphi and its Affiliates that are primarily used or held for use in their global steering and halfshaft businesses, including without limitation, the following assets, to the extent used primarily in, or primarily related to, such businesses: real property, personal property, inventory, accounts receivable, contracts, administrative assets, permits, intellectual property, technical documentation, goodwill, interests in all joint ventures (other than Korea Delphi Automotive Systems Corporation ("KDAC")) and any sale proceeds with respect to a sale of any of the foregoing (excluding (i) any proceeds received with respect to a disposition of any of Delphi's interest in KDAC or any assets of KDAC and (ii) de minimis asset sales and sales in the ordinary course of business, including sales of surplus and obsolete machinery and equipment), but excluding: (A) third party assets, including customer bailed assets such as tooling, dunnage, dies and molds, (B) Delphi corporate trademark rights (other than a transitional license to use any trademarks to the extent contained in tooling, molds, equipment, inventory or other stock on hand) and intellectual property which is not used primarily in connection with such business (subject to the non-exclusive license to use such intellectual property described in section 4.06(a)(viii)), (C) cash and cash equivalents, (D) corporate insurance policies, (E) books and records that are required to be retained by law; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such books and records and such books and records will be retained and not destroyed without

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providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (F) claims related to excluded assets and Retained Liabilities, (G) tax returns, refunds, credits, prepayments and deferred tax assets; provided that, in no event shall a Business Optionee or GM be required to make a payment to Delphi or a Business Optionor with respect to any of the foregoing other than providing to Delphi any tax refunds received by GM or the Business Optionee with respect to taxes paid by Delphi or any of its Affiliates, (H) assets used in common Delphi services (including, without limitation, accounting, insurance, IT, tax, legal, etc.) to the extent not primarily used in connection with such business, (I) pooled vehicles and vehicles under Delphi's corporate vehicle program, (J) personnel records other than transferable records relating to transferred employees; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such records and such records will be retained and not destroyed without providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (K) material subject to an attorney-client privilege which has not been waived or otherwise invalidated, (L) pension assets associated with Retained Liabilities, (M) real property located at Suzhou, China, Livorno, Italy and all shared technical center or sales office properties, (N) all properties, rights and obligations relating to the former facility of the Global Steering Business located at Cadiz, Spain (excluding any contract which may have been performed at the Cadiz facility but was transferred to another facility which is a part of the Global Steering Business) and (O) all assets, business lines, rights, contracts and claims of KDAC.

Section 1.93 "GM GPSC" shall mean GM's Global Purchasing and Supply Chain organization and any successor organization.

Section 1.94 "GM Parties" shall mean GM and any and all of its subsidiaries and Affiliates.

Section 1.95 "GM Purchase Order" shall mean a purchase order issued by GM or any and all of its Affiliates and accepted by DAS according to Standard GM Terms, it being agreed by the Parties that DAS shall be deemed to have accepted all such purchase orders accepted by the Delphi-Related Parties pursuant to Standard GM Terms; provided, however, that no purchase orders issued or to be issued by GM or any of its Affiliates to any Affiliate of Delphi that is not a Delphi-Related Party shall be a GM Purchase Order.

Section 1.96 "GM-Related Parties" shall mean GM, each of its Affiliates, the General Motors Hourly-Rate Employees Pension Plan, the GM Health Care Program for Hourly Employees, the GM Life and Disability Benefits Program for Hourly Employees, any other GM pension or welfare benefit plan, and each of their respective current and former principals, officers, directors, agents, employees, advisors, and representatives (including any attorneys, financial advisors, investment bankers, and other professionals retained by such persons or entities) in their respective capacities.

Section 1.97 "GM Suppliers" shall mean any and all entities that supply components, component systems, goods, or services to GM Parties (excepting only the Delphi Parties).

Section 1.98 "Grand Rapids Facility" shall mean the facility located at 21000 S.W. Burlingame, Wyoming, Michigan 40509.

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Section 1.99 “Guaranteed Agreements” shall have the meaning ascribed to such term in section 8.03(a) hereof.

Section 1.100 “Holiday” shall mean cash paid by Delphi for specified holidays, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount, but not to include any straight time or overtime payments for hours worked.

Section 1.101 “Home Avenue Facility” shall mean the facility located at 2701 Home Avenue, Dayton, Ohio 45417.

Section 1.102 “IAM MOU” shall mean the “IAM-Delphi GM Memorandum of Understanding-Delphi Restructuring” entered into as of July 31, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IAM, including all attachments and exhibits thereto and all IAM-Delphi collective bargaining agreements referenced therein as modified, and each as now or hereafter amended in connection herewith.

Section 1.103 “IBEW MOUs” shall mean the “IBEW-Delphi Powertrain-GM Memorandum of Understanding — Delphi Restructuring” and the “IBEW-Delphi Electronics & Safety — GM Memorandum of Understanding — Delphi Restructuring,” entered into as of July 31, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IBEW, including all attachments and exhibits thereto and all IBEW-Delphi collective bargaining agreements referenced therein as modified, , and each as now or hereafter amended in connection herewith.

Section 1.104 “Including” or “including” shall mean including without limitation.

Section 1.105 “Income Tax Allocation Agreement” shall have the meaning ascribed to such term in section 5.01(a)(iv) of this Agreement.

Section 1.106 “Independence Week” shall mean cash paid by Delphi for the Independence Week, as defined in the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount, but not to include any straight time or overtime payments for hours worked. The definition of the Labor Cost Amount shall not include Independence Week after it ceases to be paid under the applicable collective bargaining agreement.

Section 1.107 “Information” shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.108 “Initial Payment Date” shall mean the later of the Effective Date and January 2, 2008.

Section 1.109 “Initial Sale Proceeds” shall mean the amount of the Sale Proceeds from the sale of each of the Sale Businesses calculated as of the Closing Date without taking into account any post-closing adjustments.

Section 1.110 “Intellectual Property Contracts Transfer Agreement” shall have the meaning ascribed to such term in section 5.01(a)(ix) of this Agreement.

Section 1.111 “Intellectual Property License Agreement” shall have the meaning ascribed to such term in section 5.01(a)(x) of this Agreement.

Section 1.112 “Intellectual Property Transfer Agreement” shall have the meaning ascribed to such term in section 5.01(a)(xi) of this Agreement.

Section 1.113 “Interiors Advance” shall have the meaning ascribed to such term in section 4.04(c)(i) of this Agreement.

Section 1.114 “Invoice Delivery Date” shall mean (a) December 1, 2007 for the Interiors Advance, the Sandusky Advance and the Steering Advance; (b) 5 days prior to any Closing Date for payments owing under subsection 4.04(b)(i) or (b)(ii), (c)(ii), (d)(i) or (ii), (e)(ii), (f)(i) or (ii) or (g)(iii); and (c) 30 days after the end of each calendar year for adjustments under 4.04(g)(ii).

Section 1.115 “IP License” shall mean the intellectual property license agreement between Delphi and GM, dated as of September 6, 2007, which was authorized and approved by the Bankruptcy Court by order dated October 3, 2007 (Docket No. 10429).

Section 1.116 “IUE-CWA” shall mean the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communication Workers of America and its applicable local unions.

Section 1.117 “IUE-CWA Business” shall have the meaning ascribed to such term in section 3.01(c).

Section 1.118 “IUE-CWA Keep Facilities” shall mean the Brookhaven Facility, the Clinton Facility, and the Warren Facility.

Section 1.119 “IUE-CWA MOU” shall mean the IUE-CWA-Delphi-GM Memorandum of Understanding — Delphi Restructuring, entered into as of August 5, 2007, as approved by the Bankruptcy Court on August 16, 2007, among the IUE-CWA, Delphi, and GM, and all attachments thereto and the IUE-Delphi National Agreement referenced therein as modified, and each as now or hereafter amended in connection herewith.

Section 1.120 “IUOE MOUs” shall mean the “IOUE Local 18S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” the “IUOE Local 101S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” and the “IUOE Local 832S-Delphi-GM Memorandum of Understanding — Delphi Restructuring,” all entered into as of August 1, 2007, as approved by the Bankruptcy Court on August 16, 2007, by and among Delphi, GM, and the IUOE, including all attachments and exhibits thereto and all IUOE-Delphi collective bargaining agreements referenced therein as modified, and each as now or hereafter amended in connection herewith.

Section 1.121 “JOBs banks” shall mean the Job Opportunity Bank — Security Program as defined in the applicable Labor MOU.

Section 1.122 “Jury Duty” shall mean cash paid by Delphi for paid time off for specified periods of jury duty, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount.

Section 1.123 “Kettering Facility” shall mean the facility located at 2000 Forrer Boulevard, Kettering, Ohio 05420.

Section 1.124 “Kokomo Facility” shall mean the facility located at 1800 East Lincoln, Kokomo, Indiana 46904.

Section 1.125 “Labor Cost Amount” shall mean Delphi’s aggregate expense for the Labor Cost Line Items attributable to all hourly employees (including temporary employees, inactive employees, employees on layoff or leaves or in JOBs banks, but excluding PRP Employees) of Delphi at all Delphi facilities for which Delphi is eligible to receive the labor reimbursement pursuant to section 4.01 hereof during any period referred to in section 4.01(c) hereof;provided, however, that cash expenditures or accruals for Profit Sharing shall not be included in calculations of the Labor Cost Amount for periods after the Red Circle Period;provided further that with respect to any facility at which production for GM and GM’s direct and indirect tiered suppliers ceases after October 1, 2007, beginning twenty (20) calendar days after the termination of GM production at any facility for which Delphi is receiving a labor subsidy under section 4.01 hereof, no cash expenditures other than for Supplemental Unemployment Benefits, Severance, and PAYGO Health Care (but only in respect of those hourly employees at such facility who are receiving Supplemental Unemployment Benefits) shall be included in calculations of the Labor Cost Amount in respect of such facility;provided further that if Delphi has not obtained GM’s consent in writing prior to hiring any hourly employees at UAW Keep Facilities after April 5, 2007 (which consent shall not be unreasonably withheld), then cash expenditures or accruals for any hourly employee hired by Delphi after April 5, 2007, at UAW Keep Facilities shall not be included in calculations of the Labor Cost Amount for any periods unless (a) GM later consents in writing to any such hiring, which consent shall not be unreasonably withheld, and (b) with respect to any temporary employee who is converted to permanent employment status, Delphi has notified GM in writing as soon as practicable after Delphi’s receipt of a request from the applicable union to convert such temporary employee to permanent employment status, but in no event later than two (2) weeks prior to the date such proposed conversion would occur; and,provided further, that in the event Delphi fails to seek GM’s consent to the hiring of temporary employees at UAW Keep Facilities, cash expenditures and accruals for such hourly temporary employees shall be included in the calculations of the Labor Cost Amount. In the absence of GM’s written consent, no amount shall be included in the Labor Cost Amount that is based on an increase in benefits or payment rates or requirements over those required by the terms of the applicable collective bargaining agreements (as modified by the applicable Labor MOU) in effect as of the Effective Date. Although it is the intent of the Parties that the Labor Cost Amount be based on cash cost, the Parties recognize that for administrative ease expenses or accruals are used instead of cash cost in some instances to measure certain of the Labor Cost Line Items. The Parties believe that amounts calculated based on expense or the accrual method should equal amounts calculated based on a cash method

within a period not to exceed one (1) year. If either Party determines that these amounts do not equal each other within a period not to exceed one (1) year, the Parties shall consult to reach a mutually agreeable resolution to effect the intent of the Parties.

Section 1.126 “Labor Cost Line Items” shall mean Active Basic Life Insurance, Straight Time, COLA, Overtime Premium, Night Shift Premium, Independence Week, Vacation, Holiday, Bereavement Leave, Jury Duty, Military Leave, Profit Sharing, Suggestion Awards, Performance Bonus, Employer Taxes, Applicable Workers’ Compensation (prior to January 1, 2009), Post 2009 Workers’ Compensation (on and after January 1, 2009), PAYGO Health Care, Supplemental Unemployment Benefits, Severance, Disability/Sickness & Accident, Administrative Costs — National Benefit Center, 401(k) matching, Training and Legal, and any other items that the Parties may mutually agree upon in writing (which may include grievance financial settlements) in order to reflect their intent that Delphi’s Labor Cost Amount at Delphi facilities for which Delphi is entitled to receive a subsidy based on the Labor Cost Amount under section 4.01 be capped at \$26 per hour (subject to certain exclusions from the cost line items); provided, however, that Supplemental Unemployment Benefits (including any PAYGO Health Care associated therewith) and Severance shall not be included with respect to any of the Wind-down Facilities or Footprint Facilities.

Section 1.127 “Labor MOUs” shall mean the UAW MOU, the IUE-CWA MOU, the USW MOUs, the IAM MOU, the IBEW MOUs, and the IUOE MOUs, collectively.

Section 1.128 “Laurel Facility” shall mean the facility located at 1 Thames Avenue, Laurel, Mississippi 39440.

Section 1.129 “Liquidity Support Agreement” shall mean that certain agreement dated May 9, 2008, which was approved by the Bankruptcy Court by order entered on April 30, 2008 (Docket No. 13489), as now or hereafter amended.

Section 1.130 “Lockport Facility” shall mean the facility located at 200 Upper Mountain Road, Lockport, New York 14094.

Section 1.131 “Management Controls of Employee Costs” shall include but not be limited to the good faith implementation by Delphi of the following with respect to the employees whose benefits are included in the Additional Labor Reimbursement: (1) Delphi shall seek and obtain GM approval for any new hires as set forth in the definition of “Labor Cost Amount” herein; (2) Delphi shall seek and obtain GM approval of employee placement into layoff status in accordance with operational guidelines developed in good faith by GM and Delphi no later than January 1, 2009 (it being agreed that until development of the agreed upon operational guidelines, Delphi shall manage employee layoffs in a commercially reasonable manner and in accordance with its past practices); (3) regarding management of worker’s compensation and Disability/Sickness & Accident, Delphi will, to the extent consistent with applicable UAW MOUs, follow GM “people not at work” best practices procedures as may be amended from time to time, provided, documented reasonable and necessary additional costs incurred by Delphi as a result of following GM’s practices shall be included in Additional Labor Reimbursement; (4) Delphi shall seek and obtain approval from GM before paying overtime wages at any facility where any employee is receiving Supplemental Unemployment Benefits

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(SUB) in accordance with operational guidelines developed in good faith by GM and Delphi no later than January 1, 2009, it being agreed that until development of the agreed upon operational guidelines, Delphi shall manage overtime relative to SUB in a commercially reasonable manner in accordance with its past practices; (5) should there be any additional Severance programs, Delphi shall first seek and obtain GM approval before incurring any costs for which Delphi would seek reimbursement from GM as Additional Labor Reimbursement, which approval shall not be unreasonably withheld; (6) regarding workers' compensation, Delphi will not compromise any claim without GM approval, which approval shall not be unreasonably withheld; and (7) to the extent consistent with applicable UAW MOUs, Delphi will coordinate requests for impartial medical opinions or examinations through GM and will utilize clinics or surveillance vendors approved by GM.

Section 1.132 "Master Separation Agreement" shall have the meaning ascribed to such term in section 5.01(a)(i) of this Agreement.

Section 1.133 "Mexican Business" shall have the meaning ascribed to such term in section 3.01(c) of this Agreement.

Section 1.134 "Military Leave" shall mean cash paid by Delphi for paid time off for specified periods of military duty, pursuant to the applicable collective bargaining agreement, to hourly employees included in the calculation of Labor Cost Amount for the time period included in calculating the Labor Cost Amount.

Section 1.135 "Milwaukee E&C Facility" shall mean the south part of the facility located at 7929 South Howell Avenue, Oak Creek, Wisconsin 53154, which is dedicated to production of catalytic converters.

Section 1.136 "Milwaukee E&S Facility" shall mean the north part of the facility located at 7929 South Howell Avenue, Oak Creek, Wisconsin 53154, which is dedicated to production of control modules (body, engine, powertrain and transmission) and other miscellaneous Component Parts.

Section 1.137 "MNS-2 Payment" shall mean GM's monthly payment to the Delphi Parties pursuant to GM's Multilateral Netting System.

Section 1.138 "Moraine Facility" shall mean the facility located at 3535 Kettering Boulevard, Moraine, Ohio 45439.

Section 1.139 "MRA Consummation Date" shall have the meaning ascribed to such term in section 7.01 hereof.

Section 1.140 "Needmore Road Facility" shall mean the facilities located at (i) 3100 Needmore Road, Ohio 45414 and (ii) 1515 Cincinnati Street, Dayton, Ohio 45408.

Section 1.141 "Net-15th Prox" shall mean that invoices dated the first day through the end of any month are due on the fifteenth day of the following month.

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Section 1.142 "Net Working Capital" shall mean the sum of accounts receivable and inventory less accounts payable.

Section 1.143 "Night Shift Premium" shall mean cash paid by Delphi for the shift premium, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount, for working on specified shifts.

Section 1.144 "Non-GM Business" shall mean, during any given time period, the aggregate net sales, across all the UAW Keep Facilities, that are not attributable to GM or GM's direct and indirect tiered suppliers.

Section 1.145 "Non-Income Tax Indemnification Agreement" shall have the meaning ascribed to such term in section 5.01(a)(v) of this Agreement.

Section 1.146 "OE" shall mean original equipment.

Section 1.147 "OE Parts" shall mean original equipment parts.

Section 1.148 "Olathe Facility" shall mean the facility located at 400 West Dennis Avenue, Olathe, Kansas 66061.

Section 1.149 "Option Designee" shall have the meaning ascribed to such term in section 4.06(a) hereof.

Section 1.150 "Original Agreements" shall have the meaning ascribed to such term in the Recitals of this Agreement.

Section 1.151 "Original Restructuring Agreement" shall have the meaning ascribed to such term in the Recitals of this Agreement.

Section 1.152 "Outstanding GM Purchase Order" shall have the meaning ascribed to such term in section 3.01(a) of this Agreement.

Section 1.153 "Overtime Premium" shall mean cash paid by Delphi for the overtime premium, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount.

Section 1.154 "Paid Pre-Effective Date Subsidy" shall have the meaning ascribed to such term in section 4.01(b)(i) of this Agreement.

Section 1.155 "Party" or "Parties" shall have the meanings ascribed to such terms in the Preamble of this Agreement.

Section 1.156 "PAYGO Health Care" shall mean health care accrual expenses related to Delphi's applicable collective bargaining agreements, during the time period included in calculating the Labor Cost Amount for hourly employees.

Section 1.157 "Performance Bonus" shall mean cash paid by Delphi for the additional pay based on qualified earnings, pursuant to the applicable collective bargaining agreement, to hourly employees included in the calculation of Labor Cost Amount for the time period included in calculating the Labor Cost Amount.

Section 1.158 "Permitted Encumbrance" shall mean: (i) security interests relating to vendor tooling arising in the ordinary course of business and not delinquent; (ii) any Encumbrance that may be created by or on behalf of GM, its affiliates or the Business Optionee; (iii) in relation to real property: (a) Encumbrances relating to any current real estate or ad valorem taxes or assessments not yet delinquent or being contested in good faith by appropriate proceedings; provided that Delphi provides GM with a specific indemnity with respect to such taxes or assessments; (b) mechanic's, materialmen's, laborer's and carrier's liens and other similar liens arising by operation of law or statute in the ordinary course of business for obligations which are not delinquent and which will be paid or discharged prior to the Business Closing Date in the ordinary course of business; (c) matters which an ALTA survey, or a similar survey in any other country, would disclose (other than the failure of the applicable Business Optionee to own the relevant real property); (d) rights of the public and adjoining property owners in streets and highways abutting and adjacent to the real property; (e) easements, covenants, restrictions and other encumbrances of public record (provided that in the event any such Encumbrance relates to a sum owed, the applicable Business Optionor shall indemnify GM and the applicable Business Optionee against any costs or expenses arising therefrom); and (f) such other Encumbrances, the existence of which, in the aggregate, would not materially interfere with or materially affect the use of the respective underlying asset to which such Encumbrances relate as used on the Business Closing Date; and (iv) in the case of equity interests in the joint venture companies, restrictions contained in the joint venture agreement, shareholders agreement or related agreements affecting such equity interests.

Section 1.159 "Person" shall mean any individual, corporation, partnership, limited partnership, joint venture, limited liability company, association, trust, business trust, government, governmental subdivision, or other entity of any type whatsoever.

Section 1.160 "Petition Date" shall mean, as applicable, (a) October 8, 2005 with respect to those Debtors which filed their petitions for reorganization relief in the Bankruptcy Court on such date or (b) October 14, 2005 with respect to those Debtors which filed their petitions for reorganization relief in the Bankruptcy Court on such date.

Section 1.161 "Plan" shall mean any chapter 11 plan that is confirmed in the Chapter 11 Cases.

Section 1.162 "Possessor" shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.163 "Post 2009 Workers' Compensation" shall mean amounts actually paid by Delphi for workers' compensation claims by Delphi's UAW represented hourly active and inactive (current and former) employees at all UAW facilities from and after January 1, 2009 regardless of when such liability arose.

Section 1.164 “Pre-Effective Date Subsidy Statement” shall have the meaning ascribed to such term in section 4.01(b)(i) of this Agreement.

