



FORM 10-Q

GENERAL MOTORS CORP – GM

Filed: August 07, 2007 (period: June 30, 2007)

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 June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-143

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 "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 31, 2007, the number of shares outstanding of the Registrant's common stock was 565,870,304 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Unaudited)			
		(As restated, Notes 2 and 15)		(As restated, Notes 2 and 15)
Net sales and revenue				
Automotive sales	\$ 45,918	\$ 44,812	\$ 88,298	\$ 87,808
Financial services and insurance revenue	894	9,087	1,830	17,934
Total net sales and revenue	<u>46,812</u>	<u>53,899</u>	<u>90,128</u>	<u>105,742</u>
Costs and expenses				
Automotive cost of sales	41,674	47,406	80,407	87,177
Selling, general, and administrative expense	3,293	3,219	6,604	6,585
Financial services and insurance expense	811	7,727	1,694	16,012
Other expenses	575	1,208	575	1,208
Total costs and expenses	<u>46,353</u>	<u>59,560</u>	<u>89,280</u>	<u>110,982</u>
Operating income (loss)	459	(5,661)	848	(5,240)
Equity in income (loss) of GMAC LLC	118	—	(65)	—
Automotive and other interest expense	(681)	(694)	(1,480)	(1,332)
Automotive interest income and other non-operating income	555	987	991	1,783
Income (loss) from continuing operations before income taxes, other equity income and minority interests	451	(5,368)	294	(4,789)
Income tax benefit	(320)	(1,715)	(381)	(1,546)
Equity income and minority interests, net of tax	13	159	67	242
Income (loss) from continuing operations	784	(3,494)	742	(3,001)
Income from discontinued operations, net of tax (Note 3)	107	111	211	220
Net income (loss)	<u>\$ 891</u>	<u>\$ (3,383)</u>	<u>\$ 953</u>	<u>\$ (2,781)</u>
Basic earnings (loss) per share:				
Continuing operations	\$ 1.38	\$ (6.18)	\$ 1.31	\$ (5.31)
Discontinued operations	.19	.20	.37	.39
Total	<u>\$ 1.57</u>	<u>\$ (5.98)</u>	<u>\$ 1.68</u>	<u>\$ (4.92)</u>
Weighted average common shares outstanding, basic (millions)	<u>566</u>	<u>566</u>	<u>566</u>	<u>566</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ 1.37	\$ (6.18)	\$ 1.30	\$ (5.31)
Discontinued operations	.19	.20	.37	.39
Total	<u>\$ 1.56</u>	<u>\$ (5.98)</u>	<u>\$ 1.67</u>	<u>\$ (4.92)</u>
Weighted average common shares outstanding, diluted (millions)	<u>569</u>	<u>566</u>	<u>569</u>	<u>566</u>
Cash dividends per share	<u>\$.25</u>	<u>\$.25</u>	<u>\$.50</u>	<u>\$.50</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)

	June 30, 2007 (Unaudited)	December 31, 2006	June 30, 2006 (Unaudited) (As restated, Note 15)
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 22,040	\$ 23,774	\$ 19,997
Marketable securities	1,573	138	115
Total cash and marketable securities	23,613	23,912	20,112
Accounts and notes receivable, net	10,233	8,216	7,572
Inventories	15,073	13,921	14,496
Assets held for sale	683	—	—
Equipment on operating leases, net	5,889	6,125	6,891
Deferred income taxes and other current assets	11,518	11,957	10,376
Total current assets	67,009	64,131	59,447
Financing and Insurance Operations Assets			
Cash and cash equivalents	258	349	2,848
Assets held for sale	—	—	274,267
Equipment on operating leases, net	9,145	11,794	16,533
Investment in GMAC LLC	7,555	7,523	—
Other assets	3,011	2,457	5,857
Total Financing and Insurance Operations Assets	19,969	22,123	299,505
Non-Current Assets			
Property, net	41,404	41,934	38,639
Deferred income taxes	32,337	32,967	24,382
Prepaid pension	18,305	17,366	37,480
Other assets	7,503	7,671	9,538
Total non-current assets	99,549	99,938	110,039
Total Assets	\$ 186,527	\$ 186,192	\$ 468,991
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities			
Accounts payable (principally trade)	\$ 30,742	\$ 26,931	\$ 27,930
Short-term borrowings and current portion of long-term debt	5,150	5,666	1,340
Liabilities related to assets held for sale	526	—	—
Accrued expenses	35,487	35,225	48,516
Total current liabilities	71,905	67,822	77,786
Financing and Insurance Operations Liabilities			
Liabilities related to assets held for sale	—	—	267,925
Debt	7,133	9,438	12,849
Other liabilities and deferred income taxes	855	2,139	2,278
Total Financing and Insurance Operations Liabilities	7,988	11,577	283,052
Non-Current Liabilities			
Long-term debt	34,134	33,067	32,946
Postretirement benefits other than pensions	48,030	50,086	30,668
Pensions	11,654	11,934	11,498
Other liabilities and deferred income taxes	15,106	15,957	20,014
Total non-current liabilities	108,924	111,044	95,126
Total liabilities	188,817	190,443	455,964
Minority interests	1,268	1,190	1,084
Stockholders' Equity (Deficit)			
Preferred stock, no par value, authorized 6,000,000, no shares issued and outstanding	—	—	—
Common stock, \$12/3 par value (2,000,000,000 shares authorized, 756,637,541 and 565,864,695 shares issued and outstanding at June 30, 2007, respectively 756,637,541 and 565,670,254 shares issued and outstanding at December 31, 2006, respectively and 756,637,541 and 565,607,779 shares issued and outstanding at June 30, 2006, respectively)	943	943	943
Capital surplus (principally additional paid-in capital)	15,255	15,336	15,306
Retained earnings (deficit)	788	406	(117)
Accumulated other comprehensive loss	(20,544)	(22,126)	(4,189)
Total stockholders' equity (deficit)	(3,558)	(5,441)	11,943
Total Liabilities, Minority Interests, and Stockholders' Equity (Deficit)	\$ 186,527	\$ 186,192	\$ 468,991

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars and shares in millions)
(Unaudited)

	Shares of Common Stock	Capital Stock	Capital Surplus	Comprehensive Income (Loss)	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance December 31, 2005	566	\$ 943	\$ 15,285		\$ 2,960	\$ (4,535)	\$ 14,653
Net loss, as restated (Note 15)	—	—	—	\$ (2,781)	(2,781)	—	(2,781)
Cumulative effect of a change in accounting principle — adoption of SFAS No. 156, net of tax	—	—	—	—	(13)	—	(13)
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	450	—	—	—
Unrealized gain on derivatives	—	—	—	103	—	—	—
Unrealized loss on securities	—	—	—	(153)	—	—	—
Minimum pension liability adjustment	—	—	—	(54)	—	—	—
Other comprehensive income	—	—	—	346	—	346	346
Comprehensive loss				\$ (2,435)			
Stock options	—	—	21		—	—	21
Cash dividends paid	—	—	—		(283)	—	(283)
Balance June 30, 2006, as restated (Note 15)	<u>566</u>	<u>\$ 943</u>	<u>\$ 15,306</u>		<u>\$ (117)</u>	<u>\$ (4,189)</u>	<u>\$ 11,943</u>
Balance December 31, 2006	566	\$ 943	\$ 15,336		\$ 406	\$ (22,126)	\$ (5,441)
Net income	—	—	—	\$ 953	953	—	953
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 48, net of tax	—	—	—	—	137	—	137
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	357	—	—	—
Unrealized gain on derivatives	—	—	—	42	—	—	—
Unrealized loss on securities	—	—	—	(3)	—	—	—
Defined benefit plans:							
Net prior service cost	—	—	—	(415)	—	—	—
Net actuarial gain	—	—	—	446	—	—	—
Net transition asset/obligation	—	—	—	2	—	—	—
Other comprehensive income	—	—	—	429	—	429	429
Comprehensive income				\$ 1,382			
Stock options	—	—	18		—	—	18
Cash dividends paid	—	—	—		(283)	—	(283)
Purchase of convertible note hedge (Note 8)	—	—	(99)		—	—	(99)
Balance June 30, 2007	566	\$ 943	\$ 15,255		\$ 788	\$ (20,544)	\$ (3,558)

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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)

	Six Months Ended	
	June 30,	
	2007	2006
	(Unaudited)	
Cash provided by (used in) continuing operating activities	\$ 4,027	\$ (2,389)
Cash provided by discontinued operating activities	<u>240</u>	<u>400</u>
Net cash provided by (used in) operating activities	4,267	(1,989)
Cash flows from investing activities		
Expenditures for property	(2,884)	(3,263)
Investments in marketable securities, acquisitions	(1,500)	(11,580)
Investments in marketable securities, liquidations	61	11,909
Proceeds from sale of finance receivables	—	15,213
Proceeds from sale of business units/equity investments	—	10,518
Operating leases, acquisitions	—	(9,135)
Operating leases, liquidations	1,613	3,411
Capital contribution to GMAC LLC	(1,022)	—
Investments in companies, net of cash acquired	—	(349)
Other	<u>(111)</u>	<u>(1,835)</u>
Cash provided by (used in) continuing investing activities	(3,843)	14,889
Cash used in discontinued investing activities	<u>(13)</u>	<u>(11)</u>
Net cash provided by (used in) investing activities	(3,856)	14,878
Cash flows from financing activities		
Net decrease in short-term borrowings	(2,562)	(7,184)
Borrowings of long-term debt	1,572	42,651
Payments made on long-term debt	(1,132)	(43,584)
Cash dividends paid to stockholders	(283)	(283)
Other	<u>—</u>	<u>1,918</u>
Cash used in continuing financing activities	(2,405)	(6,482)
Cash used in discontinued financing activities	<u>—</u>	<u>(1)</u>
Net cash used in financing activities	(2,405)	(6,483)
Effect of exchange rate changes on cash and cash equivalents	<u>169</u>	<u>171</u>
Net increase (decrease) in cash and cash equivalents	(1,825)	6,577
Cash and cash equivalents reclassified to assets held for sale	—	(14,458)
Cash and cash equivalents at beginning of the period	<u>24,123</u>	<u>30,726</u>
Cash and cash equivalents at end of the period	<u>\$ 22,298</u>	<u>\$ 22,845</u>

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

General Motors Corporation (GM) is primarily engaged in the worldwide production and marketing of cars and trucks. GM develops, manufactures, and markets vehicles worldwide through its four automotive regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid–East (GMLAAM), and GM Asia Pacific (GMAP). Also, GM’s finance and insurance operations are primarily conducted through GMAC LLC, the successor to General Motors Acceptance Corporation (together with GMAC LLC, GMAC), a wholly–owned subsidiary through November 2006. On November 30, 2006, GM sold a 51% controlling ownership interest in GMAC to a consortium of investors. After the sale, GM has accounted for its 49% ownership interest in GMAC using the equity method. 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. GM operates in two businesses, consisting of Automotive (GM Automotive or GMA) and Financing and Insurance Operations (FIO).

Note 2. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the 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 the opinion of management, these Condensed Consolidated Financial Statements include all adjustments, consisting of only normal recurring items, considered necessary for a fair presentation of the financial position and results of operations of GM. 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 GM’s Annual Report on Form 10–K for the year ended December 31, 2006 as filed with the SEC.

The Condensed Consolidated Financial Statements include the accounts of GM and its subsidiaries that are controlled by GM due to ownership of a majority voting interest. In addition, GM consolidates variable interest entities (VIEs) for which it is the primary beneficiary. GM’s share of earnings or losses of investees are included in the consolidated operating results using the equity method of accounting, when GM is able to exercise significant influence over the operating and financial decisions of the investee. If GM is not able to exercise significant influence over the operating and financial decisions of the investee, the cost method of accounting is used. All intercompany balances and transactions have been eliminated in consolidation.

Change in Presentation of Financial Statements

In 2007, GM changed its income statement presentation to present costs and expenses of its FIO operations as a separate line. In so doing, GM reclassified FIO’s portion of Selling, general, and administrative expense and Interest expense to Financial services and insurance expense. Also, Automotive and other interest expense has been presented within non–operating income and expenses. Additionally, prior period results have been reclassified for the retroactive effect of discontinued operations. Refer to Note 3. Certain reclassifications have been made to the comparable 2006 restated financial information to conform to the current period presentation.

Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans

As previously reported in our 2006 Annual Report on Form 10–K, GM recognized the funded status of its benefit plans at December 31, 2006 in accordance with the recognition provisions of Statement of Financial Accounting Standards No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (SFAS No. 158). Additionally, GM elected to early adopt the measurement date provisions of SFAS No. 158

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

Note 2. Basis of Presentation — (continued)

at January 1, 2007. Those provisions require the measurement date for plan assets and liabilities to coincide with the sponsor's year end. Refer to Note 13.

Accounting for Uncertainty in Income Taxes

During the first quarter of 2007, GM adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109, "Accounting for Income Taxes", by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects 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. Moreover, 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 48, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle. GM adopted FIN 48 as of January 1, 2007, and recorded an increase to retained earnings of \$137.1 million as a cumulative effect of a change in accounting principle with a corresponding decrease to the liability for uncertain tax positions. Refer to Note 10 for more information regarding the impact of adopting FIN 48.

Accounting for Early Retirement or Postemployment Programs with Specific Features

On January 1, 2006, GM adopted Emerging Issues Task Force Issue No. 05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features" (EITF 05-5), which states that the bonus and contributions made into the German government pension program should be accounted for under the guidance in SFAS No. 112, "Employers' Accounting for Postemployment Benefit Costs" and the government subsidy should be recognized when a company meets the necessary conditions to be entitled to the subsidy. As clarified in EITF 05-5, beginning in 2006, GM recognized the bonus and additional contributions (collectively, additional compensation) into the German government pension plan over the period from which the employee signed the program contract until the end of the active service period. Prior to 2006, GM recognized the full additional compensation one-year before the employee entered the active service period. The change, reported as a change in accounting estimate effected by a change in accounting principle, resulted in additional compensation expense of \$68 million for the six months ended June 30, 2006.

Accounting for Servicing of Financial Assets

On January 1, 2006, GM adopted SFAS No. 156, "Accounting for Servicing of Financial Assets" (SFAS No. 156), which (1) provides revised guidance on when a servicing asset and servicing liability should be recognized, (2) requires all separately recognized servicing assets and liabilities to be initially measured at fair value, if practicable, (3) permits an entity to elect to measure servicing assets and liabilities at fair value each reporting date and report changes in fair value in earnings in the period in which the changes occur, (4) provides that upon initial adoption, a one-time reclassification of available-for-sale securities to trading securities for securities which are identified as offsetting an entity's exposure to changes in the fair value of servicing assets or liabilities that a servicer elects to subsequently measure at fair value, and (5) requires separate presentation of servicing assets and liabilities subsequently measured at fair value in the balance sheet and additional disclosures. GM recorded a reduction to retained earnings as of January 1, 2006 of \$13 million as a cumulative effect of a change in accounting principle for the adoption of SFAS No. 156.

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

Note 2. Basis of Presentation — (concluded)

Accounting Standards Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurement” (SFAS No. 157), which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 are to be applied prospectively. Management is currently assessing the potential impact of the standard on GM’s financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS No. 115” (SFAS No. 159), which permits an entity to measure certain financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. Management is currently assessing the potential impact of the standard on GM’s financial condition and results of operations.

In June 2007, the FASB ratified the consensus in EITF Issue No. 07-3 “Accounting for Nonrefundable Payments for Goods or Services to Be Used in Future Research and Development Activities”, requiring that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts should be expensed as the related goods are delivered or the related services are performed. The statement is effective for fiscal years beginning after December 15, 2007. Management is currently assessing the potential impact of the standard on GM’s financial condition and results of operations.

In June 2007, the FASB ratified EITF Issue No. 06-11 “Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards” (EITF 06-11), which requires entities to record tax benefits on dividends or dividend equivalents that are charged to retained earnings for certain share-based awards to additional paid-in capital. In a share-based payment arrangement, employees may receive dividends or dividend equivalents on awards of nonvested equity shares, nonvested equity share units during the vesting period, and share options until the exercise date. Generally, the payment of such dividends can be treated as deductible compensation for tax purposes. The amount of tax benefits recognized in additional paid-in capital should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. EITF 06-11 is effective for fiscal years beginning after December 15, 2007, and interim periods within those years. Management does not expect this guidance to have a material effect on GM’s financial condition and results of operations.

Note 3. Divestures of Businesses

Sale of Allison Transmission Business

On June 28, 2007, GM entered into a definitive agreement pursuant to which GM will sell the commercial and military operations of our Allison Transmission (Allison) business for a purchase price of approximately \$5.6 billion in cash plus assumed liabilities. The purchase price is subject to adjustment based on the amount of Allison’s (1) net working capital and (2) debt on the closing date. Based on these amounts, a payment may be due from either party within approximately thirty-five days after the closing date. Any such payment will be an adjustment to the amount of gain recognized on the transaction. Allison, a division of GM’s Powertrain Operations, is a global leader in the design and manufacture of commercial and military automatic transmissions and a premier global provider of commercial vehicle automatic transmissions for on-highway, including trucks, specialty vehicles, buses and

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 3. Divestures of Businesses — (continued)

recreational vehicles, off-highway and military vehicles, as well as hybrid propulsion systems for transit buses. GM Powertrain Operations Baltimore facility, which manufactures automatic transmissions primarily for GM trucks and hybrid propulsion system, will be retained by GM. GM expects to recognize a gain on the sale of Allison in the range of \$5.1 billion to \$5.4 billion. GM expects to close the sale of Allison in the third quarter of 2007, subject to regulatory approval.

At June 30, 2007, Allison met the held for sale criteria under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144), and therefore, certain assets and liabilities of Allison are presented as held for sale, and GM has ceased depreciation on Allison's long-lived assets classified as held for sale. The results of operations and cash flows of Allison have been reported in the Condensed Consolidated Financial Statements as discontinued operations for all periods presented.