Section 1.165 “Prior Relationship” shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.166 “Production Cash Burn” for each facility shall mean, during a given period of time, the sum of all cash expenditures and, to the extent expressly indicated on Exhibit 4.02(b) hereto, accrued expenses by Delphi at any Support Facility for items marked “Included” on Exhibit 4.02(b) hereto less net sales attributable to such Support Facility (for the avoidance of doubt, any cash expenditures or accruals by Delphi for items marked as “Excluded” on Exhibit 4.02(b) hereto shall not be included in the calculation of Production Cash Burn); provided, however, that, sixty (60) calendar days after the termination of GM production at a Support Facility, Production Cash Burn for such Support Facility shall mean the sum of all cash expenditures by Delphi attributable to hourly employees (including temporary employees, but excluding PRP Employees) of Delphi at such Support Facility for Severance, Supplemental Unemployment Benefits, and PAYGO Health Care (but only, in the case of PAYGO Health Care, in respect of those hourly employees at such Support Facility who are receiving Supplemental Unemployment Benefits during such period), if such sum is less than what Production Cash Burn would be for such Support Facility using the calculation described in the first clause of this sentence. With respect to the Flint East Facility, each invoice for Production Cash Burn shall exclude costs associated with warranty and recall, and costs in excess of \$25,000 per month associated with quality issues and plant disruptions related to quality. As set forth on Exhibit 4.02(b) hereto, with respect to the Flint East Facility, Production Cash Burn shall include an additional payment equal to 6.5% of revenue derived from sale of VIDs manufactured for GM at the Flint East Facility. As set forth in Exhibit 4.02(b) hereto, for the purposes of determining Production Cash Burn, overhead shall be deemed to be a fixed 2.25% of net sales for all Support Facilities except for the Flint East Facility, the Sandusky Facility, the Saginaw Steering Facility, the Adrian Facility, and the Athens Facility where overhead shall be deemed to be 5.0% of net sales. As set forth in Exhibit 4.02(b) hereto, overhead shall be substituted for SG&A and allocated items which are marked “excluded-captured in % of sale” in Exhibit 4.02(b) hereof.

Section 1.167 “Profit Sharing” shall mean cash payments for Profit Sharing paid pursuant to the applicable collective bargaining agreement, to hourly employees.

Section 1.168 “Proposed Purchaser” shall have the meaning set forth in Section 4.06(a)(xiv) of this Agreement.

Section 1.169 “PRP Employees” shall mean all employees of Delphi who are participating in a pre-retirement program under any Delphi attrition program.

Section 1.170 “Red Circle Period” shall mean the period from October 1, 2006 through September 14, 2007.

Section 1.171 “Reimbursement Adjustment Amount” shall mean the difference between the Applicable Labor Reimbursement Percentage of Excess Labor Costs for each

calendar year and the Actual Applicable Labor Reimbursement Percentage of Excess Labor Costs for such calendar year.

Section 1.172 “Related Parties” shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.173 “Requestor” shall have the meaning ascribed to such term in section 5.06 of this Agreement.

Section 1.174 “Restructuring Dispute” shall mean one or more defaults or disputes between GM and any of the Debtors in which (i) the aggregate amount in controversy (including the monetary value or impact of any injunctive relief) exceeds \$500,000 (five hundred thousand dollars) and (ii) the claims asserted require the application or construction of this Agreement or the provisions of the Plan relating to the subject matter of this Agreement. By way of clarification, it is not intended by the Parties that the term Restructuring Dispute shall include commercial disputes that arise in the ordinary course of business with respect to the various current and future contracts pursuant to which any of the Delphi Parties supplies components, component systems, goods, or services to any of the GM-Related Parties.

Section 1.175 “Retained Liabilities” shall have the meaning ascribed to such term on **Exhibit 1.175** to this Agreement; provided, however, that Retained Liabilities shall not include liabilities that have been assumed by GM with respect to any present or former Delphi employees pursuant to this Agreement or the Settlement Agreement.

Section 1.176 “Retention Period” shall mean ten (10) years from the Contribution Date, or for any longer period as may be required by any government agency, litigation (including applicable “Litigation Holds”), law, regulation, audit, or appeal of taxes, tax examination, or the expiration of the periods described in section 5.07(a) hereof, where applicable.

Section 1.177 “Rochester Facility” shall mean the facility located at 1000 Lexington Avenue, Rochester, New York 14606.

Section 1.178 “Saginaw E&C Assets” shall mean the Saginaw E&C Facility and the manufacturing equipment, test and development equipment, and other personal property which is owned by DAS LLC and located at the Saginaw E&C Facility that is necessary for the production of Component Parts for GM (excluding the assets identified on **Exhibit 1.178** and any inventory).

Section 1.179 “Saginaw E&C Facility” shall mean the facility located at 2328 East Genesee, Saginaw, Michigan 48601.

Section 1.180 “Saginaw Steering Facility” shall mean the facility located at 3900 East Holland Road, Saginaw, Michigan 48601.

Section 1.181 “Sale Businesses” shall mean the Global Interiors & Closures Business, the Global Steering Business and the Sandusky Business, and “Sale Business” shall mean any of the Sale Businesses individually.

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Section 1.182 "Sale Facility" or "Sale Facilities" shall mean the Adrian Facility, the Athens Facility, the Saginaw Steering Facility, and the Sandusky Facility.

Section 1.183 "Sale Proceeds" shall mean the gross amount received from a third party purchaser for the purchase of any of the Sale Businesses, whether as a going concern or an asset sale, in whole or in part, whether through cash, promissory note, assumption of indebtedness or other valuable consideration, less reasonable amounts actually paid by Delphi for break-up fees or expense reimbursement payments and a success fee for Delphi's investment banker.

Section 1.184 "Sandusky Advance" shall have the meaning ascribed to such term in section 4.04(e)(i) of this Agreement.

Section 1.185 "Sandusky Business" shall mean the properties, assets, rights, titles and interests owned by Delphi and its Affiliates that are primarily used or held for use in the wheel bearings business conducted at the Sandusky Facility, including without limitation, the following assets, to the extent used primarily in, or primarily related to, such business: the Sandusky Facility, all personal property, inventory, contracts, administrative assets, permits, intellectual property used primarily in the bearings business which is operated at the Sandusky Facility, technical documentation, goodwill, interests in all joint ventures, if any, and any sale proceeds received or due with respect to a sale of any of the foregoing (excluding de minimis asset sales and sales in the ordinary course of business, including sales of surplus and obsolete machinery and equipment), but excluding: (A) third party assets, including customer bailed assets such as tooling, dunnage, dies and molds, (B) Delphi corporate trademark rights (other than a transitional license to use any trademarks to the extent contained in tooling, molds, equipment, inventory or other stock on hand) and intellectual property which is not used primarily in connection with such business (subject to the non-exclusive license to use such intellectual property described in section 4.06(a)(viii)), (C) cash, cash equivalents and accounts receivable, (D) corporate insurance policies, (E) books and records that are required to be retained by law; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such books and records and such books and records will be retained and not destroyed without providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (F) claims related to excluded assets and Retained Liabilities, (G) tax returns, refunds, credits, prepayments and deferred tax assets; provided that in no event shall a Business Optionee or GM be required to make a payment to Delphi or a Business Optionor with respect to any of the foregoing other than providing to Delphi any tax refunds received by GM or the Business Optionee with respect to taxes paid by Delphi or any of its Affiliates, (H) assets used in common Delphi services (including, without limitation, accounting, insurance, IT, tax, legal, etc.) primarily used in connection with such business, (I) pooled vehicles and vehicles under Delphi's corporate vehicle program, (J) personnel records other than transferable records relating to transferred employees; provided that, subject to applicable legal requirements, GM and the applicable Business Optionee shall have access at all times to such records and such records will be retained and not destroyed without providing GM or the applicable Business Optionee with a reasonable opportunity to obtain them, (K) material subject to an attorney-client privilege which has not been waived or otherwise invalidated, (L) pension assets associated with Retained Liabilities, and (M) manufacturing assets at Cadiz, Spain.

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Section 1.186 “Sandusky Facility” shall mean the facility located at 2509 Hayes Avenue, Sandusky, Ohio 44870.

Section 1.187 “Separation Costs” shall mean costs incurred by Delphi as a direct consequence of the sale of the Sale Businesses for information technology separation costs and also unrecovered transition costs and unrecovered restructuring costs related to the sale of the Global Interiors & Closures Business, in an amount equal to \$74 million and as more fully described on Exhibit 1.187 to this Agreement; provided, however, that Separation Costs shall be reduced by any amounts associated with line items on Exhibit 1.187 which the buyer specifically agrees to pay.

Section 1.188 “SEPO” shall have the meaning ascribed to such term in section 5.11(a) of this Agreement.

Section 1.189 “Settlement Agreement” shall mean the Amended and Restated Global Settlement Agreement, by and between Delphi, on behalf of itself and certain of its subsidiaries and Affiliates, and GM, dated as of the date hereof.

Section 1.190 “Severance” shall mean (x) for purposes of section 4.01 hereof, cash paid by Delphi for Severance Payments as specified in the workforce transition provisions of the Labor MOUs or any successor collective bargaining agreements which do not provide for greater severance benefits than the Labor MOUs (unless approved by GM) to hourly employees for the time period included in calculating the Labor Cost Amount, and (y) for purposes of section 4.02 hereof, cash paid by Delphi for Severance Payments as specified in the workforce transition provisions of the Labor MOUs or any successor collective bargaining agreements which do not provide for greater severance benefits than the Labor MOUs (unless approved by GM) to hourly employees for the time period included in calculating the Production Cash Burn.

Section 1.191 “Standard GM Terms” shall mean the GM Terms and Conditions as revised in September 2004.

Section 1.192 “Straight Time” shall mean cash paid by Delphi for the base wage, pursuant to the applicable collective bargaining agreement, to hourly employees for the time period included in the calculating Labor Cost Amount.

Section 1.193 “Steering Advance” shall have the meaning ascribed to such term in section 4.04(g) of this Agreement.

Section 1.194 “Suggestion Awards” shall mean cash paid by Delphi during the time period included in calculating the Labor Cost Amount, for cost savings ideas submitted under the applicable suggestion plan program, pursuant to the applicable collective bargaining agreement, to hourly employees included in the calculation of Labor Cost Amount.

Section 1.195 “Supplemental Unemployment Benefits” shall mean (x) for purposes of section 4.01 hereof, cash payments made by Delphi in lieu of straight time wages to hourly employees on layoff from Delphi and other applicable benefits, pursuant to the applicable collective bargaining agreement, for the time period included in calculating the Labor Cost Amount, and (y) for purposes of section 4.02 hereof, cash payments made by Delphi in lieu of

straight time wages to hourly employees on layoff from Delphi, pursuant to the applicable collective bargaining agreement, for the time period included in calculating the Production Cash Burn.

Section 1.196 “Support End Date” shall mean the date that is the earlier of (x) the later of sixty (60) calendar days after the termination of GM production at the applicable facility or the last date on which Delphi makes any cash expenditure for any Severance, Supplemental Unemployment Benefits, or PAYGO Health Care (but only in respect of those hourly employees at such facility who are receiving Supplemental Unemployment Benefits) in respect of such facility, or (y) the date that responsibility for the operation of future production at such facility is transferred to any party other than Delphi and no bargaining unit employees at such facility remain as Delphi employees; provided, however, that no Support End Date shall be later than December 31, 2015.

Section 1.197 “Support Facilities” shall have the meaning set forth in section 4.02(a) of this Agreement.

Section 1.198 “Support Period” shall have the meaning set forth in section 4.02(a) of this Agreement.

Section 1.199 “Tooling” shall have the meaning ascribed to such term in section 8.07(a) hereof.

Section 1.200 “Trademark and Trade Name Agreement” shall have the meaning ascribed to such term in section 5.01(a)(viii) of this Agreement.

Section 1.201 “Training and Legal” shall mean accrual expenses associated with national, local and health and safety (training funds) and all legal related cash flows as applicable (legal funds), as identified in the applicable collective bargaining agreement, to hourly employees for the time period included in calculating the Labor Cost Amount. The definition of the Labor Cost Amount shall not include Training and Legal Funds cost after it ceases to be paid under the applicable collective bargaining agreement.

Section 1.202 “Transaction Facilitation Agreement” shall mean the agreement dated December 10, 2007 between GM and Delphi with respect to the proposed sale of the Global Steering Business, which agreement was authorized and approved by the Bankruptcy Court by order entered on February 25, 2008 (Docket No. 12868).

Section 1.203 “Transformation Plan” shall have the meaning ascribed to such term in the Recitals of this Agreement.

Section 1.204 “UAW” shall mean collectively the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America and its applicable local unions.

Section 1.205 “UAW Footprint Facilities” shall mean the Flint East Facility, the Needmore Road Facility, and the Saginaw E&C Facility.

Section 1.206 “UAW Keep Business” shall have the meaning ascribed to such term in section 3.01(c).

Section 1.207 “UAW Keep Facilities” shall mean the Grand Rapids Facility, the Kokomo Facility, the Lockport Facility, and the Rochester Facility.

Section 1.208 “UAW MOU” shall mean the “UAW-Delphi-GM Memorandum of Understanding — Delphi Restructuring” entered into as of June 22, 2007, as approved by the Bankruptcy Court on July 19, 2007, by and among Delphi, GM, and the UAW, including all attachments and exhibits thereto and the UAW-Delphi National Agreement referenced therein as modified, and each as now or hereafter amended in connection herewith.

Section 1.209 “UAW Sale Business” shall have the meaning ascribed to such term in section 3.01(c).

Section 1.210 “UAW Wind-down Facilities” shall mean the Anderson Facility, the Columbus Facility, the Coopersville Facility, the Fitzgerald Facility, the Flint West Facility, the Laurel Facility, the Milwaukee E&C Facility, the Milwaukee E&S Facility, the Olathe Facility, and the Wichita Falls Facility.

Section 1.211 “Unrecovered Separation Costs” shall mean any portion of the Separation Costs not previously recovered by Delphi from Sale Proceeds, reducing as the Separation Costs are recovered by Delphi from Sale Proceeds in accordance with the provisions of section 4.04.

Section 1.212 “Unsold Business” shall have the meaning set forth in Section 4.06(a)(i) of this Agreement.

Section 1.213 “USW” shall mean collectively the United Steelworkers of America and its local unions which represent Delphi employees.

Section 1.214 “USW MOUs” shall mean collectively the “USW- GM-Delphi Memorandum of Understanding — Vandalia Operations and Special Attrition Program” and the “USW-GM-Delphi Memorandum of Understanding — Home Avenue Operations and Special Attrition Program,” each entered into as of August 16, 2007, as approved by the Bankruptcy Court on August 29, 2007, by and among Delphi, GM, and the USW, including all attachments and exhibits thereto and all USW-Delphi collective bargaining agreements referenced therein as modified, and each as now or hereafter amended in connection herewith.

Section 1.215 “Vacation” shall mean cash paid by Delphi during the time period included in calculating the Labor Cost Amount for paid vacation time off, pursuant to the applicable collective bargaining agreement, to hourly employees.

Section 1.216 “Vandalia Facility” shall mean the facility located at 250 Northwoods Boulevard, Vandalia, Ohio 45377.

Section 1.217 “Warranty Settlement Agreement” shall mean the Warranty, Settlement and Release Agreement and Covenant Not to Sue between Delphi and GM, dated as of August 14, 2007, which was authorized and approved by the Bankruptcy Court by order dated October 2, 2007 (Docket No. 10408).

Section 1.218 "Warren Facility" shall mean the eight (8) facilities located at the following locations: (i) Larchmont & North River Road, Warren, Ohio 44483; (ii) 5245 South Prospect Street, Rootstown, Ohio 44266; (iii) 500 West Main Street, Cortland, Ohio 44410; (iv) 4551 Research Parkway, Education Drive, Warren, Ohio 44483; (v) 408 Dana Street, Warren, Ohio 44483; (vi) 3400 Acropark Drive, Vienna, Ohio 44473; (vii) Griswold Street & Paige Avenue, Warren, Ohio 44483; and (viii) 650 Mondial Parkway, Streetboro, Ohio 44241.

Section 1.219 "Wichita Falls Facility" shall mean the facility located at 8600 Central Freeway North, Wichita Falls, Texas 76305.

Section 1.220 "Wind-down Facilities" shall mean the Anaheim Facility, the Anderson Facility, the Columbus Facility, the Coopersville Facility, the Fitzgerald Facility, the Flint West Facility, the Home Avenue Facility, the Laurel Facility, the Milwaukee E&C Facility, the Milwaukee E&S Facility, the Moraine Facility, the Olathe Facility, and the Wichita Falls Facility.

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ARTICLE II
CERTAIN EXHIBITS TO BE FILED UNDER SEAL

Section 2.01 Identification of Exhibits to the Filed Under Seal.

(a) The Parties agree that certain documents attached as exhibits hereto contain sensitive and confidential business terms which, if publicly disclosed, could detrimentally affect the Debtors or GM. Certain of these documents contain detailed proprietary information describing certain aspects of the business relationship between the Parties and the Parties believe these documents contain sensitive and confidential information of a type not typically disclosed to the public or made available in the automotive industry. Moreover, certain of these documents contain confidentiality provisions which compel the Parties to maintain the confidentiality of the terms of such agreements.

(b) The Parties agree to use commercially reasonable efforts to obtain approval by the Bankruptcy Court of an order authorizing the Parties to file the following exhibits hereto under seal:

- Exhibit 1.24. Assumed Liabilities.
- Exhibit 1.175. Retained Liabilities.
- Exhibit 1.178. Excluded Saginaw Assets.
- Exhibit 1.187. Separation Costs.
- Exhibit 3.01(a)(i). Outstanding GM Purchase Orders.
- Exhibit 3.01(b). Recently Awarded Business.
- Exhibit 3.01(b)(i). Booked Business Pricing to Be Agreed.
- Exhibit 3.02. Contract Extensions.
- Exhibit 3.03(a). Changes in Manufacturing Location.
- Exhibit 3.07. New Business Awards.
- Exhibit 3.08(a). FOP Programs.
- Exhibit 3.08(b). First Opportunity Process.
- Exhibit 3.12. Sites That Are on New Business Hold As of September 11, 2008.
- Exhibit 3.14. ROLR
- Exhibit 4.02(b). Form of Monthly Invoice for the Aggregate Amount of the Applicable Cash Burn Percentage of Production Cash Burn Incurred at all Support Facilities.
- Exhibit 4.02(i). Letter from Bill Hurles, of GM, to Jeff Paprocki, of Delphi, dated February 1, 2007.
- Exhibit 6.01. Access Agreement Term Sheet.

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ARTICLE III
REVENUE PLAN

Section 3.01 Existing Agreements.

(a) Unless otherwise expressly provided in this Agreement or the Settlement Agreement, GM and DAS shall continue to honor the terms and conditions of all existing GM Purchase Orders and other contractual agreements with any of the Debtors (including long term and lifetime contracts and other formal and verifiable agreements) in effect as of the Effective Date regarding the purchase and supply of motor vehicle related components and component systems ("Component Parts"), including all Component Parts that have been awarded to a Debtor pursuant to an award letter issued by GM and not rejected by a Debtor in writing within a commercially reasonable period of time not to exceed ten (10) business days, regardless of whether the production of Component Parts for such program has commenced ("Existing Agreements"). The term "Existing Agreements" includes all GM Purchase Orders issued to a Debtor by GM on or before the Effective Date that a Debtor has accepted in accordance with the Standard GM Terms, regardless of whether a Debtor has formally accepted the applicable GM Purchase Order in writing; ~~provided, however,~~ that "Existing Agreements" do not include the GM Purchase Orders and award letters which a Debtor has, in writing, rejected or otherwise declined to accept or which a Debtor has accepted subject to conditions which remain outstanding (each an "Outstanding GM Purchase Order"). Other than those purchase orders and award letters identified on Exhibit 3.01(a)(i), neither GM nor Delphi is aware of any Outstanding GM Purchase Orders. In the event that Outstanding GM Purchase Orders are identified by either Party following the execution of this Agreement, GM and Delphi shall cooperate to promptly resolve any disputes or open issues relating to such Outstanding GM Purchase Order. In the event that the Parties are unable to promptly resolve the disputes or open issues relating to such Outstanding GM Purchase Order, then such matters shall be resolved in accordance with section 3.10 of this Agreement. On the Effective Date, Delphi hereby rescinds those certain letters dated August 24, 2005, August 31, 2005 and March 31, 2006 along with any amendments and related correspondence, regarding Delphi's requirement that all purchase order renewals and extensions be accepted in writing by authorized Delphi executives in order to be binding on Delphi. Notwithstanding anything to the contrary contained herein, the Parties acknowledge that pursuant to section 8.03 of this Agreement, all Existing Agreements shall be deemed assigned to DAS and, unless otherwise requested by Delphi, and consented to by GM, all GM Purchase Orders issued on or after the date hereof and before September 14, 2015, including confirming GM Purchase Orders issued pursuant to Article III of this Agreement and GM Purchase Orders issued in connection with business awarded pursuant to sections 3.04 through 3.07 of this Agreement, shall be issued to DAS.

(b) The business covered by the Existing Agreements together with any business awarded pursuant to sections 3.04 through 3.06 of this Agreement, any business awarded pursuant to section 3.07 of this Agreement that shall be produced at UAW Keep Facilities or IUE-CWA Keep Facilities, and the business set forth on Exhibit 3.01(b) to this Agreement constitutes the "Booked Business." On and after the Effective Date, the initial price for Booked Business that is subject to an Existing Agreement shall be the price set forth on the relevant GM Purchase Order or, if there is no GM Purchase Order, the relevant award letter.

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Notwithstanding the foregoing, the price for the Booked Business set forth on Exhibit 3.01(b)(i) shall be as mutually agreed by the Parties in accordance with section 3.09 of this Agreement. The Existing Agreements for Booked Business are, and the GM Purchase Orders issued in connection with the Booked Business that is not yet subject to an Existing Agreement shall be, binding contracts for the "Contract Term" as defined in section 3.01(c) below.

(c) The "Contract Term" for each Component Part manufactured at UAW Keep Facilities, whether subject to an Existing Agreement or to be awarded under section 3.04 or 3.07 below, is or shall be the life of the applicable program (the "UAW Keep Business"). The "Contract Term" for each Component Part manufactured at UAW Sale Facilities, whether subject to an Existing Agreement or to be awarded under section 3.04 or 3.07 below, is or shall be the life of the applicable program until each Sale Facility is sold (the "UAW Sale Business"). Additionally, in no event shall either the UAW Keep Business or the UAW Sale Business be subject to termination for convenience until after December 31, 2011 or such longer period expressly provided for in this Agreement, including the exhibits to this Article III. The "Contract Term" for each Component Part manufactured at IUE-CWA Keep Facilities, whether subject to an Existing Agreement or awarded under section 3.05 or 3.07 below (the "IUE-CWA Business"), is or shall be until October 12, 2011, and in any case shall not be subject to termination for convenience until after December 31, 2011 or such longer period expressly provided for in this Agreement, including the exhibits to this Article III. Those Component Parts sourced by a GM Party to Delphi's Mexican Affiliates or otherwise manufactured by Delphi's Affiliates in Mexico (the "Mexican Business") shall not be subject to termination for convenience until after December 31, 2010. The "Contract Term" for all other Booked Business which is not UAW Keep Business, UAW Sale Business, or IUE-CWA Business is as set forth in this Agreement, including the exhibits to this Article III, and if not set forth in this Agreement, including the exhibits to this Article III, as set forth in the applicable Existing Agreement or as negotiated by the Parties in accordance with this Agreement.

Section 3.02 Contract Extensions. GM and Delphi have negotiated extensions of certain Existing Agreements as set forth on Exhibit 3.02 to this Agreement. The applicable Existing Agreements are hereby amended to incorporate the terms set forth on Exhibit 3.02 to this Agreement, and GM shall issue confirming purchase orders to DAS in the course of GM's normal business practices. To the extent that any confirming purchase order fails to reflect the terms set forth in Exhibit 3.02 to this Agreement or contains terms inconsistent with the terms set forth in Exhibit 3.02 to this Agreement, the terms of this Agreement shall control even if Delphi continues to ship the applicable Component Parts following the issuance of the confirming purchase order.

Section 3.03 Price Down Arrangements.

(a) DAS shall honor the price reductions provided for in Existing Agreements (the "Contractual Savings") with respect to the Component Parts. In addition, the applicable Delphi Affiliates will honor the price reductions provided for in the applicable purchase orders or supply contracts relating to the Mexican Business. The GM Parties are not entitled to receive, and shall not request or require, directly or indirectly, additional price reductions from DAS with respect to the Component Parts which are subject to the Existing Agreements or from DAS or its Mexican Affiliates with respect to the Mexican Business; provided, however, that the GM
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Parties are entitled to receive additional price reductions in connection with (i) technical, engineering and other cost savings initiatives in accordance with the terms of the Existing Agreements, purchase orders or supply contracts, as applicable (other than those technical, engineering and cost savings initiatives implemented before January 1, 2008), and (ii) changes in manufacturing location (other than the changes in manufacturing locations identified on **Exhibit 3.03(a)** to this Agreement). DAS is entitled to receive price increases from GM for the Component Parts in connection with technical and engineering initiatives in accordance with the terms of Existing Agreements. The applicable Delphi Affiliates are entitled to receive price increases for the Mexican Business component parts in connection with technical and engineering initiatives in accordance with the terms of the purchase orders and supply contracts relating to the Mexican Business. Notwithstanding the foregoing, commercial discussions regarding directed-buy components shall be handled in the ordinary course of business between the Parties.

(b) GM is not entitled to receive, and shall not request or require, directly or indirectly, price reductions from Delphi for any Component Parts manufactured at any of the Wind-down Facilities.

Section 3.04 New Business Awards at UAW Keep Facilities. GM has agreed to award to Delphi certain new business under the terms identified in Exhibits A and A-1 of the UAW MOU, which is incorporated herein by reference, for production at the applicable UAW Facilities referenced therein. Consistent with the UAW MOU, Delphi shall place and keep all programs awarded to UAW Keep Facilities pursuant to this section 3.04 at the applicable UAW Keep Facilities for the lifetime of such programs.

Section 3.05 New Business Awards at IUE-CWA Keep Facilities. GM has agreed to award to Delphi certain new business under the terms identified in Exhibits A and A-1 of the IUE-CWA MOU, which is incorporated herein by reference, for production at the applicable IUE-CWA Facilities referenced therein. Consistent with the IUE-CWA MOU, Delphi shall place and keep all programs awarded to IUE-CWA Keep Facilities pursuant to this section 3.05 at the applicable IUE-CWA Keep Facilities until October 12, 2011.

Section 3.06 Reserved.

Section 3.07 Other New Business Awards. GM shall award to Delphi the new business set forth on **Exhibit 3.07** to this Agreement subject to agreement between the Parties on the pricing and other business terms for such business as set forth in section 3.09 of this Agreement.

Section 3.08 First Opportunity Process. GM shall provide Delphi with preferential bidding opportunities with respect to the business set forth in **Exhibit 3.08(a)** hereto pursuant to a first opportunity process, the terms and conditions of which are set forth in **Exhibit 3.08(b)** hereto.

Section 3.09 Pricing and Other Business Terms for Certain Booked Business and New Business Awards. Pricing and other business terms for the new business to be awarded pursuant to sections 3.01 and 3.04 through 3.07 of this Agreement, to the extent not already

established, shall be established through good faith negotiations between the GM commercial team and the Delphi sales team with the intent to award the applicable business to Delphi on terms mutually acceptable to Delphi and GM. Negotiation of and agreement on terms of such new business awards shall take into consideration, among other items, (i) the labor and other applicable cost differentials between the Delphi U.S. manufacturing location where the applicable Component Parts will be manufactured, (ii) the Delphi non-U.S. manufacturing locations where the applicable Component Parts could be manufactured, (iii) the U.S. and non-U.S. manufacturing locations of Delphi's competitors where the applicable parts could be manufactured and the relevant pricing available from such competitors, and (iv) the Parties' respective obligations under the Labor MOUs. In the event that GM and Delphi are unable to reach agreement on pricing for any specific program or business award, negotiations regarding such pricing shall be resolved in accordance with section 3.10 of this Agreement. Except as expressly set forth herein, GM has not agreed to negotiate or waive Standard GM Terms with respect to new business awarded pursuant to sections 3.04 through 3.07 of this Agreement.

Section 3.10 Dispute Resolution. In the event that a dispute arises among the Parties relating to any term or provision of Article III (an "Article III Dispute"), upon the written request of either Party, such Article III Dispute shall be referred to the applicable Purchasing Executive Director at GM and applicable Product Business Unit or Divisional Sales Director at Delphi for resolution in good faith. In the event that such directors are unable to resolve such Article III Dispute, such Article III Dispute shall be referred, at either Party's written request, to the Group Vice-President, Global Purchasing and Supply Chain for GM and the appropriate Delphi Divisional President. If within ten (10) days after such referral, GM's Group Vice-President, Global Purchasing and Supply Chain and the Delphi Divisional President are unable to resolve the Article III Dispute, the Article III Dispute shall be elevated, at either Party's request, to either GM's Chief Financial Officer or GM's President of GM North America (at GM's election) and either Delphi's Chief Executive Officer or Delphi's Chief Financial Officer (at Delphi's election) for resolution. To the extent that the job title of any of the foregoing positions is changed, this section 3.10 shall be deemed to apply to such successor title or, if the position is eliminated or vacated, to the job title of the party taking over the responsibilities of the eliminated or vacated position.

Section 3.11 Limitations on Global Sourcing.

(a) Other than Global Sourcing as a result of (i) a material breach of the applicable GM Purchase Order, subject to a commercially reasonable cure period under the circumstances (understanding that there is no cure period for an actual interruption of GM assembly operations or the imminent threat of an interruption of GM assembly operations), or (ii) Delphi's failure, after a commercially reasonable cure period under the circumstances, to remain technologically competitive (taking into consideration solely technology and not price) with respect to a given Component Part, GM shall not engage in Global Sourcing with respect to UAW Keep Business, UAW Sale Business and IUE-CWA Business, each for the longer of the applicable Contract Term or December 31, 2011. Notwithstanding anything to the contrary contained herein, GM's ability to Global Source shall in all cases be consistent with the Labor MOUs.

(b) Other than Global Sourcing as a result of (i) a material breach of the applicable purchase order or supply contract, subject to a commercially reasonable cure period under the circumstances (understanding that there is no cure period for an actual interruption of a GM Party's assembly operations or the imminent threat of an interruption of a GM Party's assembly operations), or (ii) a Delphi Affiliate's failure, after a commercially reasonable cure period under the circumstances, to remain technologically competitive (taking into consideration solely technology and not price) with respect to a given component part, the GM Parties shall not engage in Global Sourcing with respect to the Mexican Business through December 31, 2010.

(c) Nothing in this Agreement shall be construed to restrict the GM Parties in any way from Global Sourcing with respect to any other products or business except as set forth in sections 3.11(a), 3.11(b), and 3.11(e) hereof.

(d) Nothing in this Agreement, the UAW MOU, the IUE-CWA MOU, the USW MOU, or any Exhibits hereto prohibits or otherwise limits in any way GM's ability to conduct benchmarking and/or market testing activities or enter into discussions, negotiations, and agreements (including, but not limited to, contingent supply agreements) regarding the production of Component Parts by any potential alternative supplier(s).

(e) During the periods set forth in sections 3.11(a) and 3.11(b) above, the applicable GM Party shall notify Delphi of its intent to Globally Source any UAW Keep Business, any IUE-CWA Business or any Mexican Business at least thirty (30) days prior to the scheduled implementation of such Global Sourcing. In the event that Delphi reasonably believes that such Global Sourcing is a breach of a GM Party's obligations under this Agreement, then at Delphi's election the matter shall be resolved in accordance with section 3.10 of this Agreement and the applicable GM Party shall refrain from Global Sourcing until the thirty (30) day notice period has expired.

(f) To the extent the applicable purchase order or supply contract relating to any UAW Keep Business, any IUE-CWA Business or any Mexican Business expires by its own terms before the applicable Global Sourcing protection period set forth in sections 3.11(a) or 3.11(b) above has expired, the applicable Delphi Affiliate will have the option to continue to supply the applicable component part(s) for the remainder of the period specified in section 3.11(a) or 3.11(b) at the pricing in effect at the end of the contract term. To exercise this option, the applicable Delphi Affiliate will provide the applicable GM Party with a written notice of its intent to exercise the option as set forth above and the applicable GM Party will issue a conforming purchase order or supply contract to the Delphi Affiliate for the remainder of the term specified in section 3.11(a) or 3.11(b) above, as applicable, at the pricing in effect at the end of the contract term. To the extent the applicable Delphi Affiliate elects not to exercise its option, the Global Sourcing protection for the applicable component part(s) will terminate effective on the date the applicable contract expires.

Section 3.12 Bidding Opportunities. In addition to the business awards and bidding opportunities provided by the foregoing provisions of this Article III, Delphi shall be considered "Green" to the business plan through December 31, 2011 with respect to the UAW Keep Facilities and the IUE-CWA Keep Facilities. In addition, Delphi shall be considered "Green" to the business plan through December 31, 2010 for those facilities which produce the Mexican

Business. Such “Green” rating requires that GM provide Delphi with the full opportunity to quote on the applicable new business, provided that the Delphi facility producing the applicable Component Part is not placed on “New Business Hold” in accordance with GM’s normal business practices utilized with other suppliers. GM agrees that as of the date of this Agreement and other than as specified on **Exhibit 3.12** to this Agreement, no Delphi facilities producing the UAW Keep Business, the IUE-CWA Business or the Mexican Business are on “New Business Hold.” GM shall consider Delphi’s bids for such business in accordance with GM’s normal business practices utilized with other suppliers. Delphi acknowledges and agrees that any sourcing of business pursuant to this section 3.12 shall be in GM’s sole discretion.

Section 3.13 Temporary Acceleration of Payment Terms. Upon the MRA Consummation Date, (i) GM agrees to temporarily accelerate payment terms on all Component Parts supplied to GMNA and GMSPO by DAS from MNS-2 to Net 15th Prox. through December 31, 2011 (the “Temporary Acceleration of Payment Terms”) and (ii) GM shall make a payment to DAS as necessary to implement such Temporary Acceleration of Payment Terms as of the MRA Consummation Date. The provisions of this section 3.13 do not apply to the contracts to be accelerated to “net 10 day” payment terms under section 4.02(h) below.

(a) The applicable Existing Agreements are hereby amended to incorporate the Temporary Acceleration of Payment Terms contemplated in this Section 3.13. To the extent that any purchase orders for Existing Agreements or future purchase orders impacted by the Temporary Acceleration of Payment Terms fail to reflect the terms set forth in this Section 3.13 or contains terms inconsistent with the terms set forth in this Section 3.13, the terms of this Section 3.13 shall control even if DAS continues to ship the applicable Component Parts following the issuance of the such purchase orders.

(b) Beginning January 1, 2012, DAS shall be systematically transitioned back to MNS-2 in six equal installments over the following six (6) calendar quarters in a manner to be further agreed upon by the parties. In no event will the Temporary Acceleration of Payment Terms continue after April 1, 2013, on which date all impacted contracts or supply agreements will revert to MNS-2 payment terms (to the extent they have not reverted prior to that date).

(c) Should a dispute arise regarding the Temporary Acceleration of Payment Terms pursuant to this section 3.13 that cannot be resolved within a commercially reasonable period of time, at either Party’s election, such dispute shall be resolved in accordance with section 3.10 of this Agreement.

Section 3.14 Keep Site Right of Last Refusal. With respect to any UAW Keep Business or any IUE-CWA Business, provided that GM has the right under this Agreement and the Labor MOUs to engage in Global Sourcing with respect to any such Business and elects to do so, Delphi shall have a Right of Last Refusal (ROLR) until August 31, 2012 to be exercised as set forth in **Exhibit 3.14** hereto.

ARTICLE IV
FACILITIES PORTFOLIO

Section 4.01 Labor Reimbursement.

(a) Under the terms of, and pursuant to the process set forth in, this section 4.01, GM shall reimburse Delphi for certain labor costs as set forth below:

(i) 50% of Excess Labor Costs for the Red Circle Period at the UAW Keep Facilities, the IUE-CWA Keep Facilities, Sale Facilities, Footprint Facilities, and Wind-down Facilities;

(ii) 100% of Excess Labor Costs for the period from September 15, 2007, through December 31, 2007, at the UAW Keep Facilities, the Sale Facilities, the UAW Footprint Facilities, and the UAW Wind-down Facilities;

(iii) The Applicable Labor Reimbursement Percentage of Excess Labor Costs at the UAW Keep Facilities for the period from January 1, 2008, through September 14, 2015; provided, however, that the amounts payable for December of each calendar year 2008 through 2014 and for September 2015 shall be decreased (in the event the Applicable Labor Reimbursement Percentage of Excess Labor Costs for such calendar year exceeds the Actual Applicable Labor Reimbursement Percentage of Excess Labor Costs for such calendar year) or increased (in the event the Applicable Labor Reimbursement Percentage of Excess Labor Costs for such calendar year is less than the Actual Applicable Labor Reimbursement Percentage of Excess Labor Costs for such calendar year) by the Reimbursement Adjustment Amount; and

(iv) 100% of Additional Labor Reimbursement, regardless of whether obligations set forth in sections 4.01(a)(i through iii) or 4.02 hereof expire. Delphi will use commercially reasonable efforts to apply Management Controls of Employee Costs as defined in this Agreement. Delphi shall regularly provide to GM periodic operating reports on labor and labor cost drivers, such as for hours worked, disability rates, overtime hours worked, employees receiving Supplemental Unemployment Benefits, etc., of the same type and on the same interval as Delphi historically has generated for itself in the management of its business. Alternatively, Delphi may grant GM direct access to Delphi systems and vendors regarding all claims within the scope of the Additional Labor Reimbursement. In no event shall such Additional Labor Reimbursement duplicate or be duplicative of payments by GM otherwise required by section 4.01(a)(i-iii) or elsewhere in this Agreement. Additional Labor Reimbursement shall not include penalties incurred as a result of Delphi's violation of the law or failure to follow procedures, such as filing deadlines. GM's obligation regarding the Additional Labor Reimbursement shall be net of all recovered overpayments, rebates or refunds, subsidies, collateral, retroactive Social Security Disability awards, and the like.

(b) GM's reimbursement of Excess Labor Costs and Additional Labor Reimbursement described in section 4.01(a) of this Agreement shall be paid by GM pursuant to the following procedure:

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(i) Delphi shall endeavor to deliver to GM, no later than sixty (60) days before the Effective Date, an invoice reflecting actual Excess Labor Costs from October 1, 2006, through August 31, 2007. Delphi shall further endeavor to deliver to GM, no later than 30 days before the Effective Date, and no earlier than forty-five (45) days before the Effective Date, another invoice reflecting any actual Excess Labor Costs for all months after August 31, 2007, for which Delphi has closed its books, and Delphi's good faith estimate of Excess Labor Costs for all subsequent periods through the Effective Date. GM shall pay amounts in such invoices containing all information and representations required by section 4.01(b)(iii) (the "Paid Pre-Effective Date Subsidy") on the Effective Date. Delphi shall recalculate, within sixty (60) days after the Effective Date or within twenty-four (24) days after the year-end close of Delphi's books, whichever is later, the amount due for the period preceding the Effective Date based on actual Excess Labor Costs during that period and provide GM with a statement (the "Pre-Effective Date Subsidy Statement") showing the actual amount due under section 4.01(a) (the "Actual Pre-Effective Date Subsidy"). If the Actual Pre-Effective Date Subsidy exceeds the Paid Pre-Effective Date Subsidy, GM shall pay to Delphi the difference via wire transfer in immediately available funds within thirty (30) days of receipt of the Pre-Effective Date Subsidy Statement. If the Actual Pre-Effective Date Subsidy is less than the Paid Pre-Effective Date Subsidy, Delphi shall pay to GM the difference via wire transfer in immediately available funds within thirty (30) days of GM's receipt of the Pre-Effective Date Subsidy Statement from Delphi.

(ii) Following the Effective Date regarding Excess Labor Costs and following January 1, 2009 regarding Additional Labor Reimbursement, Delphi shall invoice GM on a monthly basis for the Excess Labor Costs and Additional Labor Reimbursement that GM is obligated to reimburse Delphi pursuant to section 4.01(a) of this Agreement. Delphi shall endeavor to deliver such invoices to the Director of Business Development at GM within twenty (20) days after month-end close of Delphi's books (if the 20th day falls on a weekend or holiday, Delphi shall endeavor to deliver the invoice to GM by the next business day).

(iii) Such monthly invoices and invoices described in section 4.01(b)(i) for Excess Labor Costs hereof shall be in the form set forth on **Exhibit 4.01(a)** to this Agreement and shall include all supporting documentation referenced in **Exhibit 4.01(a)** to this Agreement and a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects. Such monthly invoices for Additional Labor Reimbursement shall include reasonably detailed supporting documentation and a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects. GM and Delphi agree to work together in good faith to amend the form of invoices if necessary due to changed circumstances. In addition, unless Delphi otherwise consents, the invoices described herein and any information included in or specifically taken from such invoices, except to the extent such information is publicly available or can be obtained from other sources that are not, to GM's knowledge, subject to an obligation of confidentiality, (i) shall be used solely for the purpose of confirming the amount of Excess Labor Costs and Additional Labor Reimbursement and (ii) shall not be disclosed to any member of GM GPSC.

(iv) Delphi shall endeavor to provide, on or before August 1st of each year or as soon as reasonably practicable thereafter, but in no event later than December 1st of each year, to GM a non-binding forecast of amounts that Delphi projects GM will be required to pay pursuant to this section 4.01 for the following two (2) calendar years, and GM and Delphi

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shall work together to update the first year of such forecast on a quarterly basis;provided, however, that the amount of GM's obligation to pay any amount pursuant to this section 4.01 shall not be increased or decreased to equal any such forecast amounts, and Delphi's right to receive payments from GM shall not be affected by the amount of such forecast amounts.

(v) GM shall pay all amounts in each monthly invoice referred to in section 4.01(b)(ii) containing all information and representations required by this section 4.01(b) within twenty (20) days following receipt of the invoice or as otherwise agreed by GM and Delphi (if the 20th day falls on a weekend or holiday, GM shall pay Delphi on the next business day). Notwithstanding anything to the contrary in this Agreement or the Settlement Agreement, any payment by GM or Delphi of any amount pursuant to this section 4.01 shall be subject to the right of GM or Delphi, as applicable, to offset all or part of such payment as provided in section 8.01 hereof.

(c) Delphi shall (i) permit GM (excluding the members of GM GPSC) and/or its agents, at GM's expense, to audit Delphi's books and records relating to Excess Labor Costs and Additional Labor Reimbursement, and (ii) reasonably cooperate with GM and its agents in any such audit activities in a timely manner;provided, however, that (x) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit, (y) GM shall reasonably cooperate with Delphi and its agents in any such audit activities, and (z) GM shall, before seeking to audit Delphi's books and records regarding Excess Labor Costs and Additional Labor Reimbursement, request that Delphi provide reasonably sufficient supporting information with respect to any inquiry by GM regarding Excess Labor Costs and Additional Labor Reimbursement. In addition, unless Delphi otherwise consents, any and all information obtained by or through any audit of Delphi's books and/or records by GM and/or its agents, except to the extent such information is publicly available or can be obtained from other sources that are not, to GM's knowledge, subject to an obligation of confidentiality, (i) shall be used solely for the purpose of confirming the amount of Excess Labor Costs and Additional Labor Reimbursement, and (ii) shall not be disclosed to any member of GM GPSC.

(d) Delphi agrees to use commercially reasonable efforts to maximize the use of temporary employees and minimize the use of skilled labor, as work rules allow, with a goal of achieving a more competitive Labor Cost Amount, provided that Delphi's right to receive payments from GM shall not be affected by any failure to achieve a more competitive Labor Cost Amount.

Section 4.02 Production Cash Burn Breakeven.