Historically, Allison had been reported in the Automotive business. The following table presents Allison's major classes of assets and liabilities classified as held for sale as of June 30, 2007 (dollars in millions):

Accounts and notes receivable, net	\$ 103
Inventories	124
Other assets	84
Property, plant and equipment, net	<u>372</u>
Total assets held for sale	<u>\$ 683</u>
Accounts payable	\$ 198
Accrued expenses and other liabilities	248
Deferred revenue	45
Postretirement benefits	<u>35</u>
Total liabilities related to assets held for sale	<u>\$ 526</u>

The table above represents the respective assets and liabilities that are held for sale as of June 30, 2007, which excludes certain assets and liabilities, consisting of cash, limited accounts receivable, inventory, tooling, taxes payable, deferred income taxes and a synthetic lease obligation of the facility that is being retained. The held for sale asset and liability balances at June 30, 2007 may differ from the respective balances at closing.

The following table summarizes the results of discontinued operations (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	\$ 518	\$ 564	\$ 1,061	\$ 1,110
Operating income from discontinued operations	171	174	336	347
Income tax provision	62	64	123	127
Income from discontinued operations	\$ 107	\$ 111	\$ 211	\$ 220

As part of the transaction, GM and the buyers of Allison are negotiating for GM to 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 were not in compliance with its financial maintenance covenant under the credit agreement and the buyer were to elect to make an equity contribution into Allison to bring it into compliance. Such financing would be contingent on Allison's buyers committing to provide an equivalent amount of funding to Allison through its parent company on the same terms as the GM loan under such circumstances. Additionally, both

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 3. Divestures of Businesses — (continued)

parties have entered into non-compete arrangements for a term of 10 years in the U.S. and for a term of 5 years in Europe.

Sale of 51% Controlling Interest in GMAC

In April 2006, GM and its wholly owned subsidiaries, GMAC and GM Finance Co. Holdings Inc., entered into a definitive agreement pursuant to which GM agreed to sell a 51% controlling interest in GMAC for a purchase price of \$7.4 billion to FIM Holdings LLC (FIM Holdings). FIM Holdings is a consortium of investors, including Cerberus FIM Investors, LLC, Citigroup Inc., Aozora Bank Limited, and a subsidiary of the PNC Financial Services Group, Inc. The sale was completed on November 30, 2006. GM has retained a 49% interest in GMAC's Common Membership Interests. The total value of the cash proceeds and distributions to GM after repayment of certain intercompany obligations, and before it purchased the preferred membership interests of GMAC was expected to be approximately \$14 billion over three years, comprised of the \$7.4 billion purchase price and \$2.7 billion cash dividend at closing, and other transaction related cash flows including the monetization of certain retained assets. In March 2007, GM made a capital contribution to GMAC of approximately \$1 billion to restore its adjusted tangible equity balance to the contractually required amount of \$14.4 billion, due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.

For the three and six months ended June 30, 2006, GMAC's earnings and cash flows are fully consolidated in GM's Condensed Consolidated Statements of Operations and Statements of Cash Flows. However, as a result of the agreement to sell 51% equity interest, certain assets and liabilities of GMAC were classified as held for sale in GM's Condensed Consolidated Balance Sheet as of June 30, 2006. Pursuant to SFAS No. 144, GM ceased depreciation on GMAC long-lived assets classified as held for sale in GM's consolidated financial statements. The following table presents GMAC's major classes of assets and liabilities classified as held for sale as of June 30, 2006 (dollars in millions):

Cash and cash equivalents	\$ 14,458
Marketable securities	18,808
Finance receivables, net	174,074
Loans held for sale	20,455
Account and notes receivable	7,733
Inventories, net	558
Net equipment on operating leases, net	18,805
Other assets	20,584
Allowance to reflect assets held for sale at fair value less cost to sell	<u>(1,208)</u>
Total assets held for sale	<u>\$ 274,267</u>
Accounts payable	\$ 3,805
Notes and loans payable	234,474
Deferred income taxes	1,392
Accrued expenses and other liabilities	<u>28,254</u>
Total liabilities related to assets held for sale	<u>\$ 267,925</u>

The table above represents 100% of the respective assets and liabilities of GMAC that were held for sale as of June 30, 2006. The transaction resulted in the divestiture of a 51% interest in GMAC.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
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Note 3. Divestures of Businesses — (concluded)

GM recognized a non-cash impairment charge of approximately \$2.9 billion in 2006, of which \$1.2 billion is recorded in Other expenses in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2006 to reflect GMAC's assets that were classified as held for sale at the lower of carrying value or fair value less costs to sell. The total charge is comprised of the write-down of the carrying value of GMAC assets that were sold on November 30, 2006 partially offset by the realization of 51% of the unrecognized net gains reflected in GMAC's Accumulated other comprehensive income.

Refer to Notes 1, 5, and 17 for additional information regarding the sale of, investment in, and transactions with, GMAC.

Sale of GMAC Commercial Mortgage

In March 2006, GM, through GMAC, sold approximately 79% of our equity in GMAC Commercial Mortgage for approximately \$1.5 billion in cash. At the closing, GMAC Commercial Mortgage also repaid to us approximately \$7.3 billion of intercompany loans, for total cash proceeds of \$8.8 billion. Subsequent to the sale, the remaining interest in GMAC Commercial Mortgage was reflected using the equity method.

Note 4. Inventories

Inventories are comprised of the following:

	<u>June 30, 2007</u>	<u>December 31, 2006</u>	<u>June 30, 2006</u>
	(Dollars in millions)		
Productive material, work in process, and supplies	\$ 5,707	\$ 5,810	\$ 6,341
Finished product, including service parts, etc.	<u>10,820</u>	<u>9,619</u>	<u>9,678</u>
Total inventories at FIFO	16,527	15,429	16,019
Less LIFO allowance	<u>(1,454)</u>	<u>(1,508)</u>	<u>(1,523)</u>
Total	15,073	13,921	14,496
FIO off-lease vehicles	<u>240</u>	<u>185</u>	<u>—</u>
Total inventories	<u>\$ 15,313</u>	<u>\$ 14,106</u>	<u>\$ 14,496</u>

Note 5. Investment in Nonconsolidated Affiliates

Nonconsolidated affiliates of GM identified herein are those entities in which GM owns an equity interest and for which GM uses the equity method of accounting, because GM has the ability to exert significant influence over decisions relating to their operating and financial affairs. GM's significant affiliates and the percent of GM's current equity ownership or voting interest in them are as follows:

United States — GMAC (49% at June 30, 2007 and 100% at June 30, 2006)

China — Shanghai General Motors Co., Ltd (50% at June 30, 2007 and 2006) and
SAIC-GM-Wuling Automobile Co., Ltd (34% at June 30, 2007 and 2006)

GMAC was a wholly-owned subsidiary of GM during the three and six months ended June 30, 2006. In November 2006, GM sold a 51% controlling ownership interest in GMAC. The remaining 49% interest held by GM, in the form of GMAC Common Membership Interests, is accounted for using the equity method. In addition, GM acquired 1,555,000 Preferred Membership Interests representing approximately 74% of the Preferred Membership Interests for a cash price of \$1.4 billion. The investment in GMAC Preferred Membership Interests, a cost method

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(Unaudited) — (Continued)

Note 5. Investment in Nonconsolidated Affiliates — (continued)

investment, was initially recorded at fair value of \$1.6 billion at the date of its acquisition. The excess of fair value over the cash exchanged for the Preferred Membership Interests reduced GM's investment in GMAC Common Membership Interests. At June 30, 2007, GM's investment in GMAC Preferred Membership Interests was \$1.6 billion. GMAC is required to make certain quarterly distributions to holders of the Preferred Membership Interests in cash on a pro rata basis. The Preferred Membership Interests are issued in units of \$1,000 and accrue a yield at a rate of 10% per annum. GM accrued a dividend of \$38 million and \$77 million for the three and six months ended June 30, 2007, respectively. Refer to Note 17 for a description of the related party transactions with GMAC.

Information regarding GM's share of net income (loss) for the nonconsolidated affiliates is included in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
GMAC	\$ 118	\$ —	\$ (65)	\$ —
Shanghai General Motors Co., Ltd and SAIC-GM-Wuling Automobile Co., Ltd.	116	85	233	156
Other	53	118	92	173
Total	<u>\$ 287</u>	<u>\$ 203</u>	<u>\$ 260</u>	<u>\$ 329</u>

Summarized financial information of GMAC is as follows:

	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
	(Dollars in millions)			
Condensed Consolidated Statement of Operations:				
Total net sales and revenue	\$	5,316	\$	10,613
Depreciation expense on operating lease assets		1,173		2,255
Interest expense		3,735		7,407
Operating income		452		297
Income tax expense		159		309
Net income (loss)		293		(12)
Net income (loss) available to members		240		(116)

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(Unaudited) — (Continued)

Note 5. Investment in Nonconsolidated Affiliates — (concluded)

	June 30, 2007 (Dollars in millions)
Condensed Consolidated Balance Sheet:	
Loans held for sale	\$ 20,268
Finance receivables and loans, net	162,192
Investment in operating leases, net	28,893
Other assets	25,076
Total assets	279,278
Total debt	224,454
Accrued expenses	25,238
Total liabilities	261,465
Preferred interests	2,226
Total stockholders' equity	15,587

In March 2006, GM sold 92.4 million shares of its investment in Suzuki Motor Corporation (Suzuki), reducing GM's equity stake in Suzuki from 20.4% to 3.7% or 16.3 million shares. The sale of GM's interest generated cash proceeds of \$2 billion and resulted in a gain on the sale of \$666 million, which was recorded in Automotive interest income and other non-operating income in the Condensed Consolidated Statement of Operations. Effective with completion of the sale, GM's remaining investment in Suzuki is accounted for as an available-for-sale equity security.

In the second quarter of 2006, GMAC recognized a gain of \$415 million on the sale of its equity interest in a regional home builder, which was recorded in the Automotive interest and other non-operating income in the Condensed Consolidated Statement of Operations. Under the equity method of accounting, GMAC's share of income recorded from this investment was \$22.5 million and \$42.4 million for the three and six months ended June 30, 2006, respectively.

Note 6. Product Warranty Liability

Policy, product warranty, recall campaigns and certified used vehicle warranty liabilities include the following:

	June 30, 2007	December 31, 2006	June 30, 2006
	(Dollars in millions)		
Beginning balance	\$ 9,064	\$ 9,135	\$ 9,135
Increase in liability (warranties issued during period)	2,592	4,517	2,223
Payments	(2,240)	(4,463)	(2,193)
Adjustments to liability (pre-existing warranties)	(95)	(570)	(420)
Effect of foreign currency translation	142	445	113
Reclassification of Allison liabilities to Liabilities related to assets held for sale	(103)	—	—
Ending balance	\$ 9,360	\$ 9,064	\$ 8,858

Management reviews and adjusts these estimates on a regular basis based on the differences between actual experience and historical estimates or other available information.

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Note 7. GMNA Postemployment 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 management's best estimate of the wage and benefits costs that will be incurred for qualified employees under the Job Opportunity Bank–Security program (JOBS Bank) provisions of the current labor agreement through the date of its expiration in September 2007, plus estimated costs expected to be paid thereafter taking into account policy changes that GM intends to negotiate into the JOBS program after the expiration of the current collective bargaining agreement. Costs related to the idling of employees that are expected to be temporary are expensed as incurred. GM reviews the adequacy and continuing need for these liabilities on a quarterly basis in conjunction with its quarterly production and labor forecasts.

In March 2006, GM, Delphi Corporation (Delphi) and the International Union, United Auto, Aerospace and Agricultural Implement Workers of America (UAW) reached an agreement (the UAW Attrition Agreement) intended to reduce the number of U.S. hourly employees through an accelerated attrition program (the Attrition Program). Under the Attrition Program, GM provided certain UAW–represented employees at GM with (1) a lump sum payment of \$35,000 for normal or early voluntary retirements retroactive to October 1, 2005; (2) a mutually satisfactory retirement for employees with at least 10 years of credited service and 50 years of age or older; (3) payment of gross monthly wages ranging from \$2,750 to \$2,900 to those employees who participate in a special voluntary pre–retirement program depending on years of credited service and plant work location; and (4) a buy–out of \$140,000 for employees with 10 or more years of seniority, or \$70,000 for employees with less than 10 years seniority, provided such employees severed all ties with GM except for any vested pension benefits. Approximately 34,400 GM hourly employees agreed to the terms of the Attrition Program. GM recorded a charge of \$2.1 billion in 2006 to recognize the wage and benefit cost of those accepting normal and voluntary retirements, buy–outs or pre–retirement leaves. As a result of the Attrition Program, the JOBS Bank was substantially reduced as employees from the JOBS Bank retired, took a buy–out or filled openings created by the Attrition Program. Certain employees who chose to leave GM retired or left by January 1, 2007 but will continue to receive payments until 2010.

Throughout 2006, GM recorded favorable adjustments totaling \$1 billion to the postemployment benefits reserve primarily as a result of (1) the transfer of employees from idled plants to other plant sites to replace those positions previously held by employees who accepted retirements, buy–outs, or pre–retirement leaves, (2) a higher than anticipated level of Attrition Program participation by employees at idled facilities and facilities to be idled that were previously accrued for under the JOBS Bank provisions, and (3) higher than anticipated headcount reductions associated with the GMNA plant idling activities announced in 2005. In 2005, GM recognized a charge of \$1.8 billion for postemployment benefits related to the restructuring of its North American operations. Approximately 17,500 employees were included in the 2005 charge for locations included in this action, some leaving GM through attrition and the remainder transferring to other sites.

The liability for postemployment benefit costs of \$865 million at June 30, 2007 reflects estimated future wages and benefits for 8,000 employees, primarily located at idled facilities and facilities to be idled and 4,400 employees subject to the terms of the Attrition Program. At December 31, 2006, the postemployment benefit costs liability reflects estimated future wages and benefits of \$1.3 billion related to 8,500 employees, primarily located at idled facilities and facilities to be idled as a result of previous GMNA plant idling activities and 10,900 employees subject to the terms of the Attrition Program. The liability for postemployment benefit costs as of June 30, 2006 reflects estimated future wages and benefits of \$2.8 billion related to 12,300 employees, primarily at idled facilities and facilities to be idled as a result of previous announcements and 32,500 employees under the terms of the Attrition Program.

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(Unaudited) — (Continued)

Note 7. GMNA Postemployment Benefit Costs — (concluded)

	June 30, 2007	December 31, 2006	June 30, 2006
	(Dollars in millions)		
Beginning balance	\$ 1,269	\$ 2,012	\$ 2,012
Additions	92	2,212	2,213
Interest accretion	9	31	16
Payments	(524)	(1,834)	(447)
Adjustments	19	(1,152)	(989)
Ending balance	<u>\$ 865</u>	<u>\$ 1,269</u>	<u>\$ 2,805</u>

Note 8. Short-Term Borrowings and Long-Term Debt

Revolving Credit Facilities

On June 22, 2007, GM entered into a short-term revolving credit agreement with a syndicate of third-party lenders, that provides for borrowings of up to \$4.1 billion. Borrowings under the facility bear a variable interest rate at the prime rate or LIBOR, at the borrower's option. The credit facility is collateralized by GM's common equity interest in GMAC. The total commitment available under the agreement will be reduced or eliminated if GM's interest held in the common equity of GMAC is either disposed of or diluted beyond specified thresholds as a result of a common stock issuance by GMAC. Commitment fees accrue and are paid on the used and unused portions of the facility. The borrowings are to be used for general corporate purposes, which may include funding portions of GM's turnaround plan and addressing the potential risks and contingencies described below and in GM's 2006 Annual Report on Form 10-K in "Risk Factors — Risks related to GM and its Automotive business". No borrowings were outstanding under this agreement at June 30, 2007.

In May, 2007, GM entered into a revolving credit agreement expiring in June, 2008, with a lender that provides for borrowings of up to \$.5 billion. Borrowings under the facility bear interest based on LIBOR. Commitment fees accrue and are paid on the unused portion of the facility. The borrowings are to be used for general corporate purposes including working capital needs. No borrowings were outstanding under this agreement at June 30, 2007.

Contingent Convertible Debt

In May, 2007, GM issued \$1.5 billion of 1.5% Series D convertible debentures due in 2009, with interest payable semiannually. The debentures are senior unsecured obligations ranking equally with all other unsecured and unsubordinated debt. The Series D debentures may be converted at the option of the holder into common stock based on an initial conversion rate of .6837 shares per \$25.00 principal amount of debentures, which represents an initial conversion price of approximately \$36.57 per share. The conversion features of the Series D debentures become convertible upon the occurrence of one of the following events:

- closing price of common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; or
- during the five business day period after any nine consecutive trading day period in which the trading price of the debentures for each day of such period was less than 95% of the product of the closing sale price of common stock on such day, and the applicable conversion rate; or
- upon the occurrence of specified corporate events, as defined, including but not limited to, merger, consolidation, binding share exchange or transfer or lease of all or substantially all of our assets, pursuant to which GM's common stock would be converted into cash, securities, or other assets, or

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Note 8. Short-Term Borrowings and Long-Term Debt — (concluded)

- at any time from March 1, 2009 to the second business day immediately preceding the maturity date. The Series D debentures mature June 1, 2009.

GM has committed to use cash, to settle the principal amount of the debentures if (1) holders choose to convert the debentures or (2) GM is required by the holders to repurchase the debentures. Upon conversion, GM retains the right to use cash, stock or a combination thereof, to settle any amount that may become due to debt holders in excess of the principal amount. The conversion price of \$36.57 is subject to adjustment including but not limited to the occurrence of stock dividends, the issuance of rights and warrants, and the distribution of assets or debt securities to all holders of shares of common stock. In addition, in the event of a make-whole fundamental change, as defined in the underlying prospectus supplement, the conversion rate will be increased based on (1) the date on which such make-whole fundamental change becomes effective and (2) GM's common stock price paid in the make-whole fundamental change or average common stock price. In any event, the conversion rate shall not exceed .8205 per \$25.00 principal amount of Series D debentures, subject to adjustment for events previously mentioned. If a fundamental change occurs prior to maturity, the debenture holders may require GM to repurchase all or a portion of the debentures for cash at a price equal to the principal amount plus accrued and unpaid interest, if any, to, but not including, the date of repurchase. GM may not elect to redeem the Series D debentures prior to the maturity date.