(a) With respect to any of the Sale Facilities or UAW Footprint Facilities (the "Support Facilities") for which GM requires production at any time on or after January 1, 2008, GM agrees, under the terms and pursuant to the process set forth in this section 4.02, to reimburse Delphi for the Applicable Production Cash Burn Percentage of Production Cash Burn at such facility from January 1, 2008 (or such later date agreed to by GM and Delphi) through the Support End Date for such facility (a "Support Period"); provided, however, that to the extent that net sales attributable to any Support Facility exceed the sum of cash expenditures and accrued expenses included in the definition of Production Cash Burn for such Support Facility

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during its Support Period, such excess amount shall offset amounts that GM would otherwise pay in respect of other Support Facilities for which GM is reimbursing Production Cash Burn during such Support Period.

(b) GM shall reimburse Delphi as required in section 4.02(a) of this Agreement pursuant to the following procedure:

(i) Following the Effective Date, Delphi shall invoice GM on a calendar month basis for the aggregate amount of the Applicable Production Cash Burn Percentage of Production Cash Burn actually incurred at all Support Facilities during the applicable month. Delphi shall deliver the invoice to the Director of Business Development at GM by the 20th day of the month following each invoice period (if the 20th day of the month falls on a weekend or holiday, Delphi shall endeavor to deliver the invoice to GM by the next business day).

(ii) Each monthly invoice for the aggregate amount of the Applicable Production Cash Burn Percentage of Production Cash Burn actually incurred at all Support Facilities shall be in the form of **Exhibit 4.02(b)** hereto, shall have attached as supporting detail an invoice for each Support Facility (also in the form of **Exhibit 4.02(b)** hereto), and include a representation from Delphi that the attached supporting detail is substantially complete and substantially accurate in all respects. GM and Delphi agree to work together in good faith to amend the form of invoice if necessary due to changed circumstances.

(iii) GM shall pay all amounts in each invoice containing all information and representations required by section 4.02(b)(ii) within thirty (30) days following receipt of the invoice or as otherwise agreed by GM and Delphi (if the 30th day following receipt of the invoice falls on a weekend or holiday, GM shall pay Delphi on the next business day). Notwithstanding anything to the contrary in this Agreement or the Settlement Agreement, any payment by GM or Delphi of any amount pursuant to this section 4.02 shall be subject to the right of GM or Delphi, as applicable, to offset all or part of such payment as provided in section 8.01 hereof.

(iv) If any monthly invoice submitted under this section 4.02 reflects an aggregate positive cash flow for all Support Facilities during the applicable month, the amount of the aggregate positive cash flow shall be a credit to GM solely against any future amounts GM owes Delphi pursuant to this section 4.02. For the avoidance of doubt, Delphi shall not be obligated to make any cash payment to GM with respect to any credit under this section 4.02 nor shall any credits under this section 4.02 be applied against any sums owed by GM under any other provision of this Agreement or any other agreement.

(c) Delphi shall (i) with respect to the Flint East Facility, permit an outside auditor, at GM's expense, to audit Delphi's books and records relating to Production Cash Burn, (ii) with respect to all other Support Facilities, permit GM (excluding the members of GM GPSC) and/or its agents, at GM's expense, to audit Delphi's books and records relating to Production Cash Burn, and (iii) reasonably cooperate with GM and/or its agents in any such audit activities in a timely manner; provided, however, that (w) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit, (x) GM

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shall reasonably cooperate with Delphi and its agents in any such audit activities, (y) GM shall, before seeking to audit Delphi's books and records regarding Production Cash Burn, request that Delphi provide reasonably sufficient supporting information with respect to any inquiry by GM regarding Production Cash Burn, and (z) any and all information obtained by or through any audit of Delphi's books and records shall not be disclosed to any member of GM GPSC, except to the extent such information is publicly available or can be obtained from other sources that are not, to GM's knowledge, subject to an obligation of confidentiality. Notwithstanding anything contained herein, neither GM nor any of its agents shall be entitled to audit pursuant to this section 4.02(c) Delphi or Delphi's books and records until GM has commenced making the payments required pursuant to section 4.02 hereof.

(d) In consideration of GM's acceptance of responsibility for certain Supplemental Unemployment Benefits and Severance at the Footprint Facilities, GM shall receive a credit in the full amount of the first \$10 million for which GM is responsible under this section 4.02. The monthly invoices delivered by Delphi pursuant to this section 4.02 shall reflect and shall be reduced by the amount of the \$10 million credit, with the credit applied dollar for dollar against the first and each subsequent invoice until applied in full.

(e) On or before the date on which payment pursuant to this section 4.02 would be due from GM to Delphi with respect to the invoice pertaining to December of any year, Delphi shall pay to GM, with respect to each Sale Facility (so long as it was also a Support Facility at any point during such year), via wire transfer in immediately available funds an amount (the "Warranty Cost Amount") equal to one-third of the amount by which warranty costs associated with such facility during the portion of such calendar year such Sale Facility was a Support Facility exceeded an amount equal to the product of (x) the number of months during the year for which GM was obligated to cover warranty costs under Production Cash Burn and (y) 125% of (i) in respect of the Sandusky Facility, \$0; (ii) in respect of the Adrian Facility, \$0; (iii) in respect of the Saginaw Steering Facility, \$1,148,000; and/or (iv) with respect of the Athens Facility, \$20,000 (for each such facility, the "Base Monthly Warranty Level"), i.e.: one-third of (the warranty cost associated with the applicable facility for the portion of the current year the Sale Facility was a Support Facility — the number of months the Sale Facility was a Support Facility during the current year x 125% of Base Monthly Warranty Level). If the warranty costs during any month in respect of any Sale Facility (so long as it is also a Support Facility) are more than the greater of \$1 million or 200% of the Base Monthly Warranty Level, then, on or before the date on which payment pursuant to this section 4.02 would be due from GM to Delphi for such month, Delphi shall pay to GM via wire transfer in immediately available funds an amount equal to one-third of the amount by which the warranty costs exceed 125% of the Base Monthly Warranty Level; provided, however, that (i) the amount of any annual payment otherwise required to be made by Delphi pursuant to the first sentence of this section in respect of the year in which any monthly payment is made by Delphi pursuant to this sentence shall be reduced by the amount of any such monthly payment and (ii) if the aggregate amount of monthly payments made by Delphi pursuant to this sentence in any calendar year exceeds the amount of any annual payment otherwise required to be made by Delphi pursuant to the first sentence of this section in respect of such calendar year, GM shall pay to Delphi via wire transfer in immediately available funds within thirty (30) days of receipt by GM of the invoice under this section 4.02 for the month of December of such year an amount equal to such excess.

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(f) Delphi shall endeavor to provide, on or before August 1st of each year or as soon as reasonably practicable thereafter, but in no event later than December 1st of each year, to the Director of Business Development at GM a forecast of Production Cash Burn for the following two calendar years for each Support Facility and GM shall review each forecast and provide any feedback within 15 days after receipt of such forecast. Actual Production Cash Burn shall be tracked against each annual forecast on a monthly basis. GM and Delphi shall work together to update each annual forecast on a quarterly basis for the current calendar year. The amount of GM's obligation to reimburse Delphi pursuant to this section 4.02 shall not be increased or decreased to reflect any amounts forecasted pursuant to this section 4.02(f).

(g) At GM's direction, Delphi shall implement an incentive payment structure (the form and substance of which shall be subject to Delphi's consent, which shall not be unreasonably withheld) separate from and in addition to Delphi's current incentive payment structure, pursuant to terms designed by GM to meet certain objectives for Delphi's salaried employees at the Support Facilities, and any amounts paid by Delphi under such incentive payment structure shall be included as part of cost for purposes of the Production Cash Burn calculation; provided, however, that nothing herein shall require GM to direct Delphi to implement an incentive payment structure, and payments made under an incentive payment structure shall not be included as part of the Production Cash Burn calculation unless GM directs its implementation in writing.

(h) On January 1, 2008, GM shall accelerate its payment terms (for all payments made by GM after such date) to "net 10 days" for products purchased by GM from Support Facilities that are not also Sale Facilities. The accelerated payment terms for each such Support Facility shall end on the Support End Date for such Support Facility.

(i) GM and Delphi have agreed to work together to minimize excess and obsolete materials with respect to the Support Facilities in accordance with the letter from Bill Hurles, of GM, to Jeff Paprocki, of Delphi, dated February 1, 2007, which is attached hereto as **Exhibit 4.02(i)**. GM and Delphi have further agreed to handle extended fabrication and material obligations as set forth in such letter.

(j) Any inventory banks requested by GM at any Support Facility shall be produced by Delphi through the order schedule as outlined in section 4.02(h) of this Agreement. The size and build schedule for any such inventory banks shall be mutually agreed upon by GM and Delphi. GM shall purchase the inventory upon production by Delphi and receipt of an invoice, subject to "net 10 day" payment terms. At GM's written direction, Delphi shall warehouse and maintain such inventory at GM's cost.

(k) Current GM contract terms, including pricing, shall remain in force with no pricing changes to be proposed for GM products produced at the Support Facilities.

(l) Delphi shall use commercially reasonable efforts to minimize the Production Cash Burn at each Support Facility.

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(m) GM may, in its sole discretion, assist the Delphi purchasing organization, as requested by Delphi, in the negotiation and purchase of material for the Support Facilities after December 31, 2007.

(n) After such time as GM makes its first payment to Delphi under this section 4.02, GM may, in its sole discretion, designate GM employee(s) or advisor(s), compensated by GM, to work at any Support Facility (except for the Flint East Facility) as advisors to Delphi to help minimize Production Cash Burn after (i) in the case of the Needmore Road Facility, the Saginaw E&C Facility, the Sandusky Facility, or the Adrian Facility December 31, 2007, and (ii) in the case of the Saginaw Steering Facility or the Athens Facility, December 31, 2008. As necessary to support GM's efforts to reduce Production Cash Burn, Delphi shall provide such GM representatives with access to the operations of the Support Facilities (except for the Flint East Facility) as well as to the books and records relating to such Support Facilities. The GM representatives may also review ongoing expenditures at any such Support Facility during the Support Period for such Support Facility.

(o) GM, with the concurrence of Delphi, which shall not be unreasonably withheld, may, but shall not be required to, extend employment offers to Delphi salaried employees affiliated with the products or operations of the Support Facilities after (i) in the case of any employee associated with the Flint East Facility, June 30, 2008, (ii) in the case of any employee associated with the Needmore Road Facility and the Saginaw E&C Facility, December 31, 2007, (iii) in the case of any employee associated with the Saginaw Steering Facility or the Athens Facility, December 31, 2008, and (iv) in the case of any employee associated with the Sandusky Facility or the Adrian Facility, December 31, 2007; provided, however, that with respect to any Sale Facility, GM's right to extend employment offers pursuant to this section 4.02(o) shall be suspended so long as there is a sale of such Sale Facility pending pursuant to a signed memorandum of understanding or purchase agreement. GM may, but shall not be required to, locate employees that GM hires under this section 4.02(o) at any Support Facility until such Support Facility is wound-down or its ownership is transferred to a party other than Delphi; provided, however, that no salaried employees employed by GM shall hold or be deemed by Delphi or GM to hold a managerial position at any Support Facility.

Section 4.03 Sunset Requirements.

(a) GM has agreed, pursuant to section B of and Attachment A to the UAW MOU, to, among other things, provide certain support so that Delphi shall no longer have responsibility for production operations or for employment of UAW-represented employees by dates specified in the UAW MOU in respect of the Saginaw Steering Facility, the Sandusky Facility, the Adrian Facility, the Flint East Facility, the Needmore Road Facility and the Saginaw E&C Facility. For the avoidance of doubt, GM shall have no obligations (and shall not be responsible for any liabilities) in respect of such facilities, other than obligations expressly set forth in the UAW MOU, this Agreement or the Settlement Agreement, or such obligations, if any, expressly set forth in any Existing Agreements. Delphi agrees that it shall not seek any compensation from GM, the UAW or any other party in consideration of Delphi's cessation of responsibility pursuant to section B of the UAW MOU except as provided for in this Agreement, the Settlement Agreement or any Existing Agreements.

(b) GM and Delphi acknowledge that Delphi expects to cease GM production at the Athens Facility on or before December 31, 2009. GM and Delphi agree to use commercially reasonable efforts to relocate or source, on or before such date, production of all Component Parts which are manufactured at the Athens Facility, which relocation shall be coordinated with and approved by GM in accordance with GM's Business Transfer Approval Board process (the "BTAB Process"). In the event the production of Component Parts for GM at the Athens Facility has not been completely relocated or sourced to other facilities by December 31, 2009 due to technical, sourcing or manufacturing-based impediments, and despite the Parties' having used commercially reasonable efforts to meet the December 31, 2009 date, GM and Delphi shall mutually discuss and reasonably cooperate to address any additional production that is necessary to support GM following such date. In connection with the closure of the Athens Facility, GM agrees to utilize commercially reasonable efforts to coordinate the timing of flowback opportunities in the most cost-effective manner practicable. Delphi agrees that a condition of any sale of the Athens Facility shall be that the buyer agrees in writing to comply with this section 4.03(b). GM agrees that there shall be no adverse economic impact to Delphi related to hourly and salaried separation costs and costs of moving equipment in connection with any closure of the Athens Facility, and GM shall be responsible for any such costs borne by Delphi. Delphi and GM agree that if the Athens Facility is sold, the buyer (who will reap the long-term benefit of closure of the Athens Facility) shall bear the entire economic impact of closure of the Athens Facility, including, without limitation, hourly and salaried separation costs and costs of moving equipment, provided that GM shall provide flowback opportunities to GM locations or otherwise satisfy long-term employment commitments for approximately 390 Athens former Tier I employees.

(c) GM and Delphi acknowledge that Delphi expects to close the Columbus Facility on or before December 31, 2007. GM and Delphi agree to use commercially reasonable efforts to relocate or source, on or before such date, production of all Component Parts which are manufactured at the Columbus Facility, which relocation shall be coordinated with and approved by GM in accordance with GM's BTAB Process, subject to Delphi's right to close the Columbus Facility no later than December 31, 2008. In the event the production of Component Parts at the Columbus Facility will not be relocated or sourced to other facilities by December 31, 2007 due to technical, sourcing or manufacturing-based impediments, and GM desires that Delphi continue operations at the Columbus Facility to support GM production, despite the Parties' having used commercially reasonable efforts to meet the December 31, 2007 date, GM shall provide Delphi with sixty (60) days' prior written notice and GM and Delphi shall use commercially reasonable efforts to expedite the relocation of production from the Columbus Facility, in which case Delphi shall continue to operate the Columbus Facility in support of GM's production requirements until a date to be agreed upon by GM and Delphi, provided that Delphi shall not be obligated to operate such facility beyond December 31, 2008. In addition, the Parties agree to engage in good faith discussions regarding whether the Columbus Facility would be eligible for the Production Cash Burn subsidy under section 4.02 for the period after January 1, 2008. Delphi agrees that a condition of any sale of the Columbus Facility shall be that the buyer agrees in writing to comply with this section 4.03(c).

(d) GM and Delphi acknowledge that Delphi expects to close the Milwaukee E&C Facility on or before December 31, 2007. GM and Delphi agree to use commercially reasonable efforts to relocate or source, on or before such date, production of all Component

Parts which are manufactured at the Milwaukee E&C Facility, which relocation shall be coordinated with and approved by GM in accordance with GM's BTAB Process, subject to Delphi's right to close the Milwaukee E&C Facility no later than December 31, 2008. In the event the production of Component Parts at the Milwaukee E&C Facility will not be relocated or sourced to other facilities by December 31, 2007 due to technical, sourcing or manufacturing-based impediments, and GM desires that Delphi continue operations at the Milwaukee E&C Facility to support GM production, despite the Parties' having used commercially reasonable efforts to meet the December 31, 2007 date, GM shall provide Delphi with sixty (60) days' prior written notice and GM and Delphi shall use commercially reasonable efforts to expedite the relocation of production from the Milwaukee E&C Facility, in which case Delphi shall continue to operate the Milwaukee E&C Facility in support of GM's production requirements until a date to be agreed upon by GM and Delphi, provided that Delphi shall not be obligated to operate such facility beyond December 31, 2008. In addition, the Parties agree to engage in good faith discussions regarding whether the Milwaukee E&C Facility would be eligible for the Production Cash Burn subsidy under section 4.02 for the period after January 1, 2008. Delphi agrees that a condition of any sale of the Milwaukee E&C Facility shall be that the buyer agrees in writing to comply with this section 4.03(d).

Section 4.04 GM Working Capital Backstop for Sale Facilities.

(a) The Parties agree that the provisions of this section 4.04 are intended to provide Delphi with an agreed upon minimum recovery of the working capital that Delphi has invested in the Sale Businesses. The exercise of any Unsold Business Option under section 4.06 of this Agreement (other than with respect to the Saginaw E&C Assets), including the occurrence of any deemed transfer pursuant to section 4.06(c) of this Agreement, constitutes a sale under the provisions of this section 4.04.

(b) If the closing of the sale of the Global Interiors & Closures Business occurs on or before the Effective Date:

(i) GM will pay to Delphi on the Initial Payment Date a payment equal to the lesser of (A) \$91 million, and (B) 100% of the amount, if any, by which the estimated Net Working Capital associated with the Global Interiors & Closures Business as of the Closing Date (to the extent included as part of the sale) exceeds the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds) for the Global Interiors & Closures Business; or

(ii) Delphi will pay to GM on the Closing Date 60% of the Excess Interiors Proceeds, if any.

(iii) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsections (b)(i) and (b)(ii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date, in accordance with the procedures set forth in section 4.04(i).

(c) If the closing of the sale of the Global Interiors & Closures Business has not occurred on or before the Effective Date:

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(i) GM will advance to Delphi (as an advance deposit against accounts payable to Delphi and its U.S. and Mexican Affiliates), on the later of the Effective Date and January 2, 2008, the lesser of (A) \$91 million and (B) 100% of the estimated Net Working Capital associated with the Global Interiors & Closures Business as of December 31, 2007 (the “Interiors Advance”).

(ii) Upon the closing of a sale of the Global Interiors & Closures Business subsequent to GM making the Interiors Advance

(A) On the Closing Date, Delphi will pay to GM the amount of the Interiors Advance (which payment shall reduce the Interiors Advance to zero) by wire transfer in immediately available funds;

(B) On the Closing Date, GM will pay to Delphi the amount equal to the lesser of (x) \$91 million, and (y) 100% of the amount, if any, by which the estimated Net Working Capital associated with the Global Interiors & Closures Business as of the Closing Date (to the extent included as part of the sale) exceeds the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds), which payment is not an advanced deposit, by wire transfer in immediately available funds; and

(C) Delphi will pay to GM on the Closing Date an amount equal to 60% of the Excess Interiors Proceeds, if any.

(iii) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsection (c)(ii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date, in accordance with the procedures set forth in section 4.04(i).

(d) If the closing of the sale of the Sandusky Business occurs on or before the Effective Date:

(i) Delphi will first pay to GM on the Initial Payment Date the Capital Procurement Payment pursuant to the terms of the Capital Procurement Agreement.

(ii) Subsequent to Delphi having paid the Capital Procurement Payment to GM, GM will pay to Delphi on the Initial Payment Date the amount, if any, by which (A) the lesser of (1) \$35 million and (2) the estimated Net Working Capital associated with the Sandusky Business as of the Closing Date (to the extent included as part of the sale) exceeds (B) the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds) for the Sandusky Business less the Capital Procurement Payment; or

(iii) Delphi will pay to GM on the Closing Date 60% of the Excess Sandusky Proceeds, if any.

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(iv) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsections (d)(i) through (iii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date, in accordance with the procedures set forth in section 4.04(i).

(e) If the closing of the sale of the Sandusky Business has not occurred on or before the Effective Date:

(i) GM will advance to Delphi (as an advance deposit against accounts payable to Delphi and its U.S. and Mexican Affiliates), on the later of the Effective Date and January 2, 2008, the lesser of (A) \$35 million and (B) 100% of the estimated Net Working Capital associated with the Sandusky Business as of December 31, 2007 (the "Sandusky Advance").

(ii) Upon the closing of a sale of the Sandusky Business subsequent to GM making the Sandusky Advance

(A) On the Closing Date, Delphi will pay to GM the amount of the Sandusky Advance (which payment shall reduce the Sandusky Advance to zero) by wire transfer in immediately available funds.

(B) On the Closing Date, Delphi will pay to GM the Capital Procurement Payment pursuant to the terms of the Capital Procurement Agreement.

(C) Upon Delphi having paid the Capital Procurement Payment to GM, on the Closing Date, GM will pay to Delphi the amount, if any, by which (1) the lesser of (x) \$35 million, and (y) the estimated Net Working Capital associated with the Sandusky Business as of the Closing Date (to the extent included as part of the sale) exceeds (B) the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds) for the Sandusky Business less the Capital Procurement Payment, which payment is not an advanced deposit, by wire transfer in immediately available funds; or

(D) Delphi will pay to GM on the Closing Date 60% of the Excess Sandusky Proceeds, if any.

(iii) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsections (e)(i) and (e)(ii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date or December 31, 2007, as applicable, in accordance with the procedures set forth in section 4.04(i).

(f) If the closing of the sale of the Global Steering Business occurs on or before the Effective Date:

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(i) GM will pay to Delphi on the Effective Date a payment equal to the lesser of (A) \$210 million, and (B) 66.6% of the amount, if any, by which the estimated Net Working Capital associated with the Global Steering Business as of the Closing Date (to the extent included as part of the sale) exceeds the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds) for the Global Steering Business; or

(ii) Delphi will pay to GM on the Closing Date 60% of the Excess Steering Proceeds.

(iii) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsections (f)(i) and (f)(ii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date, in accordance with the procedures set forth in section 4.04(i).

(g) If the closing of the sale of the Global Steering Business has not occurred on or before the Effective Date:

(i) GM will advance to Delphi (as an advance deposit against accounts payable to Delphi and its U.S. and Mexican Affiliates), on the Effective Date, \$210 million (the "Steering Advance").

(ii) Between the making of the Steering Advance and the Closing Date of any sale of the Steering Business, Net Working Capital will be reassessed as of the end of each calendar year in accordance with the procedures set forth in section 4.04(i) and any necessary adjustments to the Steering Advance will be made on the appropriate Adjustment Payment Date (A) in the case of an increase in the Steering Advance, through an additional advance deposit against accounts payable to Delphi and its U.S. Affiliates, and (B) in the case of a decrease in the Steering Advance, through repayment by Delphi of the amount of such reduction.

(iii) Upon the closing of a sale of the Steering Business subsequent to GM making the Steering Advance

(A) On the Closing Date, Delphi will pay to GM the amount of the Steering Advance (which payment shall reduce the Steering Advance to zero) by wire transfer in immediately available funds;

(B) On the Closing Date, GM will pay to Delphi the amount equal to the lesser of (x) 210 million, and (y) 66.6% of the amount, if any, by which the estimated Net Working Capital associated with the Steering Business as of the Closing Date (to the extent included as part of the sale) exceeds the Initial Sale Proceeds (or, to the extent any adjustments have already been made, the Adjusted Sale Proceeds), which payment is not an advanced deposit); or

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(C) Delphi will pay to GM on the Closing Date an amount equal to 60% of the Excess Steering Proceeds, if any.

(iv) On each Adjustment Payment Date, GM or Delphi, as applicable, will make payment to the other party of any adjustments required to the payments made under subsections (g)(i) through (g)(iii) above to reflect the Adjusted Sale Proceeds or actual Net Working Capital as of the Closing Date or December 31, 2007, as applicable, in accordance with the procedures set forth in section 4.04(i).

(h) Notwithstanding sections 4.04(f) and (g) above, the terms of the Transaction Facilitation Agreement shall control so long as the Transaction Facilitation Agreement remains in effect.

(i) On or before the applicable Invoice Delivery Date, Delphi shall deliver to GM its good faith estimate of the calculation of any estimated payment owing under section 4.04 along with any reasonably necessary and appropriate supporting financial statements and other information and, if applicable, a preliminary closing statement for any sale (collectively, the "Estimated Payment Calculation"). GM and/or Delphi shall pay all amounts owing with respect to any Estimated Payment Calculation containing all information required by this section 4.04(i) on the dates such payments are due and owing under the terms of this section 4.04. Notwithstanding anything to the contrary in this Agreement or the Settlement Agreement, any payment by GM or Delphi of any amount pursuant to this section 4.04(i) shall be subject to the right of GM or Delphi, as applicable, to offset all or part of such payment as provided in section 8.01 hereof.

(j) Within 20 days of each Adjustment Determination Date, Delphi shall deliver to GM the calculation of any adjustment owing under sections 4.04(a)-(g) along with all necessary and appropriate supporting financial statements and other information and, if applicable, a closing statement for any sale (collectively, the "Adjustment Payment Calculation"). The Adjustment Payment Calculation shall include all reasonably necessary supporting documentation and a representation from Delphi that such documentation is substantially complete and substantially accurate in all respects. GM and/or Delphi shall pay all amounts owing under any Adjustment Payment Calculation containing all information and representations required by this section 4.04(j) on the applicable Adjustment Payment Date. Notwithstanding anything to the contrary in this Agreement or the Settlement Agreement, any payment by GM or Delphi of any amount pursuant to this section 4.04(j) shall be subject to the right of GM or Delphi, as applicable, to offset all or part of such payment as provided in section 8.01 hereof.

(k) Delphi shall (i) permit GM and/or its agents, at GM's expense, to audit Delphi's books and records relating to Adjustment Payment Calculations, and (ii) reasonably cooperate with GM and its agents in any such audit activities in a timely manner; provided, however, that (x) GM shall provide Delphi with reasonable advance written notice identifying the records and information that GM intends to audit, (y) GM shall reasonably cooperate with Delphi and its agents in any such audit activities, and (z) GM shall, before seeking to audit Delphi's books and records regarding Adjustment Payment Calculations, request that Delphi provide reasonably sufficient supporting information with respect to any inquiry by GM

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regarding Adjustment Payment Calculations. In addition, unless Delphi otherwise consents, any and all information obtained by or through any audit of Delphi's books and/or records by GM and/or its agents, except to the extent such information is publicly available or can be obtained from other sources that are not, to GM's knowledge, subject to an obligation of confidentiality, shall be used solely for the purpose of confirming any Adjustment Payment Calculations.

(l) As a condition of receiving payment of the Unrecovered Separation Costs in accordance with section 4.04, Delphi agrees that it will not obligate buyers of the Global Interiors & Closures Business, Global Steering Business or the Sandusky Business to pay such costs unless GM otherwise agrees.

(m) To the extent required under either Existing Agreements or agreements which GM or any of the Delphi Parties enter into in the future, Delphi shall ensure that GM receives required production from the Global Interiors & Closures Business, the Sandusky Business and the Global Steering Business through the earlier of the Closing Date related to the sale of such business or the applicable Business Outside Date.

Section 4.05 Additional Terms Regarding Sale Facilities.

(a) GM shall have the right to consent to the identity of any buyer or buyers of all or any part of the Global Steering Business, Global Interiors & Closures Business, and/or the Sandusky Business which is sold as a going concern and to the amount of proceeds to be paid upon the sale or sales of any of such businesses if less than the Net Working Capital associated with the applicable business; provided, however, that the right to consent to the identity of any buyer or buyers shall not apply to any sale of assets that are no longer used for GM production, including the Athens Facility and Columbus Facility (at such time as such facilities are no longer used for GM production); and provided further, that any proceeds from the sale of such assets (except for the Athens Facility, the Columbus Facility and de minimis surplus asset sales) shall be treated as Sale Proceeds under section 4.04.

(b) Delphi shall use commercially reasonable efforts to maximize the proceeds from and value of the Global Steering Business, Global Interiors & Closures Business, and the Sandusky Business (including working with GM to evaluate standalone options for such businesses or Facilities that are not sold on or prior to January 1, 2008); provided that nothing contained herein shall relieve GM of its obligation under section 4.06 hereof.

(c) GM shall use commercially reasonable efforts to negotiate a revenue plan with potential buyers of the Global Steering Business, Global Interiors & Closures Business, and/or the Sandusky Business to facilitate sales of such facilities; provided, however, that GM shall not be obligated under any circumstances to enter into any such revenue plan.

(d) With respect to the Global Steering Business, Global Interiors & Closures Business, and/or the Sandusky Business, as applicable, GM shall offer to any buyer of such facility or facilities to which GM consents under section 4.05(a) hereof, reimbursement of Excess Labor Costs for the period following the closing of the sale on terms that are substantially the same (and no less favorable to the buyer) as those set forth in section 4.01 of this Agreement.

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Section 4.06 Treatment of Unsold Businesses and the Transfer of Certain Employees.

(a) Unsold Business Option

(i) In accordance with the terms of this section 4.06, Delphi on behalf of itself and its applicable Affiliates (each a “Business Optionor” and collectively, the “Business Optionors”) hereby grants to one or more parties designated by GM in its discretion (each a “Business Optionee” and collectively, the “Business Optionees”), the options (each an “Unsold Business Option” and collectively, “Unsold Business Options”) to purchase the Global Steering Business, the Sandusky Business, the Global Interiors & Closures Business and the Saginaw E&C Assets (each an “Unsold Business” and collectively, the “Unsold Businesses”) each for \$1.00, to be effectuated through one or more asset sales, stock or other equity interest sales, real estate leases, machinery and equipment leases (with respect to machinery and equipment located in facilities which are to be leased to the applicable Business Optionee) and assignments and assumptions (each a “Business Transaction” and collectively, the “Business Transactions”), or a combination thereof, as reasonably determined by the applicable Business Optionee (except to the extent Delphi is expressly entitled to determine the structure under this section 4.06).

(ii) Each Business Transaction shall be structured such that the Business Optionee shall assume the Assumed Liabilities and Delphi and the Business Optionor, as applicable, shall retain the Retained Liabilities each with respect to the applicable Unsold Business. In addition, in connection with such Business Transaction, the Business Optionee shall offer employment to the U.S. salaried employees of the Unsold Business on terms substantially comparable in the aggregate to the terms of their employment with Delphi or its Affiliates for one year following the date of the closing of the applicable Business Transaction (the “Business Closing Date”), and, in the case of non-U.S. employees, the Business Optionee shall assume the employment contracts and all related obligations of the Unsold Business in accordance with applicable legal, works council and union agreement requirements. Also, the assets to be transferred in connection with each Business Transaction shall be accepted by the Business Optionee on an as-is, where-is basis. GM may designate only one Business Optionee at a time for each Unsold Business (unless Delphi otherwise consents, which consent shall not unreasonably be withheld), provided that GM may designate separate Business Optionees with respect to discrete regional operations or lines of business which are a part of the Unsold Business where such discrete regional operations or lines of business may reasonably be sold as a separate ongoing concern. The Business Optionee and GM shall be responsible for all costs associated with any such sales or, to the extent provided in section 4.06(a)(vii) below, the preparation therefor regardless of whether the sale to such Business Optionee closes.

(iii) To the extent that an Unsold Business includes a contract or other obligations, including without limitation non-compete or non-solicitation agreements, which would restrict or inhibit a Business Optionee or any of its Affiliates from engaging in, owning an interest in any Person engaged in, or providing support (financial or otherwise) to any Person engaged in, any line of business, Delphi shall at the request of the applicable Business Optionee use commercially reasonable efforts to terminate such contract or obligations and, at the election of the applicable Business Optionee, such contract or obligation shall be excluded (at the cost and expense of the Business Optionee) from the contracts and obligations being transferred or assumed by the Business Optionee pursuant to a Business Transaction; and in such case, Delphi,

the applicable Business Optionor and GM shall use their respective commercially reasonable efforts to provide the Business Optionee with the rights and benefits of such excluded contract or obligation (other than with respect to joint ventures). To the extent that an Unsold Business includes a contract or obligations pursuant to which a third party has a preemptive or similar right to purchase any asset (including an equity interest in a joint venture) which constitutes a portion of the Unsold Business, Delphi shall use commercially reasonable efforts to cause such third party not to exercise such right and at the election of the applicable Business Optionee, such assets shall be excluded (at the cost and expense of the Business Optionee) from the assets being transferred or assumed by the Business Optionee pursuant to a Business Transaction; and in such case, Delphi, the applicable Business Optionor and GM shall use their respective commercially reasonable efforts to provide the Business Optionee with the rights and benefits of such asset (other than with respect to joint ventures). With respect to the Saginaw E&C Assets, Delphi shall be entitled to retain the working capital with respect to such Unsold Business.

(iv) The Parties agree that in connection with a Business Transaction Delphi may as reasonably determined by Delphi in order to reduce the cost of the applicable Business Transaction, (A) transfer the assets to be sold in connection with an Unsold Business and Assumed Liabilities to be assumed in connection with the purchase of the Unsold Business to a newly-formed subsidiary with no other operations or operational history, and transfer the equity interests of such new subsidiary to the Business Optionee, or (B) in the case of wholly-owned subsidiaries that are engaged in no business other than the Unsold Business, transfer the equity interests of such subsidiaries to the Business Optionee. In no event shall the Business Optionee assume or otherwise become liable for any liabilities or obligations that are not Assumed Liabilities, Delphi and the Business Optionor shall, jointly and severally, indemnify, defend and hold GM and each Business Optionee harmless from and against all such liabilities. Notwithstanding anything to the contrary herein, the liabilities and obligations of any joint venture comprising part of an Unsold Business will not be affected by this Agreement and such liabilities and obligations shall remain liabilities and obligations of the joint venture, and Delphi and its Affiliates (other than the joint venture) shall have no liability or obligation with respect thereto.

(v) Each Business Transaction shall be subject to customary and appropriate documentation reasonably acceptable to Delphi and the Business Optionee. The Business Optionor and Delphi shall jointly and severally warrant to the applicable Business Optionee that, other than assets excluded from the relevant Unsold Business definition, the assets and rights transferred to the Business Optionee, together with the rights and transition services provided for hereunder, are sufficient to operate the applicable Unsold Business in substantially the same manner as operated prior to the Business Closing Date. In addition, the Business Optionor shall provide a customary warranty to the Business Optionee that it is being transferred marketable title to all stock, equity interests and assets to be transferred to the Business Optionee, free and clear of all liens, claims and Encumbrances, subject only to Permitted Encumbrances. The Business Optionees and the Business Optionor shall take all commercially reasonable actions necessary to and shall execute and deliver, any documents or instruments, reasonably necessary to, perfect or confirm all transfers, assignments and assumptions in connection with each Business Transaction, including making all appropriate regulatory filings as soon as practicable and obtaining all requisite regulatory approvals in advance of the Business Outside Date (as defined below); provided that in no event shall a Business Optionee be obligated to

dispose of or divest itself of any line of business or restrict itself from engaging in a line of business in order to obtain any regulatory approvals. To the extent a third party consent or approval is not obtained with respect to any third party contract or agreement in connection with a Business Transaction, the applicable contract or agreement shall be excluded from the Business Transaction and Delphi shall and shall cause its Affiliates to use reasonable efforts to provide the benefits therefrom to the Business Optionee.

(vi) Each Unsold Business Option may be exercised by a Business Optionee (A) with respect to the Global Interiors & Closures Business, the Sandusky Business and the Saginaw E&C Assets, on or after the earlier of (1) the date Delphi and GM agree in writing that Delphi's marketing efforts have concluded for the applicable Unsold Business and (2) September 30, 2008; and (B) with respect to the Global Steering Business, on or after the earlier of (1) the date Delphi and GM agree in writing that Delphi's marketing efforts have concluded for such business and (2) August 31, 2010; provided, however, that the Unsold Business Option with respect to each Unsold Business shall terminate and expire upon any sale of such Unsold Business by Delphi. In the event that an Unsold Business Option with respect to any of the Global Interiors & Closures Business, the Sandusky Business, and the Saginaw E&C Assets is not exercised on or before December 31, 2008, or if such option has been exercised but the applicable Business Closing Date has not occurred on or before December 31, 2008, the Unsold Business Option relating to the applicable Unsold Business shall terminate. In the event that an Unsold Business Option with respect to the Global Steering Business is not exercised on or before December 31, 2010, or if such option has been exercised but the Business Closing Date with respect to the Global Steering Business has not occurred on or before December 31, 2010, the Unsold Business Option relating to the Global Steering Business shall terminate. If the Unsold Business Option is exercised in accordance with this section 4.06, the exercising Business Optionee and Delphi shall take all commercially reasonable actions to close the applicable Business Transaction for such Unsold Business Option on or before the applicable termination dates provided for in the previous two sentences (each a "Business Outside Date" and collectively, the "Business Outside Dates"). The Unsold Business Option shall be exercised through notice to Delphi provided in accordance with section 8.19 hereof. Such notice shall be in writing. In addition, GM shall in writing notify Delphi of the identity of the Business Optionees as promptly as practicable, but in any event, at least 45 days prior to the applicable Business Closing Date.

(vii) At each Business Optionee's expense, such Business Optionee may begin preparations for the exercise of the Unsold Business Option, without any obligation to exercise such option (A) on or after April 1, 2008, with respect to the Global Interiors & Closures Business, the Sandusky Business, and the Saginaw E&C Assets, and (B) on or after April 1, 2010 with respect to the Global Steering Business, subject to, in each case, the execution of reasonable and customary confidentiality agreements. Delphi shall reasonably cooperate and assist any Business Optionee in its preparations and shall undertake such actions as such Business Optionee reasonably requests in order to complete such preparations, subject to reimbursement by the applicable Business Optionee of Delphi's actual costs incurred relating to such preparations. Such preparations may include, without limitation, due diligence (including discussions regarding facilities relocation plans for stated facilities), information technology systems conversion, payroll systems conversion, and inventory systems conversion, as well as other actions necessary or reasonably desirable in preparing for the establishment of each of the

Global Steering Business, the Sandusky Business, the Global Interiors & Closures Business and the Saginaw E&C Assets as separate operating entities.

(viii) Upon the applicable Business Closing Date, Delphi shall, except as provided in the following sentence, take all necessary and appropriate actions to allow the Business Optionee to acquire ownership or use of, or to receive the benefit of, as applicable, and the Business Optionee shall take all necessary and appropriate actions to receive and accept ownership, use or the benefit of, all contracts, leases, license agreements and other agreements with third parties, and all other assets (including all equipment, machinery and tools) owned by Delphi that are primarily used in the applicable Unsold Business. Ownership of all intellectual property primarily used in the operation of the applicable Unsold Business shall be transferred by Delphi (and/or the Business Optionor as appropriate) to GM. The Parties further agree that (A) with respect to any intellectual property transferred by Delphi that is used in any of Delphi's or its Affiliates' other businesses or facilities, GM grants to Delphi, with the right to sublicense to its Affiliates, successors, assigns and/or designated suppliers, a perpetual, fully paid up, worldwide, non-exclusive irrevocable license under such intellectual property to make, have made, use, have used, sell, offer to sell, import, export, reproduce, copy, prepare derivative works, and distribute all products of the type produced by Delphi or any of its Affiliates as of the Business Closing Date and any derivatives and/or re-use/extension thereof other than the GM products associated with the business acquired by the Business Optionee, and (B) with respect to any intellectual property retained by the Business Optionor or Delphi that is also used in connection with the applicable Unsold Business, the Business Optionor or Delphi, as appropriate, grants to GM, with the right to sublicense to its Affiliates, successors, assigns and/or designated suppliers, a perpetual, fully paid up, worldwide, non-exclusive irrevocable license under such intellectual property to make, have made, use, have used, sell, offer to sell, import, export, reproduce, copy, prepare derivative works, and distribute all products of the type produced by such Unsold Business as of the Business Closing Date and any derivatives and/or re-use/extension thereof. The provisions of subsections (A) and (B) hereof are sufficient to constitute a license and no further actions are required by any party to give effect to the terms thereof. GM shall release Delphi and the Business Optionor from any liabilities and obligations relating to the period commencing after the applicable Business Closing Date in connection with any production obligations under any applicable Purchase Orders or supply contracts to GM relating to the Unsold Business. If an Unsold Business Option is exercised, Delphi or the Business Optionor shall assist, at the Business Optionee's cost (except for information technology costs to the extent Delphi has been compensated for such costs under section 4.04), in the conversion of the information technology, payroll and inventory systems at the applicable Unsold Business.

(ix) If, in connection with a Business Transaction, a Business Optionee determines to lease an Unsold Business facility, such lease or leases (A) shall be "triple net", (B) shall provide for no rent payments, (C) shall include an option exercisable at any time prior to the termination of such lease by the Business Optionee or its assignee, to purchase the such facility for \$1.00 and (D) shall have a lease term until December 31, 2015 with two (2) four (4) year renewal options and contain such other terms which shall be reasonably acceptable to Delphi and the Business Optionee, and provided that the Business Optionee shall have the right to terminate the applicable lease at any time without liability directly related to such termination on six (6) month's prior written notice to Delphi. The Business Optionee shall remain

responsible for any liabilities that arose under such lease prior to the termination thereof. Notwithstanding anything contained herein, the Parties expressly agree that in order for a Business Optionee to have the right to execute a lease of any facility in connection with an Unsold Business Option, Delphi shall have the right to require that all facilities, machinery and equipment that are a part of such Unsold Business (other than any such facilities, machinery or equipment which are owned by an entity, the equity of which would be directly or indirectly transferred to the Business Optionee) shall be leased to such Business Optionee under a lease on terms set forth in the first sentence of this section 4.06(a)(ix). With respect to any facility and machinery and equipment owned by an entity, the equity interests of which were transferred, directly or indirectly, to a Business Optionee, the Business Optionee shall have the right to transfer, no later than December 31, 2023, the applicable facility and machinery and equipment to the applicable Business Optionor or its designee for \$1 upon six (6) months notice.

(x) In connection with a Business Transaction, at a Business Optionee's request, Delphi shall enter into reasonable and customary transition services agreements for up to a twelve (12) month period following the Business Closing Date to facilitate the operation of the applicable businesses after the exercise of such option, subject to the Business Optionee's agreement to reimburse Delphi for its and its Affiliates actual costs and expenses incurred in providing such transition services. At the option of the Business Optionee, Delphi shall extend any such transition services agreement for an additional three month period, subject to the Business Optionee's agreement to reimburse and compensate Delphi for one hundred and twenty-five percent (125%) of its and its Affiliates actual costs and expenses incurred in providing such transition services. Following the expiration of such additional three month period, at the option of the Business Optionee but upon at least 90 days prior written notice to Delphi, Delphi shall extend any such transition services agreement for an additional three month period, subject to the Business Optionee's agreement to reimburse and compensate Delphi for one hundred and fifty percent (150%) of its and its Affiliates actual costs and expenses incurred in providing such transition services.

(xi) In connection with the documentation of a Business Transaction, the applicable Business Optionee shall agree to supply products as by directed by Delphi or its Affiliates in connection with product warranty or product recalls for a period of six months after the Business Closing Date at factory-level cost plus engineering cost (without mark-up) for any warranty-related Retained Liabilities; thereafter the applicable Business Optionee shall agree to supply products to Delphi or its Affiliates in connection with product warranty or product recalls at 110% of factory-level cost plus engineering cost.

(xii) Delphi and each applicable Business Optionor, jointly and severally, shall indemnify the applicable Business Optionee and GM against the Retained Liabilities, the Delphi Retained Employment Liabilities and all other obligations of Delphi or any Business Optionor hereunder to be performed in connection with any Business Transaction and GM and the applicable Business Optionee shall indemnify Delphi for all Assumed Liabilities and other obligations hereunder to be performed by the Business Optionee in connection with such Business Transaction. Delphi and each applicable Business Optionor shall jointly and severally cause to be paid or performed when due each of the Retained Liabilities to the extent that the failure to do so would reasonably be expected to have an adverse impact or effect on GM, a Business Optionee or any of their respective Affiliates.