In connection with the issuance of the Series D debentures, GM purchased a hedging instrument for the Series D debentures in a private transaction. The hedge instrument is expected to reduce the potential dilution with respect to GM's common stock upon conversion of the Series D debentures to the extent that the market value per share of GM's common stock does not exceed a specified cap, resulting in an effective conversion price of \$45.71 per share. This transaction will terminate at the earlier of the maturity date of the Series D debentures or when the Series D debentures are no longer outstanding due to conversion or otherwise.

GM received net proceeds from the issuance of the Series D debentures, net of issue costs and the purchase of the convertible note hedge, of \$1.4 billion. Debt issue costs of \$32 million were incurred and are being amortized using the effective interest method over the term of the Series D debentures. In accordance with EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," GM recorded the cost of the convertible note hedge, which aggregated \$99 million, as a reduction of additional paid-in capital. Any subsequent changes in fair value of the convertible note hedge are not recognized. The net proceeds will be used for general corporate purposes, which may include funding portions of GM's turnaround plan and addressing the potential risks and contingencies described below and in GM's 2006 Annual Report on Form 10-K in "Risk Factors — Risks related to GM and its Automotive business."

Note 9. Commitments and Contingent Matters

Commitments

GM has provided guarantees in relation to the residual value of certain operating leases, primarily related to the lease of GM's corporate headquarters. At June 30, 2007, the maximum potential amount of future undiscounted payments that could be required to be made under these guarantees amount to \$636 million. These guarantees terminate in periods ranging from 2008 to 2018. Certain leases contain renewal options.

GM has agreements with third parties that guarantee the fulfillment of certain suppliers' commitments. At June 30, 2007, the maximum potential future undiscounted payments that could be required to be made under these guarantees amounted to \$80 million. Years of expiration pertaining to these guarantees range from 2007 to 2035. Other guarantees with a maximum potential amount of future undiscounted payments that could be required

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Note 9. Commitments and Contingent Matters — (continued)

amounted to \$4 million at June 30, 2007 with the period of expiration determined by business conditions, i.e., emergence from bankruptcy or the sale of the business.

In addition, in some instances, certain assets of the party whose debt or performance is guaranteed may offset, to some degree, the effect of the triggering of the guarantee. The offset of certain payables of GM may also apply to certain guarantees. No liabilities were recorded with respect to such guarantees as the amounts were determined to be insignificant.

GM also provides payment guarantees on commercial loans made by GMAC and outstanding with certain third-parties. As of June 30, 2007 maximum commercial obligations guaranteed by GM were approximately \$132 million. Years of expiration pertaining to these guarantees range from 2007 to 2012. Based on the creditworthiness of these third parties, the value ascribed to the guarantees provided by GM was determined to be insignificant.

In addition, GM has entered into agreements with GMAC and FIM Holdings LLC, related to the disposal of its 51% interest in GMAC, that incorporate indemnification provisions. The maximum potential future undiscounted payments to which GM may be exposed in terms of these indemnification provisions amount to \$2.5 billion. No amounts have been recorded for such indemnities as the fair value of these indemnifications is immaterial.

GM has entered into agreements indemnifying certain parties with respect to environmental conditions pertaining to existing or sold GM properties. Due to the nature of the indemnifications, GM's maximum exposure under these guarantees cannot be estimated. No amounts have been recorded for such indemnities, as GM's obligations are not probable or estimable at this time.

In addition to the guarantees and indemnifying agreements mentioned above, GM periodically enters 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 GM may be exposed cannot be estimated. No amounts have been recorded for such indemnities as GM's obligations under them are not probable and estimable at this time.

Environmental

GM's 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. GM is 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 impact 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 is reasonably estimable. This practice is followed whether the claims are asserted or unasserted. Management expects that the amounts reserved will be paid out 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 are not reasonably estimable 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

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Note 9. Commitments and Contingent Matters — (continued)

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.

While the final outcome of environmental matters cannot be predicted with certainty, it is the opinion of GM that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, should a number of these items occur in the same period, it could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Asbestos Claims

Like most automobile manufacturers, GM has been subject in recent years to asbestos-related claims. GM has 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. A 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 owned by GM.

While GM has resolved many of the asbestos-related cases over the years and continues to do so for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts, management believes that only a small proportion of the claimants has or will ever develop any asbestos-related impairment. Only a small percentage of the claims pending against GM allege causation of a malignant 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.

GM records an estimated liability associated with reported asbestos claims when it believes that the expected loss is both probable and can be reasonably estimated. Prior to 2006, with respect to incurred but not yet reported claims, GM concluded that a range of probable losses was not reasonably estimable. Over the last several years, GM has continued to accumulate data associated with asbestos claims. Based on review of this data during the fourth quarter of 2006, management determined that it had enough information to determine a reasonable estimate of its projected incurred, but not yet reported, claims that could be asserted over the next two years. Based on its analysis, GM recorded a \$127 million charge for unasserted asbestos claims during the three months ended December 31, 2006. GM believes its liability for asbestos claims is adequate.

The amounts recorded by GM for the asbestos-related claims were based upon currently known information. Future events, such as the number of new claims to be filed each year and the average cost of disposing of claims, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs to be significantly different from those projected. Due to the uncertainty inherent in factors used to determine GM's asbestos-related liabilities, it is reasonably possible that future costs to resolve asbestos claims may be greater than the estimate; however, GM does not believe that it can reasonably estimate how much greater it could be.

While the final outcome of asbestos-related matters cannot be predicted with certainty, after discussion with counsel and considering, among other things liabilities that have been recorded, it is the opinion of management that none of these items, when finally resolved, is expected to have a material adverse effect on GM's financial position or liquidity. However, should many of these items occur in the same period, they could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Contingent Matters

During the second quarter of 2007, GM do Brasil recorded a \$43 million charge for potential taxes and related matters concerning improperly registered material included in consignment contracts. This amount represents the low end of the range of potential additional taxes and fines that may be assessed. The range of possible fines based

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Note 9. Commitments and Contingent Matters — (continued)

on information available is from \$43 million to \$450 million. GM do Brasil is providing documentation to the tax authorities that may reduce the fines that will eventually be paid.

Litigation is subject to uncertainties and the outcome of individual litigated matters is not predictable with assurance. Various legal actions, governmental investigations, claims, and proceedings are pending against GM, including a number of shareholder class actions, bondholder class actions, shareholder derivative suits and ERISA class actions 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.

GM has established reserves for matters in which it believes 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 the Corporation to pay damages or make other expenditures in amounts that could not be reasonably estimated at June 30, 2007. While the final outcome of these matters cannot be predicted with certainty, after discussion with counsel, it is the opinion of management that such claims are not expected to have a material adverse effect on GM's consolidated financial condition or results of operations. However, should many of these items occur in the same period, they could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Delphi

In connection with GM's spin-off of Delphi Corporation (Delphi) in 1999, GM entered into separate agreements with the UAW, the IUE-CWA and the United Steel Workers (Benefit Guarantee Agreements) providing contingent benefit guarantees to make payments for limited pension and postretirement health care and life insurance (OPEB) expenses to certain former GM U.S. hourly employees who transferred to Delphi and meet the eligibility requirements for such payments (Covered Employees). Each Benefit Guarantee Agreement contains separate benefit guarantees relating to pension and OPEB obligations, with different triggering events under which GM could be liable if Delphi fails to provide the corresponding benefit at the required level. Therefore, GM could incur liability under one of the guarantees (e.g., OPEB) without triggering the other guarantees (e.g., pension). In addition, with respect to pension benefits, GM's guarantee of pension benefits arises only to the extent that the pension benefits provided by Delphi and the Pension Benefit Guaranty Corporation fall short of the guaranteed amount. The original benefit guarantees were scheduled to expire on October 18, 2007 unless Delphi triggered the benefit guarantees before that date by failing to provide the specified benefits. In a separate agreement between GM and Delphi, Delphi has indemnified GM for any payments under the Benefit Guarantee Agreements to the UAW employees and retirees (Indemnification Agreement). GM's rights under this Indemnification Agreement were originally scheduled to expire on October 18, 2007, or on the expiration of any obligations of GM to provide benefits under the Benefit Guarantees. As described more fully below, in June 2007 GM agreed to extend the expiration date of the Benefit Guarantee Agreement with the UAW, and Delphi agreed to extend the expiration date of the Indemnification Agreement, under certain circumstances and within certain time periods.

Although GM's obligations under the Benefit Guarantee Agreements have not been triggered by Delphi's Chapter 11 filing in October 2005 or its motion in Bankruptcy Court to reject its U.S. labor agreements and modify retiree welfare benefits, GM believes it is probable that it has incurred a liability under the Benefit Guarantee Agreements and has previously recorded charges, net of expected recoveries, totaling \$6 billion. The Benefit Guarantee Agreements do not obligate GM to guarantee any benefits for Delphi retirees in excess of the corresponding benefits GM provides at the time to its own hourly retirees. Accordingly, any reduction in the benefits GM provides its hourly retirees reduces GM's obligation under the corresponding benefit guarantee.

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Note 9. Commitments and Contingent Matters — (continued)

On June 22, 2007, GM, Delphi, and the UAW entered into a Memorandum of Understanding (UAW MOU) which included terms relating to the consensual triggering of the Benefit Guarantee Agreement with the UAW as well as certain new terms relating to Delphi's restructuring. The UAW MOU was ratified by the UAW membership on June 28, 2007 and became effective upon receipt of Bankruptcy Court approval on July 19, 2007. The more significant items covered in the UAW MOU include (1) the extension of the GM-UAW benefit guarantee and the related Delphi indemnity, (2) an additional attrition program offered to Delphi UAW employees, (3) the settlement by GM of a UAW claim against Delphi, (4) GM support for future operations at certain Delphi sites, and (5) GM's agreement to provide additional benefits for certain healthcare costs related to the Benefit Guarantee Agreement with the UAW. These items are described more fully below.

(1) GM agreed to extend the expiration date of the Benefit Guarantee Agreement with the UAW from October 18, 2007 to December 31, 2007. If Delphi has commenced solicitation of acceptance of its plan of reorganization prior to December 31, 2007, but the plan has not been confirmed and substantially consummated by then, the Benefit Guarantee Agreement with the UAW would be further extended to March 31, 2008. Delphi agreed through the UAW MOU to extend its agreement to indemnify GM for payments made under the Benefit Guarantee Agreement with the UAW on the same basis and for the same time period. GM also agreed that if Delphi terminates its pension plan, ceases to provide on-going service, or fails or refuses to provide post-retirement medical benefits for certain UAW employees at any time before both (a) GM and Delphi execute a comprehensive settlement agreement resolving the financial, commercial and other matters between them (GM-Delphi Settlement Agreement) and (b) the U.S. Bankruptcy Court substantially confirms a Delphi plan of reorganization that incorporates, approves and is consistent with the GM-Delphi Settlement Agreement, the applicable provisions of the Benefit Guarantee Agreement will be triggered for those UAW employees.

(2) Delphi and the UAW agreed to the terms of an additional attrition program with terms substantially consistent with that previously offered to GM and Delphi employees as described in Note 7. GM's financial contributions related to this additional program are currently being negotiated as part of a separate agreement with Delphi which has not yet been finalized (GM-Delphi Settlement Agreement).

(3) GM committed to pay \$450 million to settle a UAW claim asserted against Delphi, which the UAW has directed GM to pay directly to the GM UAW VEBA trust. GM expects to make this payment upon execution of the GM-Delphi Settlement Agreement and substantial consummation of Delphi's reorganization plan, confirmed by the Bankruptcy Court, which incorporates the GM-Delphi Settlement Agreement.

(4) Delphi and the UAW agreed to plans to close certain Delphi sites and divest others. GM has agreed to assist Delphi with such closures and divestitures which, under certain circumstances, may require GM to facilitate the transfer of operations to third parties by specified dates. In addition, Delphi and the UAW agreed to continue operating certain Delphi sites at which GM will provide future product programs. GM's financial contributions related to these sites are currently being negotiated as part of the GM-Delphi Settlement Agreement.

(5) GM agreed to pay for certain healthcare costs of Delphi retirees and their beneficiaries in order to provide a level of benefits that is consistent with that being provided to GM retirees and their beneficiaries from the Mitigation Plan VEBA. The actuarially determined cost to GM of providing these benefits is estimated to be approximately \$360 million.

On August 5, 2007, GM, Delphi, and the IUE-CWA entered into a Memorandum of Understanding (IUE-CWA MOU) which provides terms that are similar to the UAW MOU with regard to establishing terms related to the consensual triggering of the Benefit Guarantee Agreement offering an additional attrition program, and continuing operations at certain Delphi sites for which GM committed to certain product programs. The IUE-CWA MOU is subject to ratification by the IUE-CWA members and approval of the Bankruptcy Court. The more significant items covered in the IUE-CWA MOU include (1) an additional attrition program offered to Delphi IUE-CWA employees,

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Note 9. Commitments and Contingent Matters — (continued)

and (2) GM provision of future product programs at certain Delphi sites. These items are described more fully below.

(1) Delphi and the IUE–CWA agreed to an additional attrition program with terms substantially consistent with that previously offered to GM and Delphi employees as described in Note 7. GM’s financial contributions related to this additional program are currently being negotiated as part of a separate agreement with Delphi which has not yet been finalized (GM–Delphi Settlement Agreement).

(2) Delphi and the IUE–CWA agreed to continue operating certain Delphi sites at which GM will provide future product programs.

Under the GM–Delphi Settlement Agreement currently being negotiated, GM expects to provide Delphi with funding in the form of reimbursement of a portion of labor costs incurred by Delphi to produce systems, components and parts for GM. GM expects that this funding will result in future annual labor–related payments of between \$300 million and \$400 million which will be recognized as period costs as a component of Automotive cost of sales. Also, GM expects to provide cash support to certain Delphi facilities that are producing systems, components and parts for GM. GM expects that this funding will result in future annual facility cash support payments of approximately \$100 million, which will be recognized in the future as incurred. In exchange for GM’s commitment to provide labor cost and facility support, GM expects to receive price reductions on certain products it has and will continue to purchase from Delphi. Any such funding as described and price reductions will take effect upon emergence of Delphi from Bankruptcy and extend for a period that is still subject to negotiation.

During the second quarter of 2007, as a result of finalizing the UAW MOU and current negotiations with Delphi on the GM–Delphi Settlement Agreement, GM recorded charges totaling \$575 million to increase its estimated liability under the Benefit Guarantee Agreement with the UAW and to establish liabilities for certain commitments in connection with the Delphi reorganization plan.

On July 7, 2007, Delphi announced the termination of the December 18, 2006 Plan Framework Support Agreement with GM and a consortium of potential investors and the related investment agreement. On July 18, Delphi announced that it would seek bankruptcy court approval of an equity purchase and commitment agreement (EPCA) with a modified investor group led by Appaloosa Management L.P., which would be supported by GM as well as both of Delphi’s Statutory Committees. On August 2, 2007, the Bankruptcy Court as contemplated, issued an order approving the EPCA. Under the terms of the EPCA and the GM–Delphi Settlement Agreement, GM would release claims against Delphi in exchange for \$2.7 billion in cash and an unconditional release of any alleged claims against GM by the bankruptcy estate. This recovery has been included as a reduction in the net loss accruals of \$6.6 billion as of June 30, 2007. In addition, GM will assume up to \$2 billion but not less than \$1.5 billion of net pension obligations of Delphi, and GM will receive a note payable for the amount of the obligations assumed, which will be payable in cash by Delphi on market terms within 10 days after the plan of reorganization becomes effective. As with other customers, certain GM claims related to ordinary business would flow through the Chapter 11 proceedings and be satisfied by Delphi after the reorganization in the ordinary course of business.

In March 2006, Delphi also filed a motion under the U.S. Bankruptcy Code seeking authority to reject certain supply contracts with GM. A hearing on this motion was adjourned indefinitely by the court pending further developments related to Delphi’s U.S. labor agreements and retiree welfare benefits. Although Delphi has not rejected any GM contracts as of this time and has assured GM that it does not intend to disrupt production at GM assembly facilities, there is a risk that Delphi or one or more of its affiliates may reject or threaten to reject individual contracts with GM, either for the purpose of exiting specific lines of business or in an attempt to increase the price GM pays for certain parts and components. As a result, GM could be materially adversely affected by disruption in the supply of automotive systems, components and parts that could force the suspension of production

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at GM assembly facilities. The court order approving the UAW MOU also settled Delphi's motion to reject the U.S. labor agreements with the UAW.

Since negotiations are not complete, the actual effect of the resolution of issues related to Delphi cannot be determined until the Bankruptcy Court's approval of a comprehensive resolution and plan of reorganization, and there can be no assurance that the parties will reach a comprehensive resolution and plan or Bankruptcy court will approve such a resolution and plan, or that any resolution and plan will include the terms described above.

Benefit Guarantees Related to Divested Unit

GM has entered into various guarantees regarding benefits for former GM employees at two previously divested plants that manufacture component parts whose results continue to be included in GM's financial statements in accordance with FIN 46(R), "Consolidation of Variable Interest Entities" (FIN 46(R)). For these divested plants, GM entered into agreements with both of the purchasers to indemnify, defend, and hold each purchaser harmless for any liabilities arising out of the divested plants and with the UAW guaranteeing certain postretirement health care benefits and payment of postemployment benefits.

In October 2006, it was announced that production would cease at these two plants which would permanently idle 2,000 workers. Accordingly, during the fourth quarter of 2006, GM results included a charge of \$206 million comprised of the following related to the closure of these plants: (1) a \$214 million charge to recognize wage and benefit costs associated with employees accepting retirement packages, buyouts, or supplemental unemployment benefit costs in connection with the plant closure, (2) a curtailment loss of \$3 million related to pension benefits, and (3) a curtailment gain of \$11 million with respect to other postretirement benefits. During the three and six months ended June 30, 2007, GM recognized a favorable adjustment of \$6.4 million and \$9 million, respectively, related to the postemployment benefit reserve in connection with the plant closures. Additionally, during the six months ended June 30, 2007, GM recognized a \$38.2 million curtailment gain with respect to OPEB, which was recorded in the first quarter of 2007.