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(xiii) In connection with the exercise of any Unsold Business Option, and prior to the closing of any Business Transaction, GM shall cause any Business Optionee to consult with Delphi and, the Business Optionee may consult with Delphi and, provided that Delphi is given a reasonable opportunity to make the first communication, the Business Optionee may consult with any customers of such Unsold Business, to discuss the potential impact of any Business Transaction on the ongoing commercial relationship between such Unsold Business and any such customers.

(xiv) GM agrees that in the event GM receives any consideration with respect to the designation of a Business Optionee pursuant to this section 4.06, the amount of such consideration shall be allocated between GM and Delphi as if such consideration was treated as Sale Proceeds pursuant to section 4.04 hereof.

(b) Employment Transfer No Later than Employment Outside Date

(i) Subject to the terms of this section 4.06 and in accordance with section B.3 of the UAW MOU, GM shall cause all the active and inactive bargaining unit employees (other than those who are participating in the PRP) at each of the Flint East, Needmore Road and Saginaw E&C Facilities (each an "Employment Transfer Facility" and collectively, the "Employment Transfer Facilities") to transfer (each an "Employment Transfer" and collectively, the "Employment Transfers") to employment with a third party (each an "Employment Party" and collectively, the "Employment Parties") no later than the time set forth in clauses (A), (B) and (C) below, respectively (each an "Employment Outside Date" and collectively, the "Employment Outside Dates"). In connection with each such Employment Transfer each such Employment Party shall receive an assignment of all of Delphi's rights and obligations other than the Delphi Retained Employment Liabilities for all active and inactive bargaining unit employees at such Employment Transfer Facility and in connection therewith each Employment Party shall assume all of Delphi's obligations other than those related to the Delphi Retained Employment Liabilities for all such active and inactive bargaining unit employees. The Parties further agree that upon such assumption Delphi shall be relieved and released from any liabilities or obligations other than the Delphi Retained Employment Liabilities to such active and inactive bargaining unit employees arising from and after the date of the applicable Employment Transfer. The time period for completion of the Employment Transfers are as follows:

(A) with respect to the Flint East Facility, commencing on October 1, 2007, and from time to time thereafter when Delphi notifies GM that Delphi's employment requirements at Flint East are reducing, GM shall cause the Employment Party to hire the active and inactive bargaining unit employees at the Flint East Facility that Delphi no longer requires for its ongoing production;

(B) with respect to the Needmore Road Facility, on or after the earlier of 30 days after the cessation of OE Part production at the Needmore Road Facility (which is currently scheduled for June 30, 2008) or December 31, 2008; and

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(C) with respect to the Saginaw E&C Facility, December 31, 2008.

Delphi shall reasonably cooperate in connection with the Employment Transfer to each Employment Party. With respect to the Flint East Facility, GM shall be obligated to cause the Employment Party to permit Delphi's continued use of the employees transferred to the Employment Party pursuant to the Employment Transfer (or substitute employees who are members of the same bargaining unit), to the extent Delphi requires in order to manufacture cluster and MRA products in accordance with the UAW MOU, and the cost of such use shall be included in expenses for the purpose of determining Production Cash Burn.

(c) Deemed Transactions

(i) If for any reason a Business Transaction with respect to any Unsold Business other than the Saginaw E&C Assets has not been consummated by the applicable Outside Date, GM, or an Affiliate of GM designated by GM in its discretion, shall be deemed to be a Business Optionee with respect to such Unsold Business and to have exercised and consummated the related Unsold Business Option, and the associated Business Transaction (including the assumption of the Assumed Liabilities) shall be deemed to have been consummated on the applicable Business Outside Date. Such transaction shall be deemed to occur in a manner reasonably determined by Delphi and Delphi shall have the right to make, in its reasonable discretion, any elections with respect to the terms of the applicable Business Transaction which a Business Optionee would otherwise be entitled to make under section 4.06(a) and which have not previously been made by GM, a Business Optionee or a designated GM Affiliate at least 45 days before the Business Outside Date; provided, further, that such Business Transaction shall exclude any foreign joint venture interests comprising a portion of such Unsold Business that are subject to preemptive or similar rights that have not been waived and Delphi shall use its commercially reasonable efforts to cause GM or its designee to receive any net proceeds from the sale of any such joint venture interest. In the event that GM designates one or more of its Affiliates under this section 4.06(c)(i), GM absolutely and unconditionally guarantees all the obligations of such Affiliate with respect to the matters described in this section 4.06(c)(i). Following the consummation of a Business Transaction pursuant to this section 4.06(c)(i), GM and Delphi shall cooperate and provide each other appropriate documentation evidencing such transaction. To the extent that an Unsold Business includes a contract or other obligations, including without limitation non-compete or non-solicitation agreements, which would restrict or inhibit GM or any of its Affiliates from engaging in, owning an interest in any Person engaged in, or providing support (financial or otherwise) to any Person engaged in, any line of business, Delphi shall use commercially reasonable efforts to terminate such contract or obligations and at the election of GM or its designated Affiliate, such contract or obligation, shall be excluded (at the cost and expense of GM) from the contracts and obligations being transferred or assumed by GM or such Affiliate pursuant to a Business Transaction; provided, however Delphi shall be entitled to cause the deemed Business Transaction to occur without including such contract or obligation and, in such case, Delphi and GM shall use their respective commercially reasonable efforts to provide GM or the applicable GM Affiliate with the rights and benefits of such excluded contract or obligation. To the extent any contract, agreement or other asset is excluded from a Business Transaction pursuant to section 4.06(a), such contract, agreement or asset shall be treated as an "Unsold Business" for

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purposes of this section 4.06(c) and the provisions of this section 4.06(c) shall be deemed to apply such that GM or its designated Affiliate shall be deemed a “Business Optionee” with respect to such “Unsold Business” and to have exercised and consummated an “Unsold Business Option”, and the associated “Business Transaction” (including the assumption of “Assumed Liabilities”) shall be deemed to have been consummated on the applicable Business Outside Date associated with the Unsold Business from which such contract, agreement or other asset was excluded.

(ii) GM acknowledges that as a result of the Business Transactions, certain of Delphi’s customers may have concerns and issues relating thereto. GM agrees to permit Delphi to take such commercially reasonable actions as are necessary or desirable to address such concerns and issues, including cooperating with any customers to transfer production of non-GM business and associated tooling and equipment from any such facility to new sources of production as may be required or requested by any of the customers in the event of any transfer to GM under this section 4.06(c). In addition, GM or its designated Affiliate will consult with Delphi and, provided that Delphi is given a reasonable opportunity to make a first communication, GM may consult with any such customers of an Unsold Business, to discuss the potential impact of any Business Transaction on the ongoing commercial relationship between such Unsold Business, Delphi and any such customers.

(iii) If for any reason an Employment Transfer with respect to an Employment Transfer Facility has not been consummated by the applicable Employment Outside Date (which shall in the case of the Flint East Facility be deemed to occur from time to time on the dates set forth in Delphi’s notices to GM under section 4.06(b)(i)(A) above), the applicable active and inactive bargaining unit employees for each such Employment Transfer Facility shall transfer to employment with GM, or, an Affiliate of GM designated by GM in its discretion, in accordance with this section on the applicable Employment Outside Date. In the event that GM designates one or more of its Affiliates under this section 4.06(c)(iii), GM unconditionally guarantees all the obligations of such Affiliate with respect to the matters described in this section 4.06(c)(iii). With respect to the Flint East Facility, GM or its Affiliate shall be obligated to permit Delphi’s continued use of the employees transferred to GM or its Affiliate pursuant to this section 4.06(c), to the extent Delphi requires in order to manufacture cluster and MRA products in accordance with the UAW MOU, and the cost of such use shall be included in expenses for the purpose of determining Production Cash Burn. Following the consummation of a Business Transaction or Employment Transfer pursuant to this section 4.06(c)(iii), GM and Delphi shall cooperate and provide each other appropriate documentation evidencing such transaction.

(iv) GM’s obligations under this section 4.06 are absolute and unconditional and shall not be subject to any defense of any nature whatsoever, including upon a breach by Delphi or any of its Affiliates of any of their obligations under this Agreement (including this section 4.06), the Settlement Agreement or any other agreement or any failure to consummate a Business Transaction pursuant to this section 4.06 for any reason. To the extent the consummation of a Business Transaction under this section 4.06 shall be illegal or shall require GM or its Affiliates to dispose of or divest any line of business or restrict itself from engaging in any line of business to which GM or its Affiliates are at that time actively engaged in order to obtain any regulatory approval, Delphi shall restructure such transaction in order to

accomplish to the greatest extent legally permissible consummation of the applicable Business Transaction. GM shall pay the costs arising and resulting from such restructuring, including shutdown, closure and severance costs. Notwithstanding the foregoing, it will not be a breach of GM's obligations hereunder if a Business Transaction is not consummated as a result of Delphi's failure to restructure such Business Transaction in a manner which is not illegal or which does not require GM or its Affiliates to dispose of or divest any line of business in which GM or its Affiliates are at that time actively engaged.

Section 4.07 Additional Terms Regarding Wind-Down Facilities.

(a) GM and Delphi shall work together to facilitate the wind-down of production at Delphi's facilities that are scheduled to be wound down.

(b) Delphi shall use commercially reasonable efforts to support the resourcing of GM production at Delphi's Wind Down Facilities and the Athens Facility, which support shall include, among other things, inventory banks funded by GM, assignment of tier 2 supplier contracts and movement of tooling.

(c) GM shall use commercially reasonable efforts to transition from each facility of Delphi that is scheduled to be wound down to alternate production sources the production of aftermarket parts within the same timeframe as the transition from such facility to alternate production sources for the production of OE Parts.

Section 4.08 Additional Terms Regarding Footprint Facilities.

(a) Delphi shall be responsible for explaining to potential purchasers or transferees of businesses conducted at the Footprint Facilities the provisions of the UAW MOU or IUE MOU, as applicable.

(b) Delphi shall commit the required engineering resources and capital improvements necessary to support all GM programs produced at the Flint East Facility as required to meet Delphi's obligations under Existing Agreements or agreements which Delphi and GM enter into in the future. To the extent required under Existing Agreements or agreements which Delphi and GM enter into in the future, Delphi shall ensure that GM receives required production from the Flint East Facility through the date on which Delphi has no further obligations under the UAW MOU relating to production at the Flint East Facility.

(c) GM has agreed, pursuant to section B of and Attachment A to the IUE MOU, to provide certain business to a third party so that Delphi would be relieved of responsibility for production or operations at the Kettering Facility as soon as possible. GM and Delphi shall continue to work together to support the transfer of the Kettering Facility as contemplated by the IUE MOU.

Section 4.09 Additional Terms Regarding UAW Keep Facilities. At each of the UAW Keep Facilities, Delphi shall commit the required engineering resources and capital improvements necessary to support all GM programs produced at such UAW Keep Facility as required to meet Delphi's obligations under Existing Agreements or agreements which Delphi and GM enter into in the future.

ARTICLE V
TREATMENT OF LEGACY AGREEMENTS; ORDINARY COURSE MATTERS;
INDEMNIFICATION

Section 5.01 Disposition of Agreements with GM.

(a) Agreements Executed in Connection with the Separation to Be Assumed. As of the Effective Date, the agreements identified in this section 5.01(a) shall, as applicable, be either assumed, reinstated, or ratified (including as amended, as applicable):

(i) Environmental Matters Agreement. The Environmental Matters Agreement between Delphi Automotive Systems Corporation (n/k/a Delphi) and GM, dated as of “October 1998” (the “Environmental Matters Agreement”), attached hereto as Exhibit 5.01(a)(i); provided, however, that in light of the rejection of the Master Separation Agreement dated as of December 22, 1998 among Delphi Automotive Systems Corporation (n/k/a Delphi), DAS, Delphi Technologies, Inc. (“DTI”), and GM (the “Master Separation Agreement”), pursuant to section 5.01(d) of this Agreement, all references in the Environmental Matters Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the Parties’ original intent with respect to remaining provisions are deemed made;

(ii) Reserved;

(iii) Reserved;

(iv) Income Tax Allocation Agreement. The Amended and Restated Agreement for the Allocation of United States Federal, State and Local Income Taxes dated as of December 16, 1998 between Delphi Automotive Systems Corporation (n/k/a Delphi) and GM (the “Income Tax Allocation Agreement”), attached hereto as Exhibit 5.01(a)(iv); provided, however, that all references in the Income Tax Allocation Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the Parties’ intent with respect to remaining provisions are deemed made; and provided further that, as of the Effective Date, the provisions of the Income Tax Allocation Agreement concerning dispute resolution and record retention that refer to the Master Separation Agreement are deemed to refer to the corresponding provisions of this Agreement;

(v) Non-Income Tax Indemnification Agreement. The Agreement for Indemnification of United States Federal, State and Local Non-Income Taxes dated as of December 16, 1998 between Delphi Automotive Systems Corporation (n/k/a Delphi) and GM (the “Non-Income Tax Indemnification Agreement”), attached hereto as Exhibit 5.01(a)(v); provided,

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however, that all references in the Non-Income Tax Indemnification Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the Parties' intent with respect to remaining provisions are deemed made; and provided further that, as of the Effective Date, the provisions of the Non-Income Tax Indemnification Agreement concerning dispute resolution and record retention that refer to the Master Separation Agreement are deemed to refer to the corresponding provisions of this Agreement;

(vi) Assignment and Assumption Agreement — Industrial Development Bonds. The Assignment and Assumption Agreement — Industrial Development Bonds dated as of January 1, 1999 between DAS and GM (the "Assignment and Assumption Agreement — Industrial Development Bonds"), attached hereto as **Exhibit 5.01(a)(vi)**;

(vii) Oshawa Lease. The following agreements: (A) the Lease Agreement dated as of May 1, 2000 between Delphi Canada Inc. and General Motors of Canada Limited, as amended August 1, 2002, attached hereto as **Exhibit 5.01(a)(vii)(i)**, under which Delphi Canada, Inc. continues to occupy the premises specified in such Lease Agreement as a holdover tenant with the consent of General Motors of Canada Limited, (B) Oshawa Labour & Management Agreement between Delphi Canada, Inc. and General Motors Canada Limited dated as of May 1, 2000, attached hereto as **Exhibit 5.01(a)(vii)(ii)** (the "Oshawa Labour Agreement"); and (C) the Administrative Services Agreement between Delphi Canada, Inc. and General Motors Canada Limited dated as of May 1, 2000, attached hereto as **Exhibit 5.01(a)(vii)(iii)**; provided, however, that Delphi Canada, Inc. shall be released from any and all past, present or future claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities which GM and General Motors of Canada Limited may have arising out of or related to the separation of leased employees from the Oshawa facility as contemplated by the Oshawa Labour Agreement.

(viii) Trademark and Trade Name Agreement. The Trademark and Trade Name Agreement dated as of January 1, 1999 between Delphi Automotive Systems Corporation (n/k/a Delphi), DAS, and GM (the "Trademark and Trade Name Agreement"), attached hereto as **Exhibit 5.01(a)(viii)**;

(ix) Intellectual Property Contracts Transfer Agreement. The Intellectual Property Contracts Transfer Agreement dated as of December 4, 1998, between DTI and GM, as amended October 31, 2001 (the "Intellectual Property Contracts Transfer Agreement"), attached hereto as **Exhibit 5.01(a)(ix)**; provided, however, that all references in the Intellectual Property Contracts Transfer Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the parties' original intent with respect to remaining provisions are deemed made; and provided further that, as of the Effective Date, the provisions

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of the Intellectual Property Contracts Transfer Agreement concerning dispute resolution and record retention that refer to the Master Separation Agreement shall be deemed to refer to the corresponding provisions of this Agreement;

(x)Intellectual Property License Agreement. The Intellectual Property License Agreement dated as of December 4, 1998, between DTI and GM (the "Intellectual Property License Agreement"), attached hereto as **Exhibit 5.01(a)(x)**; ~~provided, however,~~ that all references in the Intellectual Property License Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the parties' original intent with respect to remaining provisions are deemed made; and provided further that, as of the Effective Date, the provisions of the Intellectual Property License Agreement concerning dispute resolution and record retention that refer to the Master Separation Agreement shall be deemed to refer to the corresponding provisions of this Agreement;

(xi)Intellectual Property Transfer Agreement. The Intellectual Property Transfer Agreement dated as of December 4, 1998 between DTI and GM (the "Intellectual Property Transfer Agreement"), attached hereto as **Exhibit 5.01(a)(xi)**; ~~provided, however,~~ that all references in the Intellectual Property Transfer Agreement to the Master Separation Agreement are deemed deleted, and any grammatical corrections necessary as a result of such deletions required to preserve the parties' original intent with respect to remaining provisions are deemed made; and ~~provided further~~ that, as of the Effective Date, the provisions of the Intellectual Property Transfer Agreement concerning dispute resolution and record retention that refer to the Master Separation Agreement shall be deemed to refer to the corresponding provisions of this Agreement; and provided further that DTI and GM agree that (i) all obligations under the Intellectual Property Transfer Agreement other than those concerning reconciliation of patent assignments and the delivery of recordable patent assignments have been fully performed, and (ii) they shall complete performance of any such obligations as soon as practicable after the Effective Date;

(xii)Technology Transfer Agreement. The GM-Delphi Technology Transfer Agreement between Delphi Technologies, Inc. and GM dated December 4, 1998 (the "Technology Transfer Agreement"), which is attached hereto as **Exhibit 5.01(a)(xii)**;

(xiii)Reserved;

(xiv)Real Estate Assignment and Assumption Agreements. The real estate assignment and assumption agreements set forth on **Exhibit 5.01(a)(xiv)**.

(b)Agreements Executed After the Separation to Be Assumed. As of the Effective Date, the agreements identified in this section 5.01(b) shall, as applicable, be either assumed, reinstated, or ratified (including as amended, as applicable):

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(i)UAW — GM — Delphi Memorandum of Understanding Regarding Benefit Plan Treatment. The UAW — GM — Delphi Memorandum of Understanding Regarding Benefit Plan Treatment between UAW, GM, and Delphi Automotive Systems Corporation (n/k/a Delphi) dated September 30, 1999, including any and all amendments thereto, attached hereto as **Exhibit 5.01(b)(i)**;

(ii)Letter Agreement Concerning Certain Asbestos Liability. The letter agreement dated March 4, 1999 between Delphi and GM concerning certain asbestos liability, as supplemented by letter agreement dated May 10, 1999 between Delphi and GM, attached hereto as **Exhibit 5.01(b)(ii)**;

(iii)Investment Tax Credit Transfer Agreement. The Investment Tax Credit Transfer Agreement dated December 8, 2000 between Delphi Automotive Systems Corporation (n/k/a Delphi) and GM, attached hereto as **Exhibit 5.01(b)(iii)**;

(iv)Management Services Agreement. The Management Services Agreement dated September 19, 2002, as amended, among Delphi Corporation and General Motors Management Corporation, Delphi Mechatronic Systems, Inc., Packard-Hughes Interconnect Company and ASEC Manufacturing, attached hereto as **Exhibit 5.01(b)(iv)**;

(v)Battery Facilitation Agreement. The Battery Facilitation Agreement — Transaction Summary dated as of March 21, 2005 between Delphi and GM; the Letter Agreement dated August 10, 2004 regarding potential changes in Delphi's battery operations signed by Mary Boland (GM) and John Blahnik (Delphi); the Letter Agreement dated June 30, 2005 regarding the sale by Delphi of its global battery business to JCI signed by Bo Andersson (GM) and Steve Olsen (Delphi); the Letter Agreement dated June 30, 2005 regarding the potential subsidy to be paid by Delphi to JCI for employees at the New Brunswick battery plant; and the Letter Agreement dated June 30, 2005 regarding the future use of the "Freedom" trade name and associated trademarks, attached hereto as **Exhibit 5.01(b)(v)**; and

(vi)C&A Agreement. The Agreement dated as of June 3, 2005 between Delphi and GM concerning certain matters related to Collins & Aikman Corporation, attached hereto as **Exhibit 5.01(b)(vi)**.

(c)Existing Agreements. As of the Effective Date the Existing Agreements and all other contractual commitments between the Debtors and GM or any of its Affiliates directly related to and designed to enable the purchase and supply of Component Parts such as metal resale agreements and advanced development agreements, shall be assumed or reinstated, as applicable.

(d)Tooling Agreements. As of the Effective Date all GM Purchase Orders and other contractual commitments between the Debtors and GM or any of its Affiliates relating to the manufacture and sale of fixtures, gauges, jigs, patterns, casting patterns, dies, molds, and

other Tooling utilized in the production of GM Component Parts and Component Systems (collectively, the “Tooling Agreements”) shall be assumed or reinstated, as applicable.

(e)Assumption, Reinstatement, or Ratification in the Entirety. All provisions of the agreements that are assumed, reinstated, or ratified under this section 5.01 shall be assumed in their entirety without modification, unless such modification is expressly set forth herein.

(f)Postpetition Agreements. All postpetition agreements between any Delphi Party and GM and/or any of its Affiliates are hereby ratified, are enforceable in accordance with their terms, and shall remain in full force and effect unaffected by this Agreement.

(g)Debtor Agreements. Except as otherwise provided in this Agreement, as of the Effective Date all prepetition agreements between the Debtors and GM and/or any of its Affiliates shall be deemed rejected or terminated, as applicable;provided, however, that this section 5.01(g) does not apply to (i) agreements to which third parties other than the Delphi Parties, GM and/or GM’s Affiliates are also parties or (ii) agreements that relate solely to the Ordinary Course Relationship (as defined in the Settlement Agreement), which agreements identified in clauses (i) and (ii) of this sentence shall be assumed or reinstated, as applicable, on the Effective Date.