Note 10. Income Taxes

Under Accounting Principles Board Opinion No. 28, "Interim Financial Reporting," GM is required to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. GM is also required to record the tax impact of certain discrete items (unusual or infrequently occurring), 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 impact 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.

For the three and six months ended June 30, 2007, GM recorded net favorable adjustments to income tax expense of approximately \$500 million, which resulted in the recognition of an income tax benefit for these periods. These favorable adjustments include: foreign income taxed at rates lower than 35% (U.S. federal statutory tax rate); various permanent book-tax differences; and discrete items such as the reversal of valuation allowances and the reversal of previously required tax liabilities in accordance with FIN 48 for uncertain tax positions now deemed more-likely-than-not to be realized.

Upon adoption of FIN 48 as of January 1, 2007, GM had approximately \$2.7 billion of total gross unrecognized tax benefits, of which \$2.1 billion represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. At June 30, 2007 the amount of gross unrecognized tax benefits and the amount that would favorably affect the effective income tax rate in future periods were

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Note 10. Income Taxes — (continued)

\$2.6 billion and \$1.7 billion, respectively. These amounts consider the guidance in FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48". At June 30, 2007, \$1.4 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.

GM files income tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. In the U.S., GM's federal income tax returns for 2001 through 2003 are currently under review by the Internal Revenue Service and, except for one transfer pricing matter, it is reasonably possible that this examination will conclude in 2007. A pre-filing meeting was held with the Internal Revenue Service on the transfer pricing matter in preparation for bi-lateral negotiations. GM's Mexican subsidiary has recently received an income tax assessment related to the 2001 tax year covering warranty, tooling costs, and withholding taxes. In addition, GM is currently under review in Australia, China, France, Indonesia, India, Italy, Thailand, and Turkey, and has received notices that tax audits will commence in Germany, Portugal, Spain, and Taiwan. At June 30, 2007 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits over the next twelve months.

GM has open tax years from primarily 1999 to 2006 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. GM has recorded a tax benefit only for those positions that meet the more-likely-than-not standard.

GM's continuing practice is to recognize interest on uncertain tax positions in Automotive and other interest expense and penalties in Selling, general, and administrative expense. For the three and six months ended June 30, 2007, GM reduced accrued interest expense by \$193.9 million and \$179.8 million and accrued penalties of \$3.3 million and \$10.8 million, respectively. Interest and penalties of \$81.9 million and \$6.4 million were reversed for the three months ended June 30, 2007 as a result of the expiration of statutes in a number of countries as well as other amounts becoming effectively settled. In addition, interest income totaling \$122 million was recorded in connection with the above mentioned transfer pricing matter. Accrued interest and penalties as of January 1, 2007 were \$210.3 million and \$75.6 million, respectively, and as of June 30, 2007 accrued interest and penalties were \$42.9 million and \$69.1 million, respectively.

In July 2007, new tax laws were passed or enacted in the United Kingdom, Germany, as well as in the State of Michigan, which will impact GM's operations in these jurisdictions.

In July 2007, the United Kingdom enacted legislation to lower its statutory corporate tax rate from 30% to 28%, effective April 1, 2008.

In July 2007, the German Parliament passed legislation to lower its statutory corporate tax rate. It is anticipated that the President will sign the legislation, and it will become law sometime during the third quarter of 2007. The legislation provides for a reduction of approximately 9%, effective as of January 1, 2008, in the combined German statutory tax rate, which consists of the corporate tax rate, the local trade tax rate, and the solidarity levee tax rate.

Note 10. Income Taxes — (concluded)

The anticipated adjustments for Germany and the United Kingdom, which management is currently analyzing, will reduce the net deferred tax asset and increase income tax expense by a range of approximately \$500 million to \$700 million during the third quarter of 2007.

In July 2007, the State of Michigan enacted a substantial change to its corporate tax structure. The tax law change includes the elimination of the Single Business Tax (SBT) and the creation of an income tax and a modified

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gross receipts tax. The new taxes will be effective January 1, 2008. Due to the complex change in the tax law in Michigan, we are still evaluating the impact the change will have on GM's result of operations and financial condition.

Note 11. Earnings Per Share

Basic earnings per share has been computed by dividing income (loss) from continuing operations by the weighted average number of shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Common shares potentially issuable under contingently convertible debt are included in computing diluted EPS using the average share price for the period similar to the treasury stock method.

The reconciliation of the amounts used in the basic and diluted earnings per share computations is as follows (in millions, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Income (loss) from continuing operations	\$ 784	\$ (3,494)	\$ 742	\$ (3,001)
Income from discontinued operations, net of tax	107	111	211	220
Net income (loss)	<u>\$ 891</u>	<u>\$ (3,383)</u>	<u>\$ 953</u>	<u>\$ (2,781)</u>
Average number of share outstanding	566	566	566	566
Incremental effect of shares from exercise of stock options and vesting of restricted stock units	<u>3</u>	<u>—</u>	<u>3</u>	<u>—</u>
Average number of dilutive shares outstanding	<u>569</u>	<u>566</u>	<u>569</u>	<u>566</u>
Basic income (loss) per share from continuing operations	\$ 1.38	\$ (6.18)	\$ 1.31	\$ (5.31)
Incremental effect of exercise of stock options and vesting of restricted stock units	<u>(.01)</u>	<u>—</u>	<u>(.01)</u>	<u>—</u>
Diluted income (loss) per share from continuing operations	<u>\$ 1.37</u>	<u>\$ (6.18)</u>	<u>\$ 1.30</u>	<u>\$ (5.31)</u>

Certain stock options with exercise prices that exceed the fair market value of GM's common stock had an antidilutive effect and therefore were excluded from the computation of diluted earnings per share. The number of such shares not included in the computation of diluted earnings per share were 93 million and 107 million at June 30, 2007 and 2006, respectively.

GM has contingently convertible debentures of \$2.6 billion principal amount of 5.25% Series B due in 2032, \$4.3 billion principal amount of 6.25% Series C due in 2033 and \$1.5 billion principal amount of 1.50% Series D due in 2009 outstanding that, if converted in the future, would have a potentially dilutive effect on GM's common stock. GM has unilaterally and irrevocably waived and relinquished its right to use stock, and has committed to use cash, to settle the principal amount of the debentures if holders choose to convert the debentures or GM is required by holders to repurchase the debentures. GM retains the right to use either cash or stock to settle any amount that may become due to debt holders in excess of the principal amount for all outstanding convertible debentures. As of June 30, 2007 and 2006, shares potentially issuable under these debentures, including those shares issuable pursuant to the convertible note hedge related to the Series D convertible debentures, were excluded from the computation of diluted earnings per share as the effect is antidilutive under the treasury stock method.

On March 6, 2007, Series A convertible debentures in the amount of \$1.1 billion were put to GM and settled entirely in cash.

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Note 12. Depreciation and Amortization

Depreciation and amortization, including asset impairment charges, included in Automotive cost of sales, Selling, general, and administrative expense, and Financial services and insurance expense were as follows:

	<u>Three Months</u> <u>Ended June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(Dollars in millions)			
Depreciation	\$ 1,231	\$ 1,058	\$ 2,488	\$ 2,160
Amortization of special tools	858	1,108	1,583	1,843
Amortization of intangible assets	<u>18</u>	<u>18</u>	<u>35</u>	<u>35</u>
Total	<u>2,107</u>	<u>2,184</u>	<u>4,106</u>	<u>4,038</u>
Financing and Insurance Operations				
Depreciation	334	631	713	2,136
Amortization of intangible assets	<u>—</u>	<u>6</u>	<u>—</u>	<u>12</u>
Total	<u>334</u>	<u>637</u>	<u>713</u>	<u>2,148</u>
Total consolidated depreciation and amortization	<u>\$ 2,441</u>	<u>\$ 2,821</u>	<u>\$ 4,819</u>	<u>\$ 6,186</u>

Note 13. Pensions and Other Postretirement Benefits

GM recognized the funded status of its benefit plans at December 31, 2006 in accordance with the recognition provisions of SFAS No. 158. Additionally, GM 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 liabilities 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 GM's year-end, GM recorded a decrease to Retained earnings of \$.7 billion, or \$.4 billion after-tax, representing the net periodic benefit cost for the period between the measurement date utilized in 2006 and the beginning of 2007, which previously would have been recorded during the three months ended March 31, 2007 on a delayed basis. GM also performed a measurement at January 1, 2007 for those benefit plans whose previous measurement dates were not historically consistent with GM's year-end. As a result of the January 1, 2007 measurement, GM recorded an increase to Accumulated other comprehensive income of \$2.3 billion, or \$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 principally by an immaterial adjustment of \$400 million, or \$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.

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Note 13. Pensions and Other Postretirement Benefits — (continued)

The components of pension and OPEB expense are as follows:

	U.S. Plans Pension Benefits Three Months Ended June 30,		Non-U.S. Plans Pension Benefits Three Months Ended June 30,		U.S. Other Benefits Three Months Ended June 30,		Non-U.S. Other Benefits Three Months Ended June 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Dollars in millions)							
Components of (income) expense								
Service cost	\$ 160	\$ 172	\$ 110	\$ 128	\$ 93	\$ 168	\$ 11	\$ 13
Interest cost	1,216	1,237	266	217	901	1,043	48	48
Expected return on plan assets	(1,986)	(2,044)	(229)	(177)	(350)	(375)	—	—
Amortization of prior service cost	130	184	7	26	(461)	(105)	(21)	(21)
Recognized net actuarial loss	211	280	86	96	339	617	30	34
Curtailments, settlements, and other	—	4,367	20	18	1	—	—	—
Net (income) expense	\$ (269)	\$ 4,196	\$ 260	\$ 308	\$ 523	\$ 1,348	\$ 68	\$ 74

	U.S. Plans Pension Benefits Six Months Ended June 30,		Non-U.S. Plans Pension Benefits Six Months Ended June 30,		U.S. Other Benefits Six Months Ended June 30,		Non-U.S. Other Benefits Six Months Ended June 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Dollars in millions)							

	U.S. Plans Pension Benefits Six Months Ended June 30,		Non-U.S. Plans Pension Benefits Six Months Ended June 30,		U.S. Other Benefits Six Months Ended June 30,		Non-U.S. Other Benefits Six Months Ended June 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
Components of (income) expense								
Service cost	\$ 320	\$ 425	\$ 229	\$ 241	\$ 186	\$ 344	\$ 21	\$ 26
Interest cost	2,431	2,456	521	428	1,803	2,120	94	95
Expected return on plan assets	(3,972)	(4,058)	(447)	(351)	(700)	(750)	—	—
Amortization of prior service cost	259	457	14	50	(922)	(133)	(41)	(41)
Recognized net actuarial loss	422	686	168	190	678	1,236	57	66
Curtailments, settlements, and other	2	4,390	41	31	1	—	—	—
Net (income) expense	\$ (538)	\$ 4,356	\$ 526	\$ 589	\$ 1,046	\$ 2,817	\$ 131	\$ 146

Effective March 31, 2006, the U.S. District Court for the Eastern District of Michigan approved the tentative settlement agreement with the UAW (UAW Settlement Agreement) related to reductions in hourly retiree health care. The UAW Settlement Agreement will remain in effect until at least September 2011, after which either GM or the UAW may cancel the agreement upon 90 days written notice. Similarly, GM's contractual obligations to provide health care benefits to UAW hourly retirees extends to at least September 2011 and will continue thereafter until terminated by either GM or the UAW. As a result, the provisions of the UAW Settlement Agreement will continue in effect for the UAW retirees beyond the expiration in September 2007 of the current collective bargaining agreement between GM and the UAW. Given the significance of the effect of the UAW Settlement Agreement, the plans were remeasured in March 2006. The remeasurement of the U.S. hourly OPEB plans as of March 31, 2006 due to the UAW Settlement Agreement generated a \$1.3 billion reduction in OPEB expense for the remaining periods in 2006 and reduced the U.S. APBO by \$14.5 billion. The effects of the settlement were recorded beginning in the third quarter of 2006.

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Note 13. Pensions and Other Postretirement Benefits — (concluded)

The UAW Settlement Agreement also provides that GM make contributions to a new independent Voluntary Employees' Beneficiary Association (VEBA) (Mitigation Plan). The assets of the Mitigation Plan will be used to mitigate the effect of reduced GM health care coverage on individual UAW retirees and, depending on the level of mitigation, are expected to be available for a number of years. The new independent Mitigation Plan is being partially funded by GM contributions of \$1 billion in each of 2006, 2007 and 2011. The 2011 contribution may be accelerated under specified circumstances. GM will also make future contributions subject to provisions of the UAW Settlement Agreement that relate to profit sharing payments, increases in the value of a notional number of shares of GM's common stock (collectively, the Supplemental Contributions), as well as wage deferral payments and dividend payments. GM made \$1 billion contributions to the independent VEBA in both the second quarter of 2007 and 2006.

As detailed in Note 7, GM, Delphi, and the UAW reached an agreement on March 22, 2006 which intended to reduce the number of U.S. hourly employees through the Attrition Program. As a result of the Attrition Program, GM has recognized curtailment losses under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" due to the significant reduction in the expected aggregate years of future service of the employees in the U.S. hourly pension, OPEB and extended disability plans, respectively. The curtailment losses include recognition of the change in the projected benefit obligation (PBO) or APBO and a portion of the previously unrecognized prior service cost reflecting the reduction in expected future service. GM recognized a curtailment loss related to the U.S. hourly pension plan of approximately \$4.4 billion at April 30, 2006. The impact of the curtailment loss related to the U.S. hourly OPEB plans measured at May 31, 2006 as a result of the Attrition Program was recorded in the third quarter of 2006.

The remeasurement of GM's U.S. hourly pension plan as of April 30, 2006 as a result of the Attrition Program generated a \$.2 billion reduction in pension expense for the three and six months ended June 30, 2006. This remeasurement reduced the U.S. pension PBO by \$1.2 billion. The remeasurement of the U.S. hourly OPEB plans as of May 31, 2006 as a result of the Attrition Program generated a change in OPEB expense beginning in the third quarter of 2006. Accordingly, OPEB expense for the three months ended June 30, 2006 does not reflect any amounts associated with the hourly OPEB plan remeasurement.

Note 14. Impairments, Restructuring and Other Initiatives

Impairments

During the three and six months ended June 30, 2007, GM recorded impairment charges primarily related to product specific assets totaling \$100 million and \$109 million, respectively. Of this, \$95 million was at GMNA and \$5 million was at GMAP for the three months ended June 30, 2007. The remaining \$9 million recorded during the six months ended June 30, 2007 related to product specific impairments at GMAP recorded in the first quarter of 2007. These impairments were based on GM's periodic review of its long lived assets classified as held and used.

During the three and six months ended June 30, 2006, GM recorded impairment charges totaling \$363 million related to product specific assets. Of this, \$303 million was at GMNA and \$60 million was at GME. In addition, GM recorded an asset impairment charge of \$84 million for the three and six months ended June 30, 2006, in connection with the announced closure of GM's Portugal assembly plant, which closed in December 2006.

Restructuring and Other Initiatives

GME results for the three and six months ended June 30, 2007 include charges for separation programs of \$30 million and \$87 million, respectively. Charges of \$27 million and \$70 million were recorded in the three and six months ended June 30, 2007, respectively, primarily related to early retirement programs, along with additional

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) — (Continued)

Note 14. Impairments, Restructuring and Other Initiatives — (concluded)

minor separations under other current programs in Germany. Approximately 5,000 employees will leave under early retirement programs in Germany through 2013. The cost for the early retirements will be recognized over the remaining service period of the employees. Additionally, a charge of \$3 million was recorded in the quarter ended June 30, 2007 primarily relating to the separation of 400 temporary employees in Belgium. The remaining separation charges for the six months ended June 30, 2007 related to separations in Sweden, the closure of GM's Portugal assembly plant, and the shift reduction at the Ellesmere Port plant in the United Kingdom. These separation programs are substantially complete at June 30, 2007.

GME results for the three and six months ended June 30, 2006 included charges for separations and contract cancellations of \$129 million and \$176 million, respectively. The most significant charges in the three and six months ended June 30, 2006 totaling \$61 million and \$108 million, respectively, relate to the restructuring plan for the operations in Germany announced in the fourth quarter of 2004. The remaining charges totaling \$68 million for the three and six months ended June 30, 2006 relate to the closure of GM's assembly plant in Portugal and the reduction of one shift at the Ellesmere Port plant in the United Kingdom.

GMAP results for the three and six months ended June 30, 2007 include a charge for separation programs of \$8 million and \$48 million, respectively, at its Australian facilities. This charge relates to the voluntary separation of approximately 650 employees.

GMNA results for the three and six months ended June 30, 2006 included a charge of \$100 million related to wage and benefit costs incurred under a salaried severance program, which allowed involuntarily terminated employees to receive continued salary and benefits for a period of time after termination.

GMLAAM results for the three and six months ended June 30, 2006 include restructuring charges of \$16 million and \$43 million, respectively. These restructuring charges relate to the costs of voluntary employee separations at GM's facilities in Brazil.

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements

As previously disclosed in our 2006 Annual Report on Form 10-K, GM has restated its prior years consolidated financial statements. As such, the accompanying Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q as of and for the three months and six months ended June 30, 2006 have been restated to correct the accounting for certain derivative transactions under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended (SFAS No 133), and various other accounting adjustments.

Additionally, the Condensed Consolidated Financial Statements have been further adjusted as GM has entered into a definitive agreement to sell the commercial and military business of our Allison Transmission division. The operations of Allison have been accounted for as discontinued operations for the three and six months ended June 30, 2006. For additional information concerning the sale of Allison, refer to Note 3.

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

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

The following table sets forth a reconciliation of the previously reported and restated net loss for the three and six months ended June 30, 2006, respectively:

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
(Dollars in millions)		
Net loss, as previously reported	\$ (3,379)	\$ (2,934)
Less income from discontinued operations	120	231
Loss from continuing operations	(3,499)	(3,165)
Pre-tax adjustments:		
Derivative and hedge accounting adjustments		
Commodity Contracts		
“Normal purchases and normal sales” scope exception for certain commodity contracts	17	97
Hedge accounting related to commodity cash flow hedges	50	320
<i>Foreign Exchange Contracts</i>		
Hedge accounting related to foreign currency cash flow and net investment hedges	(13)	102
<i>Interest Rate Contracts</i>		
Hedge accounting related to certain debt instruments	(192)	(383)
Total derivative and hedge accounting adjustments	(138)	136
Other out-of-period adjustments	146	68
Total pre-tax adjustments	8	204
Income tax expense	3	40
Total of above adjustments, net of tax	5	164
Loss from continuing operations, as restated	(3,494)	(3,001)
Income from discontinued operations	120	231
Effect of restatement on discontinued operations, net of tax	(9)	(11)
Net income from discontinued operations, as restated	111	220
Net loss, as restated	\$ (3,383)	\$ (2,781)

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

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

The following table sets forth a reconciliation of previously reported and restated loss per share for the three months and six months ended June 30, 2006:

	<u>Three Months Ended June 30, 2006</u>	<u>Six Months Ended June 30, 2006</u>
Net loss per share, as previously reported	\$ (5.97)	\$ (5.18)
Less income per share from discontinued operations	<u>.21</u>	<u>.41</u>
Loss per share from continuing operations	(6.18)	(5.59)
Adjustments related to continuing operations	<u>—</u>	<u>0.28</u>
Loss per share from continuing operations, as restated	(6.18)	(5.31)
Income per share from discontinued operations	0.21	0.41
Adjustments related to discontinued operations	<u>(0.01)</u>	<u>(0.02)</u>
Income per share from discontinued operations, as restated	0.20	0.39
Net loss per share, as restated	<u>\$ (5.98)</u>	<u>\$ (4.92)</u>

These restatement adjustments and revisions are further described below:

Derivatives and Hedge Accounting Adjustments

Commodity Contracts

In reviewing the accounting for certain commodity purchase contracts, GM determined that it had incorrectly concluded that the “normal purchases and normal sales” scope exception in paragraph 10(b) of SFAS No. 133 applied. Therefore, these commodity purchase contracts should have been accounted for as derivatives. The financial statements have been restated to record the fair value of these purchase contracts in the 2006 Condensed Consolidated Balance Sheet and record the changes in the fair value of the commodity contracts as charges or credits in the Condensed Consolidated Statements of Operations. As a result of the restatement, additional derivative assets of \$268.8 million were recorded at June 30, 2006. Additionally, pre-tax earnings were increased, through a reduction of Automotive cost of sales, by \$17 million (\$11 million after tax) and \$97.1 million (\$63.1 million after tax) for the three and six months ended June 30, 2006, respectively.

Additionally, GM entered into various commodity derivatives contracts, including swaps and options, to hedge its forecasted purchases of precious and non-ferrous metals and energy. These commodity derivatives were designated as cash flow hedges. Under SFAS No. 133, hedge accounting is appropriate only for those hedging relationships that a company expects will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged. To determine whether transactions satisfy these requirements, companies must periodically assess and document the effectiveness of their hedging relationships both retrospectively and prospectively and measure and recognize any ineffectiveness. For certain commodity cash flow hedges, GM inappropriately applied the “matched terms” method of assessing hedge effectiveness as outlined in paragraph 65 of SFAS No. 133 by not considering in its assessment certain terms of the underlying commodity contracts that created ineffectiveness in the cash flow hedging relationship. In addition, for other commodity cash flow hedges, GM did not properly document the hedging relationship or properly perform the periodic retrospective assessment of effectiveness necessary to qualify for hedge accounting or properly measure hedge ineffectiveness, and did not properly reclassify amounts from Accumulated other comprehensive income (AOCI) when the underlying hedged forecasted transaction affected earnings. Accordingly, the commodity derivatives should have been marked-to-market with gains and losses recorded in Automotive cost of sales. Changes in the fair value of the

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

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

commodity derivatives that had been recorded in OCI as part of these cash flow hedging relationships were reversed and recorded in Automotive cost of sales. Pre-tax earnings were increased through a reduction of Automotive cost of sales, by \$49.5 million (\$32.2 million after tax) and \$319.6 million (\$207.7 million after tax) for the three and six months ended June 30, 2006, respectively.

Foreign Exchange Contracts

GM enters into foreign currency forward contracts and cross-currency swaps to hedge foreign-currency-denominated debt and forecasted transactions. GM also designates foreign-currency-denominated debt as hedges of net investments in foreign operations.

GM concluded that it did not properly apply the “matched terms” method of assessing hedge effectiveness as outlined in paragraph 65 of SFAS No. 133, inadequately measured hedging effectiveness and lacked contemporaneous hedge documentation and, therefore, incorrectly applied hedge accounting to certain cash flow hedges and net investment hedges. The changes in fair value of certain derivatives used in cash flow hedging relationships and amounts related to a net investment hedge previously recorded in AOCI were released from OCI and recorded in Automotive cost of sales. Pre-tax earnings were increased by \$34.3 million (\$22.3 million after tax) and \$117.9 million (\$76.6 million after tax) for the three and six months ended June 30, 2006, respectively.

In addition, GM determined it incorrectly applied cash flow hedge accounting treatment to one of two concurrent offsetting derivatives by accounting for the two derivatives separately instead of treating them as one combined arrangement in accordance with SFAS No. 133, “Implementation Issue F6, Concurrent Offsetting Matching Swaps and Use of One as Hedging Instrument”, and SFAS No. 133, “Implementation Issue K1, Determining Whether Separate Transactions Should Be Viewed as a Unit”. The changes in fair value of the derivatives used in this hedging strategy previously accounted for as cash flow hedges were released from AOCI and recorded in Automotive cost of sales. Pre-tax earnings were decreased by \$46.8 million (\$30.4 million after tax) and \$15.7 million (\$10.2 million after tax) for the three and six months ended June 30, 2006, respectively.

Interest Rate Contracts

GMAC determined that its hedge accounting documentation and hedge effectiveness assessment methodologies did not meet the requirements of paragraph 20(b) of SFAS No. 133 for certain hedges of callable fixed rate debt instruments. Under SFAS No. 133, hedge accounting is appropriate only for those hedging relationships that a company has a sufficiently documented expectation that such relationship will be highly effective in achieving offsetting changes in fair values attributable to the risk being hedged at the inception of the hedging relationship. To determine whether transactions satisfy these requirements, a company must periodically assess the effectiveness of its hedging relationships both prospectively and retrospectively. After review, GMAC determined that the interest rate derivatives did not qualify for hedge accounting. Accordingly, hedge accounting should not have been applied to any of the hedging relationships in this strategy and therefore, market value adjustments on the debt instruments included in the hedging relationships related to changes in fair value due to movements in the designated benchmark interest rate should not have been recorded. Changes in the fair value of the debt instruments recorded in earnings under these fair value hedge relationships were reversed. Pre-tax earnings were decreased, through an increase to Interest expense, by \$192.3 million (\$125 million after tax) and \$383 million (\$249 million after tax) for the three and six months ended June 30, 2006, respectively.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) — (Continued)

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

Other Out-of-Period Adjustments

Also, GM identified adjustments that should have been recorded in the three and six months ended June 30, 2006. Upon identification, GM determined these adjustments to be immaterial, individually and in the aggregate, to our previously filed Condensed Consolidated Financial Statements, and recorded these out-of-period adjustments in the periods in which they were identified. Due to the adjustments that required a restatement of our previously filed Condensed Consolidated Financial Statements, GM is correcting these out-of-period adjustments by recording them in the proper periods.

The out-of-period adjustments in the table above include the following:

Unemployment benefit payments. Subsequent to December 31, 2005 but prior to the issuance of our 2005 consolidated financial statements, we were notified by the German Labor Office that we were released from certain contingent unemployment benefit payment obligations. We initially recorded the release from these obligations in the three months ended March 31, 2006. We subsequently determined that the adjustment should have been recorded in the three months ended December 31, 2005. Accordingly, as part of our restatement, pre-tax earnings were decreased, through an increase of Automotive cost of sales, by \$50.2 million (\$31.1 million after tax) for the six months ended June 30, 2006, respectively.

Automotive revenue recognition. We recorded an adjustment to correct deferred revenue related to data disks provided to customers to update their vehicle's navigational system. We did not compute deferred revenue using fair value as determined by vendor specific objective evidence as required by EITF 00-21, "Revenue Arrangements with Multiple Deliverables". Additionally, we did not defer revenue on the correct number of 2006 model year vehicles containing navigation systems. As part of our restatement, pre-tax earnings were decreased, through a reduction of Automotive sales, by \$21.9 million (\$14.2 million after-tax) and \$43.3 million (\$28.1 million after tax) for the three and six months ended June 30, 2006, respectively.

Development costs. We recorded an adjustment to correctly expense supplier development costs. As part of our restatement, pre-tax and after-tax earnings were increased, through a reduction of Automotive cost of sales, by \$56.7 million for the six months ended June 30, 2006.

Advertising expenses. Under our cooperative advertising program with our dealers, we are obligated to match a portion of the funds contributed by our dealers for advertising. We recorded an adjustment to correctly reflect the timing of our obligation under this arrangement. Previously, our matching portion of the advertising costs was expensed as incurred. As part of our restatement, pre-tax earnings were decreased, through an increase to Selling, general, and administrative expenses, by \$4.5 million (\$2.9 million after-tax) and \$39.8 million (\$25.9 million after-tax) for the three and six months ended June 30, 2006, respectively.

Gain on sale of equity method investment. We erroneously calculated the gain on the sale of a portion of an equity method investment. As part of our restatement, pre-tax earnings were increased by \$36 million (\$23.4 million after-tax) for the six months ended June 30, 2006.

Employee related costs. We erroneously recorded employee-related costs related to the Attrition Program and restructuring activities at GME. As part of our restatement, pre-tax earnings were decreased, through an increase to Automotive cost of sales, by \$52.1 million (\$32.3 million after-tax) for the six months ended June 30, 2006.

Manufacturing utilities costs. We recorded an adjustment to correctly expense manufacturing utilities costs. As part of our restatement, pre-tax earnings were increased by \$15.2 million (\$9.9 million after-tax) and \$22.9 million (\$14.9 million after-tax) for the three and six months ended June 30, 2006, respectively.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) — (Continued)

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

Extended disability curtailment costs. We recorded an adjustment to correctly state the extended disability curtailment costs based on updated actuarial assumptions. As part of our restatement, pre-tax earnings were increased by \$52 million (\$33.8 million after-tax) for the three and six months ended June 30, 2006.

Special attrition program charge. We recorded an adjustment to correctly state the special attrition program expense as a result of the review of employees' eligibility. As part of our restatement, pre-tax earnings were increased by \$28 million (\$18.2 million after-tax) for the three and six months ended June 30, 2006.

Extended warranty deferred revenue. We recorded an adjustment to correctly state deferred revenue as a result of the review of prior years' sales. As part of our restatement, pre-tax earnings were decreased by \$14.5 million (\$9.4 million after-tax) and \$17.5 million (\$11.4 million after-tax) for the three and six months ended June 30, 2006, respectively. This adjustment affected the earnings of the Allison Transmission business.

Credit card. We recorded an adjustment to appropriately defer credit card revenue in accordance with Staff Accounting Bulletin No. 104 "Revenue Recognition" (SAB 104). As a result, we recorded an adjustment in the fourth quarter of 2006 to reverse \$127.7 million of revenue which was then allocated to and recorded in the appropriate prior periods. As part of our restatement, pre-tax earnings were increased by \$10.7 million (\$7 million after-tax) and \$20 million (\$13 million after-tax) for the three and six months ended June 30, 2006, respectively.

We also recorded other less significant out-of-period pre-tax and income tax adjustments, the net effect of which increased pre-tax earnings by \$66 million and \$52.3 million and increased after-tax earnings by \$43.3 million and \$42.3 million for the three and six months ended June 30, 2006, respectively.

In addition to the above adjustments, to comply with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs" (EITF 00-10), in 2006 GM reclassified shipping and handling costs incurred to transport product to its customers. The correction for this reclassification increased Automotive sales and Automotive cost of sales by \$1.1 billion and \$2.1 billion for the three and six months ended June 30, 2006, respectively.

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

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (continued)

The following is a summary of the effect of the restatement on the originally issued Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheet:

	Three Months Ended June 30, 2006		Six Months Ended June 30, 2006	
	Previously Reported and Reclassified(a)	Restated	Previously Reported and Reclassified(a)	Restated
	(Dollars in millions, except per share amounts)			
Net sales and revenue				
Automotive sales	\$ 43,732	\$ 44,812	\$ 85,736	\$ 87,808
Financial services and insurance revenue	9,067	9,087	17,922	17,934
Total net sales and revenue	<u>52,799</u>	<u>53,899</u>	<u>103,658</u>	<u>105,742</u>
Costs and expenses				
Automotive cost of sales	46,520	47,406	85,732	87,177
Selling, general, and administrative expense	3,222	3,219	6,561	6,585
Financial services and insurance expense	7,530	7,727	15,605	16,012
Other expenses	1,208	1,208	1,208	1,208
Total costs and expenses	<u>58,480</u>	<u>59,560</u>	<u>109,106</u>	<u>110,982</u>
Operating income (loss)	(5,681)	(5,661)	(5,448)	(5,240)
Automotive and other interest expense	(723)	(694)	(1,407)	(1,332)
Automotive interest income and other non-operating income	1,013	987	1,860	1,783
Income before (loss) from continuing operations before income taxes, other equity income and minority interests	(5,391)	(5,368)	(4,995)	(4,789)
Income tax benefit	(1,724)	(1,715)	(1,594)	(1,546)
Equity income and minority interests, net of tax	168	159	235	242
Loss from continuing operations	(3,499)	(3,494)	(3,166)	(3,001)
Income from discontinued operations, net of tax	120	111	232	220
Net loss	<u>\$ (3,379)</u>	<u>\$ (3,383)</u>	<u>\$ (2,934)</u>	<u>\$ (2,781)</u>
Basic earnings (loss) per share:				
Continuing operations	\$ (6.18)	\$ (6.18)	\$ (5.59)	\$ (5.31)
Discontinued operations	.21	.20	.41	.39
Total	<u>\$ (5.97)</u>	<u>\$ (5.98)</u>	<u>\$ (5.18)</u>	<u>\$ (4.92)</u>
Weighted average common shares outstanding, basic (millions)	566	566	566	566
Diluted earnings (loss) per share:				
Continuing operations	\$ (6.18)	\$ (6.18)	\$ (5.59)	\$ (5.31)
Discontinued operations	.21	.20	.41	.39
Total	<u>\$ (5.97)</u>	<u>\$ (5.98)</u>	<u>\$ (5.18)</u>	<u>\$ (4.92)</u>
Weighted average common shares outstanding, diluted (millions)	566	566	566	566

(a) The previously reported and reclassified columns have been restated to reflect Allision as discontinued operations for the three and six months ended June 30, 2006.

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

Note 15. Restatement of Previously Issued Condensed Consolidated Financial Statements — (concluded)

	June 30, 2006	
	Previously Reported	Restated
(Dollars in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,997	\$ 19,997
Marketable securities	<u>115</u>	<u>115</u>
Total cash and marketable securities	20,112	20,112
Accounts and notes receivable, net	10,302	7,572
Inventories	14,449	14,496
Equipment on operating leases, net	6,892	6,891
Deferred income taxes and other current assets	<u>10,260</u>	<u>10,376</u>
Total current assets	62,015	59,447
Financing and Insurance Operations Assets		
Cash and cash equivalents	2,848	2,848
Assets held for sale	274,294	274,267
Equipment on operating leases, net	16,533	16,533
Other assets	<u>8,408</u>	<u>5,857</u>
Total Financing and Insurance Operations Assets	302,083	299,505
Non-Current Assets		
Property, net	38,535	38,639
Deferred income taxes	23,083	24,382
Prepaid pension	37,594	37,480
Other assets	<u>7,196</u>	<u>9,538</u>
Total non-current assets	<u>106,408</u>	<u>110,039</u>
Total Assets	<u>\$ 470,506</u>	<u>\$ 468,991</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$ 27,674	\$ 27,930
Short-term borrowings and current portion of long-term debt	1,254	1,340
Accrued expenses	<u>48,441</u>	<u>48,516</u>
Total current liabilities	77,369	77,786
Financing and Insurance Operations Liabilities		
Liabilities related to assets held for sale	267,551	267,925
Debt	12,849	12,849
Other liabilities and deferred income taxes	<u>4,827</u>	<u>2,278</u>
Total Financing and Insurance Operations Liabilities	285,227	283,052
Non-Current Liabilities		
Long-term debt	31,275	32,946
Postretirement benefits other than pensions	30,668	30,668
Pensions	11,502	11,498
Other liabilities and deferred income taxes	<u>21,744</u>	<u>20,014</u>
Total non-current liabilities	<u>95,189</u>	<u>95,126</u>
Total liabilities	457,785	455,964
Minority interest	1,081	1,084
Stockholders' Equity		
Preferred stock, no par value, authorized 6,000,000, no shares issued and outstanding	—	—
Common stock, \$12/3 par value (2,000,000,000 shares authorized, 756,637,541 and 565,607,779 shares issued and outstanding, respectively)	943	943
Capital surplus (principally additional paid-in capital)	15,306	15,306
Retained deficit	(869)	(117)
Accumulated other comprehensive loss	<u>(3,740)</u>	<u>(4,189)</u>
Total stockholders' equity	<u>11,640</u>	<u>11,943</u>
Total Liabilities, Minority Interests, and Stockholders' Equity	<u>\$ 470,506</u>	<u>\$ 468,991</u>

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

Note 16. Segment Reporting

GM operates in two businesses, consisting of Automotive (GM Automotive or GMA) and Financing and Insurance Operations (FIO). GM's four automotive regions consist of GMNA, GME, GMLAAM and GMAP. For the three and six months ended June 30, 2007, GM's FIO business primarily consists of its 49% share of GMAC's operating results, which we accounted for under the equity method, and two special purpose entities holding automotive leases previously owned by GMAC and its affiliates that were retained by GM, as well as the elimination of intercompany transactions with GM Automotive and Corporate and Other. For the three and six months ended June 30, 2006, GM's FIO business consists of the consolidated operating results of GMAC's lines of business: Automotive Finance Operations, Mortgage Operations; Insurance, and Other, which includes its Commercial Finance business and GMAC's equity investment in Capmark (previously GMAC Commercial Finance). Also included in FIO is Other Financing, which consists of the equity earnings of financing entities that are not consolidated by GMAC as well as the elimination of intercompany transactions with GM Automotive and Corporate and Other. Corporate and Other includes the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, including costs related to postretirement benefits for Delphi and other retirees, and certain corporate activities.