(h)Non-Debtor Agreements. Except as otherwise provided in this Agreement, with respect to the prepetition agreements between Affiliates of Delphi who are not Debtors, on the one hand, and GM and/or any of its Affiliates, on the other hand:

(i) Such agreements which were entered into prior to or in connection with the Separation shall be terminated as of the Effective Date; and

(ii) Such agreements (other than those identified in section 5.01(h)(i) above) shall be ratified and continue in effect after the Effective Date;provided, however, that any such agreement to which a Debtor is also a party shall terminate as of the Effective Date, unless (a) such agreement relates solely to the Ordinary Course Relationship (as defined in the Settlement Agreement), or (b) such agreement is an agreement to which third parties other than the Delphi Parties, GM and/or GM’s Affiliates are also parties, in both of which cases such agreement shall be ratified and continue in effect after the Effective Date;provided, however, that any obligation of any of the Affiliates of Delphi to indemnify against any obligations of the Debtors shall be deemed to be extinguished.

(i)Limitations on Cure Costs, Rejection Damages, or Assurances. With respect to any and all agreements between any Delphi Party, on the one hand, and GM and/or any of its Affiliates, on the other hand, except as expressly provided for in section 4.03(b) of the Settlement Agreement, (a) GM irrevocably waives, on behalf of itself and all of its Affiliates, with respect to agreements being assumed or rejected pursuant to this Agreement, any cure amount claim or any claim for rejection, (b) each of Delphi and GM irrevocably waives, on behalf of itself and all of its Affiliates, with respect to agreements being terminated pursuant to this Agreement, termination damages, and (c) GM irrevocably waives, on behalf of itself and all

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of its Affiliates, with respect to any agreements being assumed pursuant to this Agreement, any requirement under the Bankruptcy Code that the Delphi-Related Parties provide adequate assurance of future performance.

Section 5.02 Limitation of Existing Indemnification Obligations. Any provision in any agreement between Delphi and/or its Affiliates on the one hand and GM and/or its Affiliates on the other that is not being assumed, reinstated or ratified pursuant to this Agreement and purports to require any party thereto or its Affiliates to indemnify, defend, or hold harmless any other party thereto or its Affiliates is null and void.

Section 5.03 Reserved.

Section 5.04 Reserved.

Section 5.05 Reserved.

Section 5.06 Access to Information.

(a) During the Retention Period, each of the Parties hereto shall cooperate with and afford, and shall cause their respective affiliates, representatives, subsidiaries, successors and/or assignees, and shall use reasonable efforts to cause joint ventures that are not Affiliates (collectively, "Related Parties") to cooperate with and afford, to the other Party reasonable access upon reasonable advance written request to all information (other than information which is (i) protected from disclosure by the attorney client privilege or work product doctrine, (ii) proprietary in nature or (iii) the subject of a confidentiality agreement between such Party and a third party which prohibits disclosure to the other party) within such Party's or any Related Party's possession which was created prior to January 1, 1999 (the "Contribution Date") or, with respect to any information which would be relevant to the provision of a transitional service in connection with the separation of Delphi and GM on January 1, 1999, information created during the period in which one Party is providing the other Party with such transition service. Access to the requested information shall be provided so long as it relates to the requesting party's (the "Requestor") business, assets or liabilities, and access is reasonably required by the Requestor as a result of the ownership relationship between GM and Delphi at any time prior to the Contribution Date or the transition services identified above ("Prior Relationship") for purposes of auditing, accounting, claims, or litigation (except for claims or litigation between the Parties hereto), employee benefits, regulatory or tax purposes, or fulfilling disclosure or reporting obligations including, without limitation, all records, books, contracts, instruments, computer data, and other data ("Information") reasonably necessary for the preparation of reports required by or filed under the Securities Exchange Act of 1934, as amended, with respect to any period entirely or partially prior to the Contribution Date.

(b) Access as used in this paragraph shall mean the obligation of a party in possession of Information (the "Possessor") requested by the Requestor to exert its reasonable best efforts to locate all requested Information that is owned and possessed by the Possessor or any Related Party. The Possessor, at its own expense, shall conduct a diligent search designed to identify all requested Information and shall collect all such Information for inspection by the Requestor during normal business hours at the Possessor's place of business. Subject to

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confidentiality and/or security provisions as the Possessor may reasonably deem necessary, the Requestor may have all requested Information duplicated at the Requestor's expense. Alternatively, the Possessor may choose to deliver, at its own expense, all requested Information to the Requestor in the form it was requested by the Requestor. If so, the Possessor shall notify the Requestor in writing at the time of delivery if such Information is to be returned to the Possessor. In such case, the Requestor shall return such Information when no longer needed to the Possessor at the Possessor's expense.

(c) In connection with providing Information pursuant to this section 5.06, each of the Parties hereto shall upon the request of the other Party make available its respective employees (and those of their respective Related Parties, as applicable) to the extent that they are reasonably necessary to discuss and explain all requested Information with and to the requesting party.

Section 5.07 Record Retention.

(a) Delphi shall preserve and keep all books and records included in the Delphi Assets or otherwise in the possession of Delphi or its Related Parties as of the Contribution Date, whether in electronic form or otherwise, for the Retention Period at Delphi's sole cost and expense. If Delphi wishes to dispose of any books and records or other documents which it is obligated to retain under this section 5.07 after the Retention Period, then Delphi shall first provide ninety (90) days' written notice to GM and GM shall have the right, at its option and expense, upon prior written notice within such ninety-day (90) period, to take possession of such books or records or other documents within one hundred and eighty (180) days after the date of Delphi's notice to GM hereunder. Written notice of intent to dispose of such books and records shall include a description of the books and records in detail sufficient to allow GM to reasonably assess its potential need to retain such materials. In the event that Delphi enters into an agreement with a third party during the Retention Period to sell a portion of its business, together with the books and records related thereto, GM shall have the right to duplicate such books and records prior to any such disposition and, should the purchaser of the Delphi business be a competitor of GM, GM shall have the right to prohibit the transfer or disclosure to such party of that portion of the former books and records of GM which GM notifies Delphi contain confidential and proprietary information.

(b) (i) In addition to the retention requirements of sections 5.07(a), for a period no less than the Retention Period, Delphi, at its sole cost and expense, shall use its reasonable best efforts to maintain all technical documentation in its possession or in the possession of any of its Related Parties applicable to product design, test, release, and validation at locations at which such technical documents shall be reasonably accessible to GM upon request (at GM's sole cost and expense) and, to the extent reasonably possible, through employees of Delphi who formerly performed that task for GM. Delphi shall, from time to time, at the reasonable request of GM, cooperate fully with GM in providing GM, to the extent reasonably possible through Delphi employees formerly employed by GM who previously performed the same functions on behalf of GM, with technical assistance and information with respect to any claims brought against GM involving the conduct of the Delphi Automotive Systems Business prior to the Contribution Date, including consultation and/or the appearance(s) of such persons on a reasonable basis as expert or fact witnesses in trials or administrative

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proceedings. GM shall reimburse Delphi for its reasonable out-of-pocket costs (travel, hotels, etc.) of providing such services, consistent with GM's policies and practices regarding such expenditures.

(ii) In particular, Delphi shall: (i) retain all documents required to be maintained by international, national, state, provincial, regional, or local regulations and all documents that may be reasonably required to establish due care or to otherwise assist GM in pursuing, contesting or defending such claims; (ii) make available its documents and records in connection with any pursuit, contest, or defense, including, subject to an appropriate confidentiality agreement or protective order, documents that may be considered to be "confidential" or subject to trade secret protection; (iii) promptly respond to discovery requests in connection with such claim, understanding and acknowledging that the requirements of discovery in connection with litigation require timely responses to interrogatories, requests to produce, requests for admission, and depositions and also understanding and acknowledging that any delays in connection with responses to discovery may result in sanctions; (iv) make available, as may be reasonably necessary and upon reasonable advance notice and for reasonable periods so as not to interfere materially with Delphi's business, mutually acceptable engineers, technicians, or other knowledgeable individuals to assist GM in connection with such claim, including investigation into claims and occurrences described in this section and preparing for and giving factual and expert testimony at depositions, court proceedings, inquiries, hearings, and trial; (v) make available facilities and exemplar parts for the sole and limited use of assisting GM in the contest or defense; and (vi) acknowledge that GM is responsible for and shall control, as between GM and Delphi, the conduct of the pursuit, contest or defense.

(c) (i) GM and Delphi agree to retain all Income Tax Returns (as defined in the Income Tax Allocation Agreement), related schedules and workpapers, and all material records and other documents as required under Section 6001 of the Internal Revenue Code of 1986, as amended, as well as by any similar provision of state or local income tax law, until the later of (i) the expiration of the applicable statute of limitations for the tax period to which the records relate, or (ii) the Final Determination (as defined in the Income Tax Allocation Agreement) has been made with respect to all issues related to the final Consolidated Tax Period (as defined in the Income Tax Allocation Agreement).

(ii) With respect to Non-Income Taxes (as defined in the Non-Income Tax Indemnification Agreement), GM and Delphi agree to retain all Non-Income Tax Returns, related schedules and workpapers, and all material records and other documents as required under Federal, state, or local law, until the later of (i) the expiration of the applicable statute of limitations for the tax period to which the records relate or (ii) a Determination (as defined in the Non-Income Tax Indemnification Agreement) has been made with respect to all issues for the tax periods to which the Non-Income Tax Indemnification Agreement applies.

(iii) If either Party wishes to dispose of any such records or documents after such retention period, then the procedure described in (a) and (b) above shall apply.

Section 5.08 Reimbursement. Unless otherwise provided in this Article V, each Party to this Agreement providing access, information, or witnesses to another Party pursuant to sections 5.06 or 5.07 shall be entitled to receive from the recipient, upon the presentation of

invoices therefor, payment for all reasonable out-of-pocket costs and expenses (excluding allocated compensation, salary, and overhead expense) as may be reasonably incurred in providing such information or witnesses.

Section 5.09 Product Liability Claims.

(a) GM and Delphi agree to the allocation of liability for all claims and causes of action, however presented, alleging that parts, components, or systems that have been (i) manufactured by the Delphi Automotive Systems Business or Delphi or its Affiliates or (ii) manufactured by a third party, whether sold or otherwise supplied separately, or incorporated into components or systems of Delphi or its Affiliates, in each case, which have been sold or otherwise supplied by the Delphi Automotive Systems Business, Delphi, or its Affiliates to GM, its Affiliates, or customers of Delphi other than GM or its Affiliates (the foregoing collectively constituting “Delphi Products”), have caused or been alleged to cause personal injuries, injuries to property, or other damages as set forth in this section 5.09. The provisions in this section 5.09 cover claims which include but are not limited to the following types of claims: claims premised on theories of negligence, strict liability, express or implied warranties of merchantability, fitness for ordinary use and/or compliance with reasonable consumer expectations, failure to issue adequate warnings, negligent and/or intentional misrepresentation, negligent and/or intentional infliction of emotional distress, failure to provide replacement and/or retrofit parts, and failure to conduct a recall or adequately conduct a recall that has been issued. The provisions set forth in this section 5.09 apply to claims for compensatory damages as well as all claims for punitive or exemplary damages and all claims for defective design as well as all claims for defective manufacture.

(b) (i) As between GM and Delphi, Delphi shall assume the defense of all such claims involving Delphi Products sold or otherwise supplied prior to January 1, 1999 to customers other than GM or an Affiliate or Subsidiary of GM. Delphi shall indemnify, defend, and hold harmless GM and its Affiliates against any and all such claims. Delphi shall reimburse GM and its Affiliates for any reasonable attorneys’ fees or other expenses reasonably incurred by GM subsequent to December 31, 1998 in connection with investigating and/or defending against any such claim.

(ii) GM shall retain and/or assume the defense of all such claims involving parts, components or systems manufactured by the Delphi Automotive Systems Business prior to January 1, 1999 and sold or otherwise supplied to GM or its Affiliates before, on, or after January 1, 1999. GM shall indemnify, defend, and hold harmless Delphi and its Affiliates against any and all such claims. GM shall reimburse Delphi and its Affiliates for any reasonable attorneys’ fees or other expenses reasonably incurred by Delphi or its Affiliates subsequent to December 31, 1998 in connection with investigating and/or defending any such claim or securing the indemnification and/or defense that GM is required to provide pursuant to this paragraph.

(c) (i) Delphi shall defend GM and its Affiliates against all claims involving (A) parts, components, or systems manufactured by Delphi or its Affiliates, which on or subsequent to January 1, 1999 are sold or otherwise supplied to customers other than GM or its Affiliates and (B) parts, components or systems acquired by the Delphi Automotive Systems

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Business or Delphi or its Affiliates from suppliers thereto other than GM or its Affiliates and sold or otherwise supplied by Delphi or its Affiliates on or subsequent to January 1, 1999 to customers other than GM or its Affiliates. Delphi or its Affiliates shall indemnify, defend, and hold harmless GM and its Affiliates against any and all such claims. Delphi or its Affiliates shall reimburse GM and its Affiliates for any reasonable attorneys' fees or other expenses reasonably incurred by GM and its Affiliates in connection with investigating and/or defending any such claim or securing the indemnification and/or defense that Delphi and its Affiliates are required to provide pursuant to this paragraph.

(ii) The rights, obligations, and liabilities of GM and Delphi with respect to claims involving parts, components or systems manufactured by Delphi or its affiliates subsequent to December 31, 1998 which are sold by Delphi or its Affiliates to GM or its Affiliates shall be determined according to the terms of the agreements relating to such sale.

(d)Recall and Warranty Campaigns. Except as otherwise released pursuant to agreements between the Parties executed prior to the Effective Date, including the Warranty Settlement Agreement, claims of GM or its Affiliates against the Delphi Automotive Systems Business in the nature of warranty and recall campaigns relating to parts, components, or systems sold by the Delphi Automotive Systems Business to GM or its Affiliates (regardless of when or by whom manufactured (but excluding parts or systems manufactured by GM or its Affiliates)) which arise prior to or after the Contribution Date shall be determined according to the terms of the agreements relating to the sale of such parts, components or systems, all of which agreements were assumed by Delphi and its Affiliates effective as of the Contribution Date.

(e)Reserved.

(f)Notice. GM and Delphi agree that in the case of claims covered by either paragraphs (b) or (c) above, the Party receiving such a claim shall notify the other Party within thirty (30) days of receipt of written notice of the claim. Thereafter, the Party being notified of the claim shall have thirty (30) days to respond. The Party first receiving such a claim shall take all reasonable action necessary to defend against the claim including, but not limited to, responding to court ordered deadlines before the expiration of the time for response.

Section 5.10Cooperation.

(a) GM and Delphi and their respective Affiliates shall cooperate with each other in the defense of any and all claims covered under this Article V and afford to each other reasonable access upon reasonable advance notice to witnesses and information (other than information protected from disclosure by applicable privileges) that is reasonably required to defend these claims as set forth in Article V of this Agreement. The foregoing agreement to cooperate includes, but is not limited to, an obligation to provide access to qualified assistance to provide information, witnesses, and documents to respond to discovery requests in specific lawsuits. In such cases, cooperation shall be timely so that the Party responding to discovery may meet all court-imposed deadlines. The Party requesting information shall reimburse the party providing information consistent with the terms of section 5.08 of this Agreement. The obligations set forth in this paragraph are more clearly defined in section 5.01 through and including 5.10 of this Agreement, to which reference is hereby made.

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(b) GM agrees to consider in good faith any request from Delphi to shorten the Retention Period in connection with any businesses of Delphi that are to be wound-down or sold; provided, however, that the parties acknowledge that the Retention Period cannot be reduced for books and records related to open tax periods, safety products and those subject to litigation hold.

Section 5.11 Continuation of Limited Employee Related Matters.

(a) Except as otherwise specifically provided herein, workers' compensation liability assumed by Delphi as a result of the Separation shall be retained by Delphi; provided, however, that the sending party in a flowback or Special Employment Placement Opportunities ("SEPO") situation shall bear any and all workers compensation liability for injuries or illnesses that arose prior to the flowback or a placement through SEPO, including claims asserted on or after the flowback or placement through SEPO. In addition, any cumulative trauma claim filed within twelve months of flowback or placement through SEPO, which originated at, or was the responsibility of, the sending party, shall be the responsibility of the sending party.

(b) The relocation costs associated with the flowback or SEPO of employees, as applicable, shall be shared equally by GM and Delphi. These costs shall include relocation allowances, relocation services and other related expenses provided for in the applicable Labor MOUs or any other applicable collective bargaining agreements. Relocation costs associated with employees of closed or divested operations of Delphi or any of its Affiliates shall be allocated as follows: (i) shared equally where an employee transfers to a GM facility; (ii) paid 100% by Delphi where an employee transfers to a Delphi facility; and (iii) paid consistent with historical relocation cost share levels or as agreed by the Parties at the time of the relocation where an employee of a divested operation transfers to either Delphi or GM.

(c) All employment related responsibility, obligation or liability of GM relating to Delphi Employees or Delphi Terminated Employees both as they were defined in the U.S. Employee Matters Agreement, and assumed by Delphi and/or the applicable Delphi benefit plans as a result of the Delphi spin-off from GM for claims described in **Exhibit 5.11(c)**, shall be retained by Delphi and/or the applicable Delphi benefit plans, except as otherwise specifically provided in this Agreement, the Settlement Agreement, the attachments hereto or thereto, or the agreements or the attachments referenced herein or therein.

(d) The National Employment Placement Center shall provide Delphi the following services through the term of the current UAW MOU and the current IUE-CWA MOU pursuant to current negotiated purchase terms and conditions: (i) processing of placement applications as submitted by eligible hourly employees; (ii) processing of requisitions for additional personnel; and (iii) processing of placement offers and filling open requisitions.

ARTICLE VI

ACCESS AGREEMENT AND KEEP SITE FACILITATION PAYMENTS

Section 6.01 Access Agreement. Delphi and GM shall each use good faith efforts to negotiate and enter into a definitive agreement or agreements setting forth the terms pursuant to

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which GM shall, under certain circumstances, have access to those facilities of the Delphi Parties referred to on Exhibit 6.01 hereto (such agreements, collectively, the “Access Agreement”). Delphi and GM each agrees that the Access Agreement shall incorporate and be consistent with the terms set forth on Exhibit 6.01 hereto.

Section 6.02 Keep Site Facilitation Payments. To address downward pressure on Delphi’s earnings resulting from the current economic environment, GM shall make a payment to Delphi in the amount of \$27.5 million on or before each of the following dates: March 31, 2009, June 30, 2009, September 30, 2009, December 31, 2009, March 31, 2010, June 30, 2010, September 30, 2010, and December 31, 2010.

ARTICLE VII EFFECTIVENESS

Section 7.01 Effectiveness. This Agreement shall become effective upon the satisfaction or waiver by the parties to the Settlement Agreement of all conditions to effectiveness of the Settlement Agreement that are set forth in Article VI thereof (the “Effective Date”); provided, however, that notwithstanding the foregoing, section 3.13 hereof shall not become effective unless and until the occurrence of all of the following events: (1) substantial consummation of a Delphi Plan (A) that provides for (i) the consideration to be received by GM as set forth in section 4.04 of the Settlement Agreement and (ii) all releases described in section 4.01 of the Settlement Agreement, and (B) contains provisions clarifying that to the extent of any inconsistency between the terms of the Delphi Plan and the Settlement Agreement (including this Agreement and all other exhibits and attachments thereto) (solely as to the subject matters addressed in the Settlement Agreement (including this Agreement and all other exhibits and attachments thereto)), the terms of the Settlement Agreement (including this Agreement and all other exhibits and attachments thereto) will govern, and (B) pursuant to which substantially all of the Debtors’ core businesses are revested in the reorganized Debtors; and (2) effectiveness of the Access Agreement (collectively, the “MRA Consummation Date”).

ARTICLE VIII MISCELLANEOUS

Section 8.01 On-Going Setoff Provisions. Notwithstanding anything to the contrary contained in this Agreement or the Settlement Agreement, the Parties’ payment obligations under this Agreement and the Settlement Agreement are absolute and unconditional and shall not be subject to any offset (except as expressly set forth in (i) the proviso below or (ii) the Liquidity Support Agreement) or defense of any nature whatsoever including upon a breach by Delphi or any of its Affiliates or GM or any of its Affiliates, as applicable, of any of their obligations under this Agreement, the Settlement Agreement, or any other agreement; provided, however, that any payments by GM pursuant to this Agreement or the Settlement Agreement shall be subject to GM’s right to offset all or part of such payment from any future amounts GM owes Delphi under this Agreement or the Settlement Agreement only if (i) agreed upon by GM and Delphi or (ii) GM determines that it made an overpayment of any amount paid pursuant to this Agreement or the Settlement Agreement and GM and Delphi are unable to resolve GM’s claim for such

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amounts pursuant to the dispute resolution provisions of section 8.11 of this Agreement and GM provides Delphi with five (5) days' written notice before implementing such offset; provided further, however, that if it is judicially determined that GM did not have the right to offset such amount, GM shall pay Delphi such amount plus interest accruing on such amount from the date of setoff through the repayment date at the rate of 7.5% per annum. Neither this section 8.01 nor any other provision of this Agreement or the Settlement Agreement shall prohibit, restrict, or limit in any way the application of GM's contractual rights of setoff arising under any GM Purchase Order pursuant to GM's standard purchase order terms and conditions against other obligations arising under any GM Purchase Orders or agreements other than this Agreement and the Settlement Agreement.

Section 8.02 Termination Provisions. This Agreement may be terminated or shall terminate immediately and automatically, as applicable, and the transactions contemplated hereby abandoned, upon the occurrence of any of the following:

(a) by mutual written consent of both Delphi and GM;

(b) by GM or Delphi if, prior to the effectiveness of the Settlement Agreement pursuant to Article VI thereof, the Settlement Agreement is terminated pursuant to section 7.03 thereof; or

(c) automatically on December 31, 2015 (other than section 4.01(a)(iv) hereof and the provisions in section 4.01(b) hereof solely with respect to Additional Labor Reimbursement, which shall survive such automatic termination).