In 2007, GM changed its segment presentation to reflect the elimination of transactions occurring between GM Automotive regions, previously included in the GMNA region, in the Auto Eliminations column within total GMA. These transactions consist primarily of intra-segment vehicle and service parts sales in accordance with GM's transfer pricing policy. Accordingly, 2006 amounts have been revised for comparability. Additionally, the three and six months ended June 30, 2006, have been reclassified for the retroactive effect of discontinued operations. Refer to Note 3.

	<u>GMNA</u>	<u>GME</u>	<u>GM LAAM</u>	<u>GMAP</u>	<u>Auto Eliminations</u>	<u>Total GMA</u>	<u>Corporate & Other</u>	<u>Total Excluding FIO</u>	<u>GMAC(a)</u>	<u>Other Financing</u>	<u>Total Financing</u>	<u>Total</u>
	(Dollars in millions)											
For the Three Months Ended June 30, 2007												
Automotive sales												
External customers	\$ 28,686	\$ 9,102	\$ 4,259	\$ 3,848	\$ —	\$ 45,895	\$ 23	\$ 45,918	\$ —	\$ —	\$ —	\$ 45,918
Intersegment	888	456	71	1,598	(3,012)	1	(1)	—	—	—	—	—
Total automotive sales	29,574	9,558	4,330	5,446	(3,012)	45,896	22	45,918	—	—	—	45,918
Financial services and insurance revenue												
	—	—	—	—	—	—	—	—	—	894	894	894
Total net sales and revenue	\$ 29,574	\$ 9,558	\$ 4,330	\$ 5,446	\$ (3,012)	\$ 45,896	\$ 22	\$ 45,918	\$ —	\$ 894	\$ 894	\$ 46,812
Depreciation and amortization												
	\$ 1,446	\$ 431	\$ 78	\$ 131	\$ 14	\$ 2,100	\$ 7	\$ 2,107	\$ —	\$ 334	\$ 334	\$ 2,441
Interest income												
	\$ 298	\$ 166	\$ 40	\$ 41	\$ —	\$ 545	\$ (152)	\$ 393	\$ —	\$ 126	\$ 126	\$ 519
Interest expense												
	\$ 778	\$ 198	\$ (59)	\$ 60	\$ 3	\$ 980	\$ (299)	\$ 681	\$ —	\$ 207	\$ 207	\$ 888
Income tax expense (benefit)												
	\$ (49)	\$ 98	\$ 83	\$ 53	\$ —	\$ 185	\$ (549)	\$ (364)	\$ 15	\$ 29	\$ 44	\$ (320)
Earnings (losses) of nonconsolidated affiliates												
	\$ 27	\$ 12	\$ 8	\$ 122	\$ —	\$ 169	\$ —	\$ 169	\$ 118	\$ —	\$ 118	\$ 287
Net income (loss)												
	\$ 68	\$ 217	\$ 213	\$ 227	\$ —	\$ 725	\$ (30)	\$ 695	\$ 139	\$ 57	\$ 196	\$ 891
Investments in nonconsolidated affiliates												
	\$ 315	\$ 436	\$ 133	\$ 1,080	\$ —	\$ 1,964	\$ 35	\$ 1,999	\$ 7,555	\$ —	\$ 7,555	\$ 9,554
Total assets	\$ 128,378	\$ 27,411	\$ 5,447	\$ 14,897	\$ (9,335)	\$ 166,798	\$ (240)	\$ 166,558	\$ 13,059	\$ 6,910	\$ 19,969	\$ 186,527
Goodwill	\$ 192	\$ 500	\$ —	\$ —	\$ —	\$ 692	\$ —	\$ 692	\$ —	\$ —	\$ —	\$ 692

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

Note 16. Segment Reporting — (continued)

	<u>GMNA</u>	<u>GME</u>	<u>GM LAAM</u>	<u>GMAP</u>	<u>Auto Eliminations</u>	<u>Total GMA</u>	<u>Corporate & Other</u>	<u>Total Excluding FIO</u>	<u>GMAC</u>	<u>Other Financing</u>	<u>Total Financing</u>	<u>Total</u>
	(Dollars in millions)											
For the Three Months Ended June 30, 2006												
Automotive sales												
External customers	\$ 30,100	\$ 8,234	\$ 3,696	\$ 2,834	\$ —	\$ 44,864	\$ (52)	\$ 44,812	\$ —	\$ —	\$ —	\$ 44,812
Intersegment	750	506	133	948	(2,337)	—	—	—	—	—	—	—
Total automotive sales	30,850	8,740	3,829	3,782	(2,337)	44,864	(52)	44,812	—	—	—	44,812
Financial services and insurance revenue												
	—	—	—	—	—	—	—	—	9,048	39	9,087	9,087
Total net sales and revenue	<u>\$ 30,850</u>	<u>\$ 8,740</u>	<u>\$ 3,829</u>	<u>\$ 3,782</u>	<u>\$ (2,337)</u>	<u>\$ 44,864</u>	<u>\$ (52)</u>	<u>\$ 44,812</u>	<u>\$ 9,048</u>	<u>\$ 39</u>	<u>\$ 9,087</u>	<u>\$ 53,899</u>
Depreciation and amortization	\$ 1,477	\$ 545	\$ 56	\$ 94	\$ 7	\$ 2,179	\$ 5	\$ 2,184	\$ 1,412	\$ (775)	\$ 637	\$ 2,821
Interest income	\$ 291	\$ 125	\$ 26	\$ 26	\$ (2)	\$ 466	\$ (317)	\$ 149	\$ 701	\$ (157)	\$ 544	\$ 693
Interest expense	\$ 822	\$ 159	\$ 71	\$ 52	\$ —	\$ 1,104	\$ (410)	\$ 694	\$ 4,022	\$ (10)	\$ 4,012	\$ 4,706
Income tax expense (benefit)	\$ (2,151)	\$ (9)	\$ 28	\$ 104	\$ —	\$ (2,028)	\$ (307)	\$ (2,335)	\$ 361	\$ 259	\$ 620	\$ (1,715)
Earnings (losses) of nonconsolidated affiliates												
	\$ 93	\$ 10	\$ 5	\$ 99	\$ —	\$ 207	\$ —	\$ 207	\$ (4)	\$ —	\$ (4)	\$ 203
Net income (loss)	\$ (3,839)	\$ (39)	\$ 139	\$ 376	\$ (1)	\$ (3,364)	\$ (119)	\$ (3,483)	\$ 787	\$ (687)	\$ 100	\$ (3,383)
Investments in nonconsolidated affiliates												
	\$ 243	\$ 365	\$ 144	\$ 1,060	\$ —	\$ 1,812	\$ 38	\$ 1,850	\$ —	\$ —	\$ —	\$ 1,850
Total assets	\$ 135,839	\$ 24,219	\$ 4,619	\$ 11,679	\$ (7,317)	\$ 169,039	\$ 447	\$ 169,486	\$ 308,345	\$ (8,840)	\$ 299,505	\$ 468,991
Goodwill	\$ 302	\$ 466	\$ —	\$ —	\$ —	\$ 768	\$ —	\$ 768	\$ —	\$ —	\$ —	\$ 768

	<u>GMNA</u>	<u>GME</u>	<u>GM LAAM</u>	<u>GMAP</u>	<u>Auto Eliminations</u>	<u>Total GMA</u>	<u>Corporate & Other</u>	<u>Total Excluding FIO</u>	<u>GMAC(a)</u>	<u>Other Financing</u>	<u>Total Financing</u>	<u>Total</u>
	(Dollars in millions)											
For the Six Months Ended June 30, 2007												
Automotive sales												
External customers	\$ 56,106	\$ 17,186	\$ 7,719	\$ 7,241	\$ —	\$ 88,252	\$ 46	\$ 88,298	\$ —	\$ —	\$ —	\$ 88,298
Intersegment	1,431	857	184	2,764	(5,235)	1	(1)	—	—	—	—	—
Total automotive sales	57,537	18,043	7,903	10,005	(5,235)	88,253	45	88,298	—	—	—	88,298
Financial services and insurance revenue												
	—	—	—	—	—	—	—	—	—	1,830	1,830	1,830
Total net sales and revenue	<u>\$ 57,537</u>	<u>\$ 18,043</u>	<u>\$ 7,903</u>	<u>\$ 10,005</u>	<u>\$ (5,235)</u>	<u>\$ 88,253</u>	<u>\$ 45</u>	<u>\$ 88,298</u>	<u>\$ —</u>	<u>\$ 1,830</u>	<u>\$ 1,830</u>	<u>\$ 90,128</u>
Depreciation and amortization	\$ 2,829	\$ 812	\$ 151	\$ 278	\$ 23	\$ 4,093	\$ 13	\$ 4,106	\$ —	\$ 713	\$ 713	\$ 4,819
Interest income	\$ 551	\$ 321	\$ 66	\$ 75	\$ —	\$ 1,013	\$ (371)	\$ 642	\$ —	\$ 266	\$ 266	\$ 908
Interest expense	\$ 1,522	\$ 389	\$ (23)	\$ 116	\$ 6	\$ 2,010	\$ (530)	\$ 1,480	\$ —	\$ 455	\$ 455	\$ 1,935
Income tax expense (benefit)	\$ (75)	\$ 97	\$ 136	\$ 80	\$ (3)	\$ 235	\$ (666)	\$ (431)	\$ (4)	\$ 54	\$ 50	\$ (381)
Earnings (losses) of nonconsolidated affiliates												
	\$ 40	\$ 20	\$ 14	\$ 249	\$ —	\$ 323	\$ 2	\$ 325	\$ (65)	\$ —	\$ (65)	\$ 260
Net income (loss)	\$ (10)	\$ 222	\$ 414	\$ 343	\$ (4)	\$ 965	\$ (122)	\$ 843	\$ 24	\$ 86	\$ 110	\$ 953

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

Note 16. Segment Reporting — (concluded)

	<u>GMNA</u>	<u>GME</u>	<u>GM LAAM</u>	<u>GMAP</u>	<u>Auto Eliminations</u>	<u>Total GMA</u>	<u>Corporate & Other</u>	<u>Total Excluding FIO</u>	<u>GMAC</u>	<u>Other Financing</u>	<u>Total Financing</u>	<u>Total</u>
	(Dollars in millions)											
For the Six Months Ended June 30, 2006												
Automotive sales												
External customers	\$ 59,880	\$ 15,799	\$ 6,679	\$ 5,549	\$ —	\$ 87,907	\$ (99)	\$ 87,808	\$ —	\$ —	\$ —	\$ 87,808
Intersegment	1,292	996	311	1,619	(4,218)	—	—	—	—	—	—	—
Total automotive sales	61,172	16,795	6,990	7,168	(4,218)	87,907	(99)	87,808	—	—	—	87,808
Financial services and insurance revenue												
	—	—	—	—	—	—	—	—	17,861	73	17,934	17,934
Total net sales and revenue	<u>\$ 61,172</u>	<u>\$ 16,795</u>	<u>\$ 6,990</u>	<u>\$ 7,168</u>	<u>\$ (4,218)</u>	<u>\$ 87,907</u>	<u>\$ (99)</u>	<u>\$ 87,808</u>	<u>\$ 17,861</u>	<u>\$ 73</u>	<u>\$ 17,934</u>	<u>\$ 105,742</u>
Depreciation and amortization	\$ 2,821	\$ 900	\$ 110	\$ 181	\$ 16	\$ 4,028	\$ 10	\$ 4,038	\$ 2,923	\$ (775)	\$ 2,148	\$ 6,186
Interest income	\$ 593	\$ 232	\$ 46	\$ 51	\$ 1	\$ 923	\$ (633)	\$ 290	\$ 1,306	\$ (311)	\$ 995	\$ 1,285
Interest expense	\$ 1,621	\$ 312	\$ 99	\$ 107	\$ —	\$ 2,139	\$ (807)	\$ 1,332	\$ 7,836	\$ (27)	\$ 7,809	\$ 9,141
Income tax expense (benefit)	\$ (2,225)	\$ 26	\$ 85	\$ 356	\$ (2)	\$ (1,760)	\$ (628)	\$ (2,388)	\$ 583	\$ 259	\$ 842	\$ (1,546)
Earnings (losses) of nonconsolidated affiliates	\$ 105	\$ 17	\$ 9	\$ 200	\$ —	\$ 331	\$ 2	\$ 333	\$ (4)	\$ —	\$ (4)	\$ 329
Net income (loss)	<u>\$ (4,131)</u>	<u>\$ 20</u>	<u>\$ 179</u>	<u>\$ 868</u>	<u>\$ (5)</u>	<u>\$ (3,069)</u>	<u>\$ (309)</u>	<u>\$ (3,378)</u>	<u>\$ 1,282</u>	<u>\$ (685)</u>	<u>\$ 597</u>	<u>\$ (2,781)</u>

(a) Refer to Note 5 for summarized financial information of GMAC for the three and six months ended June 30, 2007.

Note 17. Transactions with GMAC

GM has entered into various operating and financing arrangements with GMAC. The nature and terms of these arrangements were negotiated at arm's length. The following describes the transactions and related impacts that occurred between GM and GMAC for the three and six month periods ended June 30, 2007 that have not been eliminated in GM's Condensed Consolidated Financial Statements:

Marketing Incentives and Operating Lease Residuals

As a marketing incentive, GM may sponsor interest rate support, capitalized cost reduction and residual support programs as a way to lower customers' monthly lease and retail contract payments. In addition GM may sponsor lease pull-ahead programs to encourage customers to terminate their leases early in conjunction with the acquisition of a new GM vehicle.

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

Under the capitalized cost reduction program, GM pays an amount to GMAC at the time of lease or retail contract origination to reduce the principal amount implicit in the lease or retail contract below GM's standard MSRP (manufacturers suggested retail price) value.

Under the residual support program, the customers' contractual residual value is adjusted above GMAC's standard residual values. GM reimburses GMAC to the extent that sales proceeds are less than the customers' contractual residual value, limited to GMAC's standard residual value. As it relates to U.S. lease originations and U.S. balloon retail contract originations occurring after April 30, 2006 that GMAC retained after the consummation of the GMAC sale, GM agreed to begin payment of the present value of the expected residual support owed to GMAC at the time of contract origination as opposed to after contract termination when the related used vehicle is sold. The residual support amount owed to GMAC is adjusted as the contracts terminate and, in cases where the estimate is adjusted, GM may be obligated to pay GMAC or GMAC may be obliged to reimburse GM. At June 30,

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

Note 17. Transactions with GMAC — (continued)

2007 the maximum additional amount that could be paid by GM under the residual support programs is approximately \$662 million. GM's assessment is that it would be unlikely that the proceeds from the entire portfolio of assets would be lower than both the contractual residual value and GMAC's standard residual rates.

Under the lease pull-ahead program, customers are encouraged to terminate their leases early in conjunction with the acquisition of a new GM vehicle. As part of this program, GMAC waives the customer's remaining payment obligation under their current lease, and GM compensates GMAC for any foregone revenue from the waived payments. Since these programs generally accelerate the re-sale of the vehicle, the proceeds are typically higher than otherwise would have been realized had the vehicle been sold at the contract maturity. The reimbursement to GMAC for the foregone payments is reduced by the amount of this benefit. GM makes anticipated payments to GMAC at the end of each month following lease termination. As with residual support payments discussed above, these estimates are adjusted to actual once all vehicles that could have been pulled ahead have terminated and the vehicles have been resold. To the extent that the original estimates were adjusted, GM or GMAC may be obligated to pay each other the difference, as appropriate under the lease pull-ahead programs.

In addition to the interest rate support, capitalized cost reduction, residual support and lease pull-ahead programs, GM also participates in a risk sharing arrangement that was amended on November 30, 2006 and applies to all new lease contracts. GM is responsible for risk sharing on returns of lease vehicles in the U.S. and Canada whose resale proceeds are less than standard GMAC residual values, subject to a limitation. GM will also pay GMAC a quarterly leasing payment in connection with the agreement beginning in the first quarter of 2009 and ending in the fourth quarter of 2014. At June 30, 2007, the maximum amount guaranteed under the risk sharing arrangement is \$781 million and would only be paid in the unlikely event that the proceeds from all outstanding lease vehicles would be lower than GMAC's standard residual rates, subject to the limitation.

In accordance with GM's revenue recognition accounting policy, the marketing incentives, apart from the lease pull-ahead programs, as well as the risk sharing arrangement, are accrued as reductions to Automotive sales at the time of the sale of the vehicle to the dealers based on the estimated GMAC lease and retail contract penetration. The lease pull-ahead programs are accrued as reductions to Automotive sales when the specific lease pull-ahead program is announced. GM paid \$1.2 billion and \$2.2 billion under these programs during the three and six months ended June 30, 2007, respectively.

The terms and conditions of interest rate support, capitalized cost reduction, residual support and lease pull-ahead programs, as well as the risk sharing arrangement, are included in the U.S., Canadian, and International Consumer Financing Services Agreements, which expire in November 2016.

Operating Lease Assets Transferred to GM by GMAC

In November 2006, GMAC transferred to GM certain U.S. lease assets, along with related debt and other assets. GMAC retained an investment in a note, which had a balance of \$406 million at June 30, 2007, and is secured by the lease assets transferred to GM. GMAC will continue to service the leased assets and related debt on behalf of GM and receive a servicing fee. GMAC is obligated as servicer to repurchase any leased asset that is in breach of any of the covenants in the securitization agreements. In addition, in a number of the transactions securitizing the lease assets, the trusts issued one or more series of floating rate debt obligations and entered into derivative transactions to eliminate the market risk associated with funding the fixed payment lease assets with floating interest rate debt. To facilitate these securitization transactions, GMAC entered into secondary derivative transactions with the primary derivative counterparties, essentially offsetting the primary derivatives. As part of the transfer, GM assumed the rights and obligations of the primary derivative while GMAC retained the secondary, leaving both companies exposed to market value movements of their respective derivatives. GM and GMAC

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

Note 17. Transactions with GMAC — (continued)

subsequently entered into derivative transactions with each other that are intended to offset the exposure each party has to its component of the primary and secondary derivatives.

Exclusivity Arrangement

Subject to GMAC's fulfillment of certain conditions, GM has granted GMAC exclusivity for U.S., Canadian, and international GM-sponsored consumer and wholesale marketing incentives for GM products in specified markets around the world, with the exception of Saturn branded products. In return for this exclusivity, GMAC will pay GM an annual exclusivity fee of \$105 million (\$75 million for the U.S. retail business, \$15 million for the Canadian retail business, \$10 million for retail business in international operations, and \$5 million for the dealer business) and is committed to provide financing to GM customers and dealers consistent with historical practices. The amount of exclusivity fee revenue recognized by GM for the three and six months ended June 30, 2007 was \$26.3 million and \$52.5 million, respectively.

Marketing Service Agreement

GM and GMAC have entered into a 10 year marketing, promoting, advertising, and customer support arrangement related to GM products, GMAC products and the retail financing for GM products. This agreement expires in November 2016.

Royalty Arrangement

For certain insurance products, GM and GMAC have entered into 10 year intellectual property license agreements giving GMAC the right to use the GM name on certain insurance products. In exchange, GMAC will pay a royalty fee of 3.25% of revenue, net of cancellations, related to these products with a minimum annual guarantee of \$15 million. The amount of royalty recognized for the three and six months ended June 30, 2007 was \$4.4 million and \$8.9 million, respectively.

Shared and Transition Services Agreement

GM and GMAC entered into a Shared and Transition Services Agreement to continue to provide to each other global support services, primarily treasury, tax, real estate, and human resources, for a transition period of 1 to 2 years from the transaction date. GM expects that when the Shared and Transition Services Agreement expires, GM and GMAC will either renew this services agreement or GM and GMAC will perform the related services internally or potentially outsource to other providers.

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

Note 17. Transactions with GMAC — (concluded)

Balance Sheet

A summary of the balance sheet effects of transactions with GMAC at June 30, 2007 are as follows (dollars in millions):

<i>Assets:</i>	
Accounts and notes receivable(a)	\$ 1,245
Other assets(b)	97
<i>Liabilities:</i>	
Accounts payable(c)	621
Short-term borrowings and current portion of long-term debt(d)	2,870
Accrued expenses(e)	63
Long-term debt(f)	366

- (a) Represents wholesale settlements due from GMAC, amounts owed by GMAC with respect to the operating lease assets transferred to GM, and the exclusivity fee and royalty arrangement as discussed above.
- (b) Represents primarily distributions due from GMAC on GM's Preferred Membership Interests.
- (c) Represents amounts accrued with respect to interest rate support, capitalized cost reduction, residual support and lease pull-ahead programs and well as the risk sharing arrangement.
- (d) Represents wholesale financing, sales of receivable transactions and the short term portion of term loans provided to certain dealerships wholly-owned by GM or in which GM has an equity interest. In addition, it includes borrowing arrangements with Adam Opel and arrangements related to GMAC's funding of GM company-owned vehicles, rental car vehicles awaiting sale at auction, and funding of the sale of GM vehicles in which GM retains title while the vehicles are consigned to GMAC or dealers in the United Kingdom. The financing to GM remains outstanding until the title is transferred to the dealers. Also included is the short-term portion of a note provided to a wholly-owned subsidiary of GM holding debt related to the operating leases transferred to GM and a note related to the overpayment of approximately \$317 million of income taxes by GMAC. These taxes were paid by GMAC to GM and are expected to be refunded to GMAC on or before December 15, 2007.
- (e) Represents mainly interest accrued on the transactions in (d) above.
- (f) Represents primarily the long-term portion of term loans and a note payable with respect to the operating leases transferred to GM discussed in (d) above.

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

Statement of Operations

A summary of the income statement effects of transactions with GMAC are as follows:

	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
	(Dollars in millions)	
Net sales and revenue(a)	\$ 69	\$ 125
Cost of sales and other expenses	—	1
Automotive interest income and other non-operating income(b)	105	212
Derivatives(c)	(6)	(1)
Interest expense(d)	73	153
Servicing expense(e)	45	95

- (a) Represents primarily the sale of vehicles to a subsidiary of GMAC for a GM employee lease program.
- (b) Represents income on GM's Preferred Membership Interest in GMAC, exclusivity and royalty fee income, as well as reimbursements by GMAC for certain services provided by GM. 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.
- (c) Represents gains recognized in connection with a derivative transaction entered into with GMAC as the counterparty.
- (d) Represents interest incurred on term loans, notes payable and wholesale settlements.
- (e) Represents servicing fees paid to GMAC on the automotive leases retained by GM.

Note 18. Subsequent Events***Antwerp Plant Workforce Reduction***

On July 1, 2007, GM and the European hourly workers union agreed upon the terms of the employee separation program for the Antwerp, Belgium facility, which primarily consists of personnel reductions of 1,861 employees (180 salaried) with permanent contracts.

It is expected that this program will consist primarily of two voluntary separation programs. The first program will be an early retirement package for employees over the age of 50. The second is a buy-out program for employees not over the age of 50 and therefore not eligible for early retirement. If these programs do not reach the targeted reduction of 1,861 full time employees then the parties will enter into negotiations to implement an involuntary program designed to reach the target reductions. The total cost of these separations is estimated at \$300 million. The charge for the separation programs will depend on the timing of employee acceptances. Management expects the charge to be primarily recorded in the third and fourth quarters of 2007.

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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

Overview

General Motors Corporation (GM) is primarily engaged in the worldwide development, production, and marketing of automobiles, consisting of cars and trucks. GM develops, manufactures, and markets vehicles worldwide through four automotive regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP) (collectively the Automotive business). Also, GM's finance and insurance operations are primarily conducted through GMAC, the successor to General Motors Acceptance Corporation, a wholly-owned subsidiary until the end of November 2006 when GM sold a 51% controlling ownership interest in GMAC to a consortium of investors (the GMAC Transaction). Since the GMAC Transaction, GM has accounted for its 49% ownership interest in GMAC using the equity method. 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.

From time to time, GM discusses issues of shared interest such as possible transactions with other parties, including other vehicle manufacturers. Frequently these proposals do not come to fruition. We do not confirm or comment on any potential transactions or other matters unless, and until, we determine that disclosure is appropriate.

On June 28, 2007, GM entered into a definitive agreement pursuant to which GM will sell the commercial and military operations of our Allison Transmission (Allison) business for a purchase price of approximately \$5.6 billion in cash plus assumed liabilities. The purchase price is subject to adjustment based on the amount of Allison's (1) net working capital and (2) debt on the closing date. Based on these amounts, a payment may be due from either party within approximately thirty-five days after the closing date. Any such payment will be an adjustment to the amount of gain recognized on the transaction. Allison, a division of GM's Powertrain Operations, is a global leader in the design and manufacture of commercial and military automatic transmissions and a premier global provider of commercial vehicle automatic transmissions for on-highway, including trucks, specialty vehicles, buses and recreational vehicles, off-highway and military vehicles, as well as hybrid propulsion systems for transit buses. GM Powertrain Operations Baltimore facility, which manufactures automatic transmissions primarily for GM trucks and hybrid propulsion system, will be retained by GM. GM expects to recognize a gain on the sale of Allison in the range of \$5.1 billion to \$5.4 billion. GM expects to close the sale of Allison in the third quarter of 2007, subject to regulatory approval. The results of operations and cash flows of Allison have been reported in the Condensed Consolidated Financial Statements as discontinued operations for all periods presented.

Financial Results

Consolidated net sales and revenue was \$46.8 billion during the three months ended June 30, 2007 as compared to \$53.9 billion during the three months ended June 30, 2006. Consolidated net income was \$1 billion for the three months ended June 30, 2007, an increase of \$4.3 billion from the three months ended June 30, 2006. For the six months ended June 30, 2007, GM's consolidated net sales and revenues were \$90.1 billion, a decrease of \$15.6 billion, or 14.7% below the \$105.7 billion for the six months ended June 30, 2006. Since the sale of a 51% controlling interest in GMAC on November 30, 2006, GM began accounting for its remaining interest in GMAC using the equity method. Therefore, GM's consolidated results reflect its 49% share of the operating results of GMAC on an equity basis for the three and six months ended June 30, 2007 as compared to the operating results of GMAC on a consolidated basis for the comparable periods in 2006. A discussion of our regional automotive operating results and FIO financial review follows.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Strategy

As GM previously described in more detail in its Annual Report on Form 10–K for the year ended December 31, 2006 (2006 Form 10–K), our top priorities continue to be improving our business in North America and achieving global competitiveness in an increasingly global environment, thus positioning GM for sustained profitability and growth in the long term, while at the same time maintaining strong liquidity.

Our growth and profitability priorities for 2007 are straightforward:

Continue to execute the North America turnaround plan. Our first priority in 2007 is improving our earnings and cash flow, particularly in GMNA, the traditional core of our operations and financial results. Our turnaround plan for GMNA is built on four elements: achieve and sustain product excellence; revitalize our sales and marketing strategy; accelerate cost reductions and quality improvements; and address the health care/legacy cost burden. Our primary revenue related goals for 2007 include improving our contribution margin in North America by selling a more profitable vehicle product mix which we are pursuing by emphasizing the quality and value of our vehicles, reducing reliance on sales incentives and increasing our marketing efforts on our newly launched products. Our primary cost related goals for 2007 in North America remain addressing our legacy cost burden and reducing our structural costs. We are on track to achieve, beginning in 2007, our announced target of reducing our annual structural costs in GMNA and Corporate and Other by \$9 billion, on average, less than those costs in 2005. We remain focused on repositioning our business for long–term competitiveness, including achieving a successful resolution to the issues related to the bankruptcy proceedings of Delphi Corporation (Delphi), a major supplier and former subsidiary, and a new collective bargaining agreement with the International Union, United Auto, Aerospace and Agricultural Implement Workers of America (UAW) in 2007 that benefits both GM and its hourly employees.

Grow Aggressively in Emerging Markets. Our second key priority is to focus on emerging markets and capitalize on the growth in areas such as China, India, and the Southeast Asian region, as well as Russia, Brazil, the Middle East, and the Andean region. Vehicle sales and revenues continue to grow globally, with the strongest growth in these emerging markets. In response, we are planning to expand capacity in China, Russia, and India, and to pursue additional growth opportunities through our relationships with Shanghai General Motors Co., Ltd. and GM Daewoo Auto & Technology Company (GM Daewoo). During the six months ended June 30, 2007, key metrics such as net margin, operating income, and market share show continued growth across key markets.

Continue to Drive the Benefits of Managing the Business Globally. Our third key priority is to continue to integrate our operations around the world to manage our business on a global basis. GM has been focusing on restructuring its operations and has 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 ever–more competitive environment.

Continue to Develop and Implement GM’s Advanced Propulsion Strategy. Our fourth key priority is to 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. In June 2007, we announced two contracts for advanced lithium–ion battery development to support the development of the electrically powered Chevy Volt as a production vehicle.

Improve Business Results — Earnings and Cash Flow. We anticipate improved automotive earnings and cash flow in 2007, resulting from further cost reductions and increased vehicle sales, particularly of newly introduced models. In addition to our other priorities outlined above, we are focused on the continued improvement of our balance sheet and liquidity position. On June 28, 2007, we announced that we have agreed to sell the commercial and military business of our Allison Transmission division for \$5.6 billion in cash plus assumed liabilities. We anticipate that this sale will close during the third quarter of 2007, subject to regulatory approval.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Strategy — (concluded)

Basis of Presentation

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) gives effect to the restatement discussed in Note 15 to the Condensed Consolidated Financial Statements and should be read in conjunction with GM's 2006 Form 10-K. Additionally, the Condensed Consolidated Financial Statements have been further adjusted as GM has entered into a definitive agreement to sell the commercial and military operations of our Allison Transmission business. The operations of Allison have been accounted for as discontinued operations for the three and six months ended June 30, 2006. For additional information, relating to the sale of Allison, refer to Note 3.

GM operates in two businesses, consisting of Automotive (GM Auto or GMA) and Financing and Insurance Operations (FIO).

GM's Auto business consists of GMNA, GME, GMLAAM, GMAP, and intra-segment eliminations classified within Auto Eliminations which together constitute GM Automotive (GMA).

GM's FIO business consists of the operating results of GMAC for the three and six months ended June 30, 2006 on a consolidated basis and includes GM's 49% share of GMAC's operating results for the three and six months ended June 30, 2007 on an equity method basis. FIO also includes Other Financing which for the three and six months ended June 30, 2006 includes financing entities that were not consolidated by GMAC and for the three and six months ended June 30, 2007, includes certain assets with respect to automotive leases previously owned by GMAC and its affiliates having a net book value of approximately \$3.6 billion at June 30, 2007.

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
Consolidated Results of Operations

	Three Months Ended		Six Months Ended June 30,	
	June 30,			
	2007	2006	2007	2006
	(Dollars in millions)		(Dollars in millions)	
Net sales and revenue				
Automotive sales	\$ 45,918	\$ 44,812	\$ 88,298	\$ 87,808
Financial services and insurance revenue	894	9,087	1,830	17,934
Total net sales and revenue	<u>46,812</u>	<u>53,899</u>	<u>90,128</u>	<u>105,742</u>
Automotive cost of sales	41,674	47,406	80,407	87,177
Selling, general, and administrative expense	3,293	3,219	6,604	6,585
Financial services and insurance expense	811	7,727	1,694	16,012
Other expenses	<u>575</u>	<u>1,208</u>	<u>575</u>	<u>1,208</u>
Operating income (loss)	459	(5,661)	848	(5,240)
Equity in income (loss) of GMAC LLC	118	—	(65)	—
Automotive interest and other income (expense)	<u>(126)</u>	<u>293</u>	<u>(489)</u>	<u>451</u>
Income (loss) from continuing operations before income taxes, other equity income and minority interests	451	(5,368)	294	(4,789)
Income tax benefit	(320)	(1,715)	(381)	(1,546)
Equity income and minority interests, net of tax	<u>13</u>	<u>159</u>	<u>67</u>	<u>242</u>
Income (loss) from continuing operations	784	(3,494)	742	(3,001)
Income from discontinued operations, net of tax	<u>107</u>	<u>111</u>	<u>211</u>	<u>220</u>
Net income (loss)	<u>\$ 891</u>	<u>\$ (3,383)</u>	<u>\$ 953</u>	<u>\$ (2,781)</u>
Net margin from continuing operations	1.7%	(6.5)%	.8%	(2.8)%

GM's consolidated net sales and revenue was \$46.8 billion in the second quarter of 2007 compared to \$53.9 billion in the second quarter of 2006. GM's consolidated income from continuing operations was \$784 million for the second quarter of 2007, an increase of \$4.3 billion from the second quarter of 2006. The reduction in revenue was primarily due to GM's sale of a 51% controlling ownership interest in GMAC in November of 2006. Since then, GM has accounted for its 49% ownership interest in GMAC using the equity method. Therefore, GM's consolidated results reflect its 49% share of the operating results of GMAC on an equity basis in the second quarter of 2007, as compared to the operating results of GMAC on a consolidated basis for the comparable period of 2006. Revenue and net income related to GMAC's operations included in GM's consolidated results in the second quarter of 2006 were \$9 billion and \$788 million, respectively. The increase in income from continuing operations was primarily due to improved automotive results. Further information on each of GM's businesses and geographic regions are discussed below.

GM's consolidated net sales and revenue for six months was \$90.1 billion and \$105.7 billion for 2007 and 2006, respectively. GM's consolidated income from continuing operations was \$742 million for the six months ended June 30, 2007, and a loss of \$3 billion for the corresponding period in 2006. The reduction in revenue was primarily due to GM's sale of a 51% controlling ownership interest in GMAC in November of 2006. The improved income from continuing operations was driven by higher automotive earnings.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Changes in Consolidated Financial Condition

Accounts and notes receivable, net

Accounts and notes receivable at June 30, 2007 was \$10.2 billion as compared to \$8.2 billion at December 31, 2006, an increase of \$2.0 billion or 24.5%. This increase is primarily due to the lower receivable balance at GMNA of \$1.3 billion on December 31, 2006 as a result of the seasonal plant shutdowns during the holiday season that significantly reduce shipments during the last 2 weeks of the period while we continue to collect existing receivables. GME and GMLAAM contributed an additional \$200 million and \$125 million to the increased receivables balance due to increased unit sales. GMAP's receivables balance increased \$148 million, primarily due to increased dividends receivable from its nonconsolidated affiliate, Shanghai General Motors Co., Ltd.

Inventories

Inventories at June 30, 2007 were \$15.1 billion as compared to \$13.9 billion at December 31, 2006, an increase of \$1.2 billion or 8.3%. The increase in inventory at June 30, 2007 is primarily due to a \$900 million increase in finished product at GME, driven by a 43,000 vehicle inventory increase together with mix and currency effects. Additionally, GMAP and GMLAAM's inventory balances have each increased approximately \$350 million to support sales forecasts for the rest of the year. GMNA has also increased its raw materials balance by \$300 million to support future production. These increases in the inventory balance have been offset by a reduction of daily rental purchases at GMNA of \$450 million.

Financing equipment on operating leases, net

Equipment on operating leases, net at June 30, 2007 was \$9.1 billion as compared to \$11.8 billion at December 31, 2006, a decrease of \$2.7 billion or 22.5%. The decrease is due to the termination of vehicle leases that are not being replaced.

Automotive accounts payable (principally trade)

Automotive accounts payable at June 30, 2007 was \$30.7 billion as compared to \$26.9 billion at December 31, 2006, an increase of \$3.8 billion or 14.2%. The increase of \$3.8 billion in accounts payable is primarily due to normal resumption in production as compared to production volumes during the year end shut down period. The increase in automotive payables related to volume increases at each of the regions is approximately, GMNA, \$1.8 billion, GME, \$400 million, GMLAAM, \$200 million, and GMAP, \$700 million. During the shut down period purchasing is significantly reduced while GM continues to pay suppliers on their normal payment terms.