Section 8.03 Guaranty by Delphi.

(a) From and after the Effective Date, Delphi hereby irrevocably and unconditionally guarantees the due and punctual payment or performance, as the case may be, by DAS and its successors and assigns (collectively, the "Delphi Guaranty Parties") of all of their obligations under any and all Existing Agreements or future GM Purchase Orders incurred with respect to work performed or required to be performed on or before September 14, 2015 between any of DAS (or another Delphi Guaranty Party) and any of the GM Parties (collectively, the "Guaranteed Agreements"), whether issued and accepted before or after the Effective Date. In connection with this Agreement and for all purposes, all outstanding GM Purchase Orders shall be deemed to be assigned to DAS. GM further agrees that all GM Purchase Orders to be issued and accepted on or after the date hereof and before September 14, 2015, between any of the GM Parties and any of the Delphi-Related Parties shall be issued to and accepted by DAS rather than another Delphi-Related Party, subject, however, to the next to last sentence of section 6.01 of the Settlement Agreement.

(b) Delphi hereby agrees that its obligations under section 8.03(a) hereof (i) are a guaranty of payment and performance when due and not of collectability, (ii) are a primary obligation of Delphi and not merely a contract of surety, (iii) shall be absolute, independent, unconditional, and irrespective of (1) the validity, regularity or enforceability of the Guaranteed Agreements, (2) any change therein or amendments thereto, (3) the absence of any action to enforce the same, (4) any waiver or consent by GM with respect to any provision thereof, (5) the

recovery of any judgment against any of the other Delphi Parties or any action to enforce the same, or (6) any other circumstances which may otherwise constitute a legal or equitable discharge or defense of a guarantor or surety.

(c) Delphi hereby waives presentment, demand of payment, protest or notice with respect to the Guaranteed Agreements and the obligations set forth therein or herein.

(d) Delphi's obligations under section 8.03(a) hereof shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any amount owed to any of the GM Parties hereunder or under any of the Guaranteed Agreements is rescinded or must otherwise be returned by any of the GM Parties upon the insolvency, bankruptcy, or reorganization of any of the Delphi Parties or otherwise, all as though such payment had not been made.

(e) If (I) GM breaches one or more of its payment obligations under this Agreement or the Settlement Agreement or any of its obligations under Article IV hereof (excluding obligations under any of the Continuing Agreements, as defined in the Settlement Agreement or any commercial disputes that arises in the Ordinary Course Relationship (as defined in the Settlement Agreement)) and such breach or breaches would have a material impact (1) on Delphi and its Affiliates or (2) on the benefits Delphi and its Affiliates are reasonably expected to receive under this Agreement or the Settlement Agreement (the effects set forth in (1) or (2) above shall hereinafter be referred to as, a "Delphi Material Impact") and (II) Delphi provides written notice (the "Delphi Notice") of such breach or breaches, executed by either Delphi's chief executive officer or chief financial officer, which notice describes in reasonable detail the nature of the breach or breaches and relevant background information, then the guaranty provided for in this section 8.03 shall, subject to the terms of this section 8.03(e), automatically terminate without any further action; provided, however, that prior to such termination becoming effective (A) if the breach or breaches relate to a payment obligation hereunder or under the Settlement Agreement, GM shall have a ten (10) day period following receipt of the Delphi Notice to cure such breach or breaches and (B) if the breach or breaches relate to an obligation other than a payment obligation hereunder or under the Settlement Agreement, GM shall have a thirty (30) day period following receipt of the Delphi Notice to cure such breach or breaches; provided, further, however that if there is a disagreement between the Parties as to whether GM has breached one or more of its obligations or whether such breach or breaches has a Delphi Material Impact, at the election of either Party, the Parties shall engage in the dispute resolution process specified in section 8.11 hereof with respect to such disagreement, and such termination shall not become effective if such dispute resolution process is commenced prior to the end of such cure period. Upon the conclusion of such process or, if earlier, thirty (30) days after its commencement (the "Dispute Resolution Termination Date"), if Delphi still believes that a breach with a Delphi Material Impact has occurred, GM shall have the right to cure such default within ten (10) days after the Dispute Resolution Termination Date and, if so cured, the guaranty shall not terminate. Either GM or Delphi may seek judicial determination at any time as to whether Delphi has the right to terminate the guaranty pursuant to this section 8.03(e). If it is judicially determined by Final Order that Delphi did not have the right to terminate the guaranty, it shall remain in full force and effect.

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Section 8.04 Continued Ownership of DAS. Until the earlier of September 14, 2015 and such time as the guaranty provided for pursuant to section 8.03 hereof is no longer in full force and effect, without the prior written consent of GM, which consent shall not be unreasonably withheld, Delphi shall not permit DAS to transfer (i) a material portion of its assets necessary to satisfy production obligations to GM or (ii) more than 40% of its total assets (other than to a Delphi Party; provided that all provisions of this section 8.04 shall apply to such Delphi Party to the same extent they apply to DAS) and Delphi shall not cease to own, directly or indirectly, at least a majority of the outstanding equity and voting equity of DAS; provided, however, that neither of the restrictions in this sentence shall apply if such transfer or cessation, as applicable, occurs as a result of a transfer by Delphi of all or substantially all of its assets.

Section 8.05 Cooperation with Financial Reporting.

(a) Delphi acknowledges that (i) GM may have various reporting and disclosure obligations under US generally accepted accounting principles and US federal securities rules and regulations as a result of GM's commercial relationship with Delphi and GM's entry into and obligations under this Agreement and the Settlement Agreement, and (ii) GM's compliance with such reporting and disclosure requirements may require Delphi to, among other things, provide GM with certain information and access to information. Delphi shall (i) reasonably cooperate with GM after the MRA Consummation Date to enable GM to comply with its reporting and disclosure obligations under US generally accepted accounting principles and US federal securities rules and regulations and (ii) cooperate with GM to enter into a more detailed agreement as soon as practicable after the date hereof clarifying the parameters of such obligation to cooperate.

(b) Defaults and disputes arising under this section 8.05 or the agreement referred to in subsection (a) hereto governing Delphi's cooperation with GM's reporting and disclosure requirements shall be governed by and settled in accordance with section 8.11 of this Agreement.

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Section 8.06 Cancellation Claims.

(a) Except as otherwise provided in section 8.06(b) hereof, the Delphi Parties waive and are deemed to have waived (and Delphi shall cause the other Delphi Parties to so waive) any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities whatsoever, which the Delphi Parties ever had, now have, or hereafter may have, whether known or unknown, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, or otherwise, arising out of or related to cancellation of any purchase orders or termination of any component or material supply agreements (regardless of whether the cancellation or termination occurs prior to or after the date hereof or the Effective Date) concerning products manufactured in the Wind-Down Facilities, the Footprint Facilities and the Sale Facilities; provided, however, that with respect to the Sale Facilities and the Kettering Facility (in the event the Kettering Facility is not sold as contemplated under 4.08(c)), the waiver in this section 8.06 would apply only in the case of cooperative resourcing by mutual written agreement (collectively, "Cancellation Claims") that any of the Delphi Parties have or may have against any of the GM Parties or any GM Supplier.

(b) With respect to any Cancellation Claims that have been asserted as of the Effective Date or may be asserted thereafter by any Delphi Supplier against the Debtors (the "Delphi Supplier Cancellation Claims"):

(i) the Debtors shall utilize their reasonable best efforts to minimize all Delphi Supplier Cancellation Claims;

(ii) Delphi shall pay the first \$30 million, on a cumulative basis, of any Delphi Supplier Cancellation Claims; and

(iii) GM shall reimburse the Debtors for 50% of any Delphi Supplier Cancellation Claims actually paid by the Debtors in excess of the \$30 million referred to in section 8.06(b)(ii) hereof.

Section 8.07 Tooling Acknowledgment.

(a) Delphi acknowledges and agrees that all tooling, fixtures, gauges, jigs, patterns, dies, and molds (collectively, "Tooling") being used by the Debtors or their respective sub-suppliers in connection with the manufacture of Component Parts for GM, together with appurtenances, accessions and accessories thereto (collectively, the "Accessories"), which have been (i) furnished by GM to a Debtor at any time, directly or indirectly excluding Tooling the ownership of which was transferred to a Debtor on the Contribution Date, unless there was a written agreement which provided that the Debtor's interest would be other than as a bailee, or (ii) purchased by GM under a tooling purchase order with a Debtor, are owned by GM and are being held by DAS and, to the extent a Debtor has transferred the Tooling or Accessories to third parties, by such third parties, on a bailment basis consistent with paragraph 19 of the Standard GM Terms.

(b) Nothing contained in this section 8.07 is intended to create or expand the rights, if any, of GM in any intellectual property owned by any Delphi Party.

Section 8.08 Reserved.

Section 8.09 No Undisclosed Agreements or Commitments. There are no undisclosed agreements or commitments between or among the Parties regarding matters subject to the terms of this Agreement.

Section 8.10 Governing Law; Jurisdiction; Venue. This Agreement shall be governed and construed in accordance with the internal laws of the State of New York, the forum state in which the Bankruptcy Court sits, without regard to any conflict of law provision that could require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each Party hereby irrevocably and unconditionally agrees that the Bankruptcy Court shall retain exclusive jurisdiction over all matters related to the construction, interpretation or enforcement of this Agreement and the Settlement Agreement; provided, however, that the Bankruptcy Court shall not have jurisdiction over (i) disputes arising out of the provisions set forth in Article III of this Agreement or the agreements referenced in sections 5.01(c) and 5.01(d) of this Agreement, or (ii) disputes arising out of agreements between any Delphi-Affiliate Party on the one hand and GM or any of its Affiliates on the other in which disputes no Delphi-Related Party has an interest; and provided further that after the second anniversary of the Effective Date, the Bankruptcy Court shall retain non-exclusive jurisdiction over all matters related to the construction, interpretation or enforcement of this Agreement and the Settlement Agreement; and provided further that the jurisdiction of the Bankruptcy Court over all matters related to this Agreement and the Settlement Agreement shall terminate upon the fourth anniversary of the Effective Date. Each Party further agrees to waive any objection based on forum non conveniens.

Section 8.11 Dispute Resolution. In the event a Restructuring Dispute arises among the Parties (other than an Article III Dispute, which shall be governed and settled in accordance with section 3.10 hereof), upon the written request of either Party, such Restructuring Dispute shall be referred to the Director of Business Development at GM and the Finance Director of Automotive Holdings Group or the Director, Strategic Planning at Delphi (at Delphi's discretion) for resolution in good faith. In the event that GM's Director of Business Development and Delphi's Finance Director of Automotive Holdings Group or the Director, Strategic Planning are unable to resolve such dispute, such Restructuring Dispute shall be referred, at either Party's written request, to the Assistant Treasurer of GM and the Assistant Treasurer or Treasurer of Delphi (at Delphi's discretion). If within ten (10) days after such referral, GM's Assistant Treasurer and Delphi's Assistant Treasurer or Treasurer are unable to resolve the Restructuring Dispute, the Restructuring Dispute may be elevated by either Party to GM's Treasurer or Chief Financial Officer (at GM's discretion) and Delphi's Chief Executive Officer or Chief Financial Officer (at Delphi's discretion) for resolution. To the extent that the job title of any of the foregoing positions is changed, this section 8.11 shall be deemed to apply to such successor title or, if the position is eliminated or vacated, to the job title of the party taking over the responsibilities of the eliminated or vacated position.

Section 8.12 No Solicitation. Each Party acknowledges that this Agreement is not and shall not be deemed to be a solicitation to accept or reject a plan in contravention of section 1125(b) of the Bankruptcy Code. Each Party further acknowledges that no securities of any

Debtor are being offered or sold pursuant to this Agreement and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of any Debtor.

Section 8.13 Negotiations Not Admissible. Pursuant to Rule 408 of the Federal Rules of Evidence and any applicable state rules of evidence, this Agreement and all negotiations relating hereto are not admissible into evidence in any proceeding; provided, however, that this Agreement may be admissible in a proceeding to enforce the terms of this Agreement.

Section 8.14 Specific Performance. Each Party acknowledges that the other Party would be irreparably damaged if this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, each Party shall be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms of this Agreement in addition to any other remedy to which the Parties may be entitled, at law, in equity or under this Agreement.

Section 8.15 Representations and Warranties of Delphi and GM. Each Party represents and warrants to the other Party that the following statements, as applicable to it, are true, correct, and complete as of the date of this Agreement:

(a) It is duly organized, validly existing, and in good standing under the laws of its state of organization and has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder;

(b) The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate action on its part; provided, however, that Delphi's authority to enter into this Agreement is subject to Bankruptcy Court approval;

(c) This Agreement has been duly executed and delivered by it and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with the terms hereof, subject to the occurrence of the Effective Date; and

(d) The execution, delivery, and performance by it (when such performance is due) of this Agreement do not and shall not (i) violate any current provision of law, rule, or regulation applicable to it or any of its subsidiaries or its certificate of incorporation or bylaws or other organizational documents or those of any of its subsidiaries or (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

Section 8.16 Waiver; Modification; Amendment. Except as otherwise specifically provided herein, this Agreement may not be modified, waived, amended, or supplemented unless such modification, waiver, amendment, or supplement is in writing and has been signed by each Party. No waiver of any of the provisions of this Agreement shall be deemed or constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall any waiver be deemed a continuing waiver.

Section 8.17 Binding Effect; Assignments. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, administrators, and

representatives. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement (for the avoidance of doubt, including without limitation, the obligations set forth in sections 4.01 and 4.02 hereof) shall be sold, assigned, or otherwise transferred by any Party without the prior written consent of the other Parties; provided, however, that neither the foregoing nor any other provision of this Agreement shall limit (i) any assignment in connection with the transfer of all or substantially all of the assets of Delphi and its Affiliates or (ii) any assignment not reasonably expected to have a material impact on GM, on the benefits GM reasonably is expected to receive under this Agreement or the Settlement Agreement (including the chapter 11 plan terms set forth herein and therein), or on the ability of the Debtors to fulfill any obligations to any GM-Related Parties under this Agreement, the Settlement Agreement, or any agreements assumed, reinstated, or ratified under this Agreement.

Section 8.18 Third Party Beneficiaries. Except as otherwise provided in section 8.06 herein with respect to the releases of the GM Parties and GM Suppliers, nothing contained in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any person or entity other than the Parties hereto, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third party to any Party to this Agreement, nor shall any provision give any third party any right of subrogation or action over or against any Party to this Agreement.

Section 8.19 Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given (and shall be deemed to have been duly given upon receipt) if delivered personally, mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to Delphi, to:

Delphi Corporation
5725 Delphi Drive
Troy, Michigan 48098
Att'n: John D. Sheehan
David M. Sherbin, Esq.
Sean P. Corcoran, Esq.

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606-1285
Att'n: John Wm. Butler, Jr., Esq.
Ron E. Meisler, Esq.

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and

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Att'n: Eric L. Cochran, Esq.
Kayalyn A. Marafioti, Esq.

If to GM, to:

General Motors Corporation
767 Fifth Avenue
14th Floor
New York, New York 10153
Att'n: Director of Business Development

and

General Motors Corporation
300 GM Renaissance Center
Detroit, Michigan 48265
Att'n: General Counsel

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Att'n: Jeffrey L. Tanenbaum, Esq.
Michael P. Kessler, Esq.
Robert J. Lemons, Esq.

or to such other place and with such other copies as either Party may designate as to itself by written notice to the other Party. Rejection, any refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

Section 8.20 Waiver of Right to Trial by Jury. Each Party waives any right to trial by jury in any proceeding arising under or related to this Agreement.

Section 8.21 Service of Process. Each Party irrevocably consents to the service of process in any legal proceeding arising out of this Agreement by receipt of mailed copies thereof by national courier service or certified United States mail, postage prepaid, return receipt requested, to its applicable registered agent. The foregoing, however, shall not limit the right of a Party to effect service of process on the other Party by any other legally available method.

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Section 8.22 Interpretation.

(a) In the event of any conflict between this Agreement and any of the Labor MOUs, the Non-Represented Employees Term Sheet, the UAW SAP, the IUE-CWA SAP, the Warranty Settlement Agreement, and the IP License, the provisions of such documents other than this Agreement shall govern.

(b) Reserved.

(c) Any reference herein to any section of this Agreement shall be deemed to include a reference to any exhibit, attachment or schedule referred to within such section.

(d) All references to “\$” and dollars shall refer to United States currency.

(e) Consistent with Bankruptcy Rule 9006(a), if the due date for any action to be taken under this Agreement (including the delivery of notices) is not a business day, then such action shall be considered timely taken if performed on or prior to the next business day following such due date. Any reference to “days” in this Agreement shall mean calendar days unless otherwise specified.

Section 8.23 Expenses. Notwithstanding anything else contained in this Agreement or the Settlement Agreement, each Party shall bear all costs and expenses incurred or to be incurred on or after the MRA Consummation Date by such Party in connection with this Agreement and the consummation and performance of the transactions contemplated hereby.

Section 8.24 Entire Agreement; Parties’ Intentions; Construction. This Agreement and the Settlement Agreement, including all agreements incorporated by reference herein or therein (e.g., the Labor MOUs, the Non-Represented Employees Term Sheet and the Transaction Facilitation Agreement), and the Confidentiality and Non-Disclosure Agreement between GM and Delphi dated September 12, 2005, as amended, constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all prior agreements, whether oral or written, with respect to such subject matter other than with respect to the agreements expressly assumed, ratified or reinstated in Article V of this Agreement. The attachments and exhibits attached hereto are an integral part of this Agreement and are hereby incorporated into this Agreement and made a part hereof as if set forth in full herein. This Agreement is the product of negotiations between the Parties and represents the Parties’ intentions. In any action to enforce or interpret this Agreement, this Agreement shall be construed in a neutral manner, and no term or provision of this Agreement, or this Agreement as a whole, shall be construed more or less favorably to any Party.

Section 8.25 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal, or unenforceable in any respect, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as

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possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 8.26Headings. The table of contents and the headings of the Articles and sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

Section 8.27Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement. Electronic delivery of an executed signature page of this Agreement shall be effective as delivery of a manually executed signature page of this Agreement.

[Signature pages follow.]

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IN WITNESS WHEREOF, the undersigned have each caused this Agreement to be duly executed and delivered by their respective, duly authorized officers as of the date first written above.

DELPHI CORPORATION

By: _____
Name: John D. Sheehan
Title: Vice President, Chief Restructuring
Officer

GENERAL MOTORS CORPORATION

By: _____
Name: Frederick A. Henderson
Title: President and Chief Operating
Officer

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October 21, 2008

General Motors Corporation
300 Renaissance Center
Detroit, MI 48265

Re: Consent of Hamilton, Rabinovitz and Associates, Inc.

Ladies and Gentlemen:

Hamilton, Rabinovitz and Associates, Inc., an independent firm expert in asbestos valuation, hereby consents to the incorporation by reference in the Registration Statements in the table below of General Motors Corporation (the "Corporation") of the use of and references to (i) its name and (ii) its review of and reports concerning the Corporation's liability exposure for pending and estimable unasserted asbestos-related claims included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, to be filed with the Securities and Exchange Commission on or about November 6, 2008.

<u>Form</u>	<u>Registration Statement No.</u>	<u>Description</u>
S-3 and Post-Effective Amendment No. 1	333-88508	General Motors Corporation and GM Nova Scotia Finance Company Debt Securities, Preferred Stock, Preference Stock and Common Stock
S-3 and Amendment No. 1	333-103530	General Motors Corporation and GM Nova Scotia Finance Company Debt Securities, Preferred Stock, Preference Stock and Common Stock
S-3	333-105949	General Motors Corporation and GM Nova Scotia Finance Company Debt Securities, Preferred Stock, Preference Stock and Common Stock
S-3 and Post-Effective Amendment No. 1	333-108532	General Motors Corporation and GM Nova Scotia Finance Company Debt Securities, Preferred Stock, Preference Stock and Common Stock
S-8	333-109615	The General Motors Personal Savings Plan for Hourly-Rate Employees in the United States
S-8	333-90097	General Motors Stock Incentive Plan
S-8	333-109616	General Motors Savings-Stock Purchase Program for Salaried Employees in the United States
S-8	333-44957	General Motors 1998 Stock Option Plan
S-8	333-31846	General Motors Deferred Compensation Plan for Executive Employees
S-8	333-55122	The Holden Employee Share Ownership Plan
S-8	333-147422	General Motors 2007 Long-Term Incentive Plan

Sincerely,

/s/ Dr. Francine F. Rabinovitz

Dr. Francine F. Rabinovitz, President
Hamilton, Rabinovitz & Associates, Inc.

CERTIFICATION

I, G. Richard Wagoner, Jr., certify that:

1. I have reviewed this quarterly report for the period ended September 30, 2008 on Form 10-Q of General Motors Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RICHARD WAGONER, JR.

G. Richard Wagoner, Jr.
Chairman and Chief Executive Officer

Date: November 10, 2008

CERTIFICATION

I, Ray G. Young, certify that:

1. I have reviewed this quarterly report for the period ended September 30, 2008 on Form 10-Q of General Motors Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RAY G. YOUNG

Ray G. Young
Executive Vice President and Chief Financial Officer

Date: November 10, 2008

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

In connection with the Quarterly Report of General Motors Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G. Richard Wagoner, Jr., Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ G. RICHARD WAGONER, JR.

G. Richard Wagoner, Jr.
Chairman and Chief Executive Officer

November 10, 2008

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

In connection with the Quarterly Report of General Motors Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ray G. Young, Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ RAY G. YOUNG

Ray G. Young
Executive Vice President and Chief Financial Officer

November 10 2008

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