Financing debt

Financing debt at June 30, 2007 was \$7.1 billion as compared to \$9.4 billion at December 31, 2006, a decrease of \$2.3 billion or 24.4%. The decrease in debt is primarily due to the repayment of the secured debt associated with the bankruptcy-remote subsidiaries that hold the equity interests in a number of trusts that own leased vehicles.

Financing other liabilities and deferred income taxes

Financing other liabilities and deferred income taxes at June 30, 2007 was \$855 million as compared to \$2.1 billion at December 31, 2006, a decrease of \$1.2 billion or 60%. The decrease is primarily related to a \$1 billion payment to GMAC for amounts owed under the GMAC sales agreement to restore their tangible equity balance to \$14.4 billion.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Operations Financial Review

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Total net sales and revenue	\$ 45,896	\$ 44,864	\$ 88,253	\$ 87,907
Automotive cost of sales	41,650	47,265	80,294	86,833
Selling, general, and administrative expense	3,134	3,042	6,278	6,201
Operating income (loss)	1,112	(5,443)	1,681	(5,127)
Automotive interest and other income (expense)	(322)	(224)	(759)	(156)
Income (loss) before income taxes, other equity income and minority interests	790	(5,667)	922	(5,283)
Income tax expense (benefit)	185	(2,028)	235	(1,760)
Equity income and minority interests, net of tax	13	164	67	234
Income (loss) from continuing operations	618	(3,475)	754	(3,289)
Income from discontinued operations	107	111	211	220
Net income (loss)	<u>\$ 725</u>	<u>\$ (3,364)</u>	<u>\$ 965</u>	<u>\$ (3,069)</u>
Net margin from continuing operations	1.3%	(7.7)%	.9%	(3.7)%
	(Volume in thousands)			
GM production volume(1)	2,409	2,420	4,749	4,835
Vehicle unit sales(2)				
Industry	18,125	17,438	35,548	34,293
GM	2,406	2,396	4,674	4,595
GM as a% of industry	13.3%	13.7%	13.1%	13.4%

(1) Production volume represents the number of vehicles manufactured from GM's assembly facilities, and also includes vehicles produced by joint ventures.

(2) Vehicle unit sales primarily represent sales to the ultimate customer.

GM's management evaluates its Automotive business and makes certain decisions using supplemental categories for variable expenses and non-variable expenses. GM believes that because these categories provide them with useful information, investors would find it beneficial to have the opportunity to view the business in a similar manner.

Management believes that contribution costs, structural costs, and impairment and restructuring charges provide meaningful supplemental information regarding our expenses because they place Automotive expenses into categories that allow GM management to assess the cost performance of GMA. GM management uses these categories to evaluate GM's expenses and believes these categories allow GM management to readily view operating trends, perform analytical comparisons, benchmark expenses among geographic regions, and assess whether the turnaround and globalization strategy for cutting costs are on target. GM management uses these categories for forecasting purposes, evaluating management, and determining its future capital investment allocations. Accordingly, GM believes these categories are useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making.

While GM believes that contribution costs, structural costs, and impairment and restructuring charges provide useful information, there are limitations associated with the use of these categories. Contribution costs, structural costs, and impairment and restructuring charges may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. As a result,

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Operations Financial Review — (continued)

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. GM compensates for these limitations by using these categories as supplements to Automotive cost of sales and Selling, general, and administrative expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Automotive net sales and revenue	\$ 45.9	\$ 44.9	\$ 88.3	\$ 87.9
Contribution costs(a)	32.0	31.3	61.2	60.8
Structural costs(b)	12.6	12.8	25.1	25.8
Impairment and restructuring charges(c)	.2	6.2	.3	6.4

- (a) Contribution costs are expenses that vary with production. The amount of contribution costs included in Automotive cost of sales is \$31.7 billion and \$31 billion in the second quarters of 2007 and 2006, respectively. These costs primarily consist of material costs, freight, and policy and warranty expenses. The amount of contribution costs classified in Selling, general and administrative expense is \$.3 billion in the second quarters of both 2007 and 2006, which were incurred primarily in connection with our dealer advertising programs. The amount of contribution costs included in Automotive cost of sales is \$60.7 billion and \$60.2 billion in the first six months of 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, \$.5 billion and \$.6 billion, respectively of contribution costs, primarily related to advertising, were included in Selling, general and administrative expense.
- (b) Structural costs are expenses that do not generally vary in direct proportion 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 \$9.7 billion and \$10.1 billion in the second quarter of 2007 and 2006, respectively, and the amount of structural costs included in Selling, general, and administrative expense is approximately \$2.9 billion in 2007 and \$2.7 billion in 2006. The amount of structural costs included in Automotive cost of sales was \$19.3 billion and \$20.2 billion in the first six months of 2007 and 2006, respectively, and the amount of structural costs included in Selling, general, and administrative expense is approximately \$5.8 billion and \$5.6 billion in the same respective periods.
- (c) The amount of impairment and restructuring charges included in Automotive cost of sales was \$.2 billion and \$6.2 billion in the second quarters of 2007 and 2006, respectively, and \$.3 billion and \$6.4 billion for the six months ended June 30, 2007 and 2006, respectively. See below for further discussion.

Industry Global Vehicle Sales

Worldwide industry vehicle unit sales increased 700,000 units during the three months ended June 30, 2007, to 18.1 million units, compared to 17.4 million units during the three months ended June 30, 2006. Industry sales decreased in North America by 94,000 units, to 5.3 million units during the three months ended June 30, 2007, compared to 5.4 million units during the three months ended June 30, 2006. All other regions experienced growth in industry unit volume compared to 2006, particularly the Asia Pacific region, up more than 400,000 units to 5.1 million units in 2007, and the Latin America/Africa/Mid-East region, up nearly 300,000 units to 1.7 million units in 2007.

For the six months ended June 30, 2007, worldwide industry vehicle unit sales increased over 1.3 million units to 35.5 million units, compared to 34.3 million units during the six months ended June 30, 2006. Industry sales decreased in North America 161,000 units, to 10 million units during the six months ended June 30, 2007. All other regions experienced growth in industry unit volume compared to 2006, with the Asia Pacific region up more than

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Operations Financial Review — (continued)

Industry Global Vehicle Sales — (continued)

700,000 units, the Latin America/Africa/Mid–East region up more than 450,000 units, and Europe up more than 200,000 units in 2007.

GM Global Vehicle Sales

Worldwide GM vehicle unit sales were 2.4 million units, an increase of 10,000 units compared to the three months ended June 30, 2006. GME, GMLAAM, and GMAP all reported sales unit increases, while a sales decline was reported in GMNA. Global market share for GM was 13.3% compared to 13.7% during the three months ended June 30, 2006. Market share declines occurred in GMNA due to planned reductions in sales to rental car fleet customers, a soft U.S. market, and loss of truck sales as the market shifted to more cars. This decline was partially offset by market share gains in GME and GMLAAM.

For the six months ended June 30, 2007, worldwide GM vehicle unit sales increased 78,000 units, to 4.7 million units, compared to 4.6 million units for the six months ended June 30, 2006. Increases at GME, GMLAAM, and GMAP more than offset a sales decline in GMNA. For the first half of 2007, global market share for GM was 13.1% compared to 13.4% for the six months ended June 30, 2006. As in the second quarter of 2007, market share declines in GMNA were partially offset by market share gains in GME, GMLAAM and GMAP.

GM global production volume for the three months ended June 30, 2007 was 2.4 million units, a decrease of 11,000 units from the three months ended June 30, 2006. This was due to decreases at GMNA and GME of 96,000 units and 31,000 units, respectively, which were partially offset by production increases at GMLAAM and GMAP of 27,000 and 89,000 units, respectively.

For the six months ended June 30, 2007, GM's global production volume for was 4.7 million units, a decrease of 86,000 units from the year earlier period. A decrease at GMNA of 288,000 units and a slight decline in GME were partially offset by production increases at GMLAAM and GMAP.

Automotive Net Sales and Revenue

GM automotive net sales and revenue was a quarterly record of \$45.9 billion in the second quarter of 2007, an increase of \$1 billion from the comparable prior period. Revenue improvements at GME, GMLAAM and GMAP offset a revenue decline at GMNA. Net pricing was also positive at GMNA and GME and the weak U.S. dollar against most foreign currencies had a favorable impact on global revenue.

Total net sales and revenue for GMA was \$88.3 billion for the six months ended June 30, 2007, an increase of \$.3 billion from the comparable period of 2006. This increase was driven by a significant revenue increase in GMAP, with increases also in GME and GMLAAM, mostly offset by a decrease in revenue in GMNA.

Contribution Costs

Contribution costs in the second quarter of 2007 were \$32.0 billion, an increase of \$.7 billion from the comparable period of 2006. Higher prices for steel and non–ferrous metals resulted in an increase of \$.3 billion in material costs from the prior period. A weak U.S. dollar against most foreign currencies also contributed \$.6 billion to higher contribution costs. Policy and warranty and vehicle recall campaign expense increased in the second quarter of 2007 by \$.6 billion primarily due to an adjustment made in the second quarter of 2006 to pre–existing warranties, and costs associated with the GMNA extended warranty program announced in the third quarter of 2006. Contribution costs decreased by \$.8 billion as a result of lower global sales volumes including the effect of mix associated with new vehicle launches and lower volumes at GMNA.

Contribution costs for the first six months of 2007 were \$61.2 billion, an increase of \$.4 billion over the first six months of 2006. Cost increases relating to vehicle content, the weak U.S. dollar, price increases for non–ferrous metals and steel, and policy, warranty and campaign expense drove the cost increase, which was partially offset by

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Operations Financial Review — (continued)

Contribution Costs — (continued)

lower contribution costs in the six months ended June 30, 2007 due to reduced unit sales volume at GMNA and GME.

Structural Costs

Automotive structural costs were \$12.6 billion in the second quarter of 2007, a reduction of \$.2 billion from the second quarter of 2006. Contributing to this reduction were savings on retiree pension/OPEB of \$.8 billion, primarily due to GM's UAW Health Care Settlement Agreement, as well as manufacturing savings of approximately \$.3 billion from lower hourly headcount levels driven by the UAW Attrition Program. Global product engineering and development expense was higher by \$.4 billion in the second quarter of 2007, reflecting increased global vehicle development spending. Structural costs were higher by \$.5 billion in the second quarter of 2007 compared to 2006 due to the impact of the weak U.S. dollar and higher spending related to production and sales volume increases at GMLAAM and GMAP.

Automotive structural costs for the six months ending June 30, 2007 were \$25.1 billion, a reduction of \$.7 billion from same period in 2006. Expenses in the six months ended June 30, 2007 were lower by \$2.6 billion in GMNA, resulting from reduced OPEB, pension, and manufacturing costs relating to the UAW health care settlement and UAW attrition program. The increase in costs related to the weak U.S. dollar offset a portion of the savings in GMNA. Global engineering costs increased consistent with the strategy to support global vehicle program development, and certain costs increased in line with volume expansion, particularly in GMLAAM and GMAP.

Impairment and Restructuring Charges

GM incurred certain expenses primarily related to restructuring initiatives and asset impairments, which are included in Automotive cost of sales. Such costs totaled \$.2 billion and \$6.2 billion for the quarters ended June 30, 2007 and 2006, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
UAW Attrition Program	\$ (6)	\$ 6,482	\$ (24)	\$ 6,482
Restructuring initiatives	136	(623)	231	(486)
Asset impairment	100	363	109	363
Other	(6)	—	(48)	—
Total	\$ 224	\$ 6,222	\$ 268	\$ 6,359

The amounts for the three months ended June 30, 2007 were primarily related to the following:

- \$97 million charge for capacity initiatives at GMNA and \$30 million restructuring charge at GME.
- \$95 million charge for product specific asset impairments at GMNA.

The amounts for the three months ended June 30, 2006 were primarily related to the following:

- \$6.5 billion for a charge related to the program under the UAW Attrition Agreement (UAW Attrition Program), primarily for payments to employees (\$2.1 billion) and for the curtailment charges associated with GM's U.S. hourly pension, OPEB, and extended disability plans as a result of the UAW Attrition Program (\$4.4 billion).

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Operations Financial Review — (continued)

Impairment and Restructuring Charges — (concluded)

- Other restructuring charges recognized at GME and GMLAAM of \$214 million and \$16 million, respectively. A favorable revision to the reserve recorded in the fourth quarter of 2005 related to North American plant capacity actions (\$.9 billion), primarily attributable to the impact of the UAW Attrition Program.
- \$303 million charge at GMNA and a \$60 million charge at GME, related to the write down of product specific assets.

The amounts for the six months ended June 30, 2007 were primarily related to the following, in addition to the items above:

- \$95 million for restructuring initiatives at GME (\$57 million) and GMAP (\$48 million).

The amounts related to restructuring initiatives for the six months ended June 30, 2006 were primarily related to the following, in addition to the items above:

- \$64 million at GMNA, consisting of a charge of \$100 million related to a salaried severance program, a charge of \$81 million for certain components of the U.S. hourly attrition program related to lump sum benefit payments, and curtailment charges of \$19 million related to modifications in GM's pension plans for U.S. salaried employees. These were partially offset by a favorable adjustment of \$136 million related to the reserve for postemployment benefits, primarily due to higher than anticipated headcount reductions associated with GMNA plant idling activities.
- Other restructuring charges recognized at GME and GMLAAM of \$47 million and \$27 million, respectively.

Automotive Cost of Sales

Automotive cost of sales was \$41.7 billion in the second quarter of 2007, \$5.6 billion below the same period in 2006. Automotive cost of sales was 90.7% and 105.4% of total net sales and revenues for the three months ended June 30, 2007 and 2006, respectively. The decrease in 2007 was primarily driven by GMNA where a \$6.5 billion charge was taken in the second quarter of 2006 relating to the Attrition Program, primarily for payments to employees (\$2.1 billion) and for the curtailment charges associated with GM's U.S. hourly pension, OPEB, and extended disability plans as a result of the Attrition Program (\$4.4 billion). This was partially offset by an increase in cost of sales in GMAP, GME and GMLAAM, driven by higher sales volume. (Further details are described in the regional analyses.)

Automotive cost of sales was \$80.3 billion for the first six months of 2007, \$6.5 billion lower than the same period in 2006. Cost of sales was 91% and 98.8% of Total net sales and revenues for the six months ended June 30, 2007 and 2006, respectively.

Selling, General, and Administrative Expense

Selling, general, and administrative expenses were \$3.1 billion and \$3 billion in the second quarters of 2007 and 2006, respectively. Spending was lower in the second quarter of 2007 at GMNA primarily related to product liability insurance, offset by increases at GME, GMLAAM and GMAP due to the impact of foreign exchange and spending to support volume growth. (Further details are described in the regional analyses.)

Spending was \$6.3 billion in the first six months of 2007 compared to \$6.2 billion in 2006 due to increased spending at GME, GMLAAM and GMAP.

Automotive Interest and Other Income (Expense)

Automotive interest and other income (expense) was (\$.3) billion during the second quarter of 2007 as compared to (\$.2) billion in the second quarter of 2006, an increase of \$.1 billion. The increase in expense is

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Operations Financial Review — (continued)

Automotive Interest and Other Income (Expense) — (concluded)

primarily related to a gain of \$.3 billion on the sale of the majority of GM's investment in Isuzu Motors Limited (Isuzu) in the second quarter of 2006, partially offset by favorable net interest of \$.2 billion in 2007.

For the first six months of 2007, Automotive interest and other income (expense) was (\$.8) billion, compared to (\$.2) billion in 2006. The increase in expense in 2007 is primarily attributable to a gain of \$.6 billion on the sale of the majority of GM's investment in Suzuki Motor Corporation (Suzuki) in the first quarter of 2006.

Income Tax Expense

Income tax expense was \$.2 billion during the second quarter of 2007, compared to a benefit of \$2 billion the second quarter of 2006.

For the six months ended June 30, 2007, tax expense was \$.2 billion, compared to a benefit of \$1.8 billion in 2006. The increase in both the three and six month periods of 2007 is primarily attributable to increased pretax income, primarily at GMNA.

Equity Income and Minority Interests, Net of Tax

Equity income and minority interests was \$13 million during the second quarter of 2007, compared to \$164 million in the second quarter of 2006, a decrease of \$151 million. For the first six months ended June 30, 2007 the decrease was \$167 million, to \$67 million in 2007. The decrease in 2007 was primarily due to the increase of minority interest due to the growth in income at GM-Daewoo in 2007, as well as the loss of equity income related to the sale of the majority of GM's investment in Suzuki in the first quarter of 2006.

Income from Discontinued Operations

On June 28, 2007 GM announced an agreement to sell the commercial and military business of our Allison Transmission division. Accordingly, income, net of tax, from this operation has been reclassified as income from discontinued operations for all periods presented. Income was \$107 million and \$111 million for the three months ended June 30, 2007 and 2006, respectively, and \$211 million and \$220 million for the six months ended June 30, 2007 and 2006, respectively.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results

GM North America

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(Dollars in millions)			
Total net sales and revenue	\$ 29,574	\$ 30,850	\$ 57,537	\$ 61,172
Automotive cost of sales	27,453	34,538	53,213	62,773
Selling, general, and administrative expenses	<u>1,811</u>	<u>2,018</u>	<u>3,801</u>	<u>4,165</u>
Operating income (loss)	310	(5,706)	523	(5,766)
Automotive interest and other income (expense)	<u>(408)</u>	<u>(466)</u>	<u>(832)</u>	<u>(887)</u>
Loss before income taxes, other equity income and minority interests	(98)	(6,172)	(309)	(6,653)
Income tax benefit	(49)	(2,151)	(75)	(2,225)
Equity income and minority interests, net of tax	<u>10</u>	<u>71</u>	<u>13</u>	<u>77</u>
Net loss from continuing operations	(39)	(3,950)	(221)	(4,351)
Income from discontinued operations, net of tax	<u>107</u>	<u>111</u>	<u>211</u>	<u>220</u>
Net income (loss)	<u>\$ 68</u>	<u>\$ (3,839)</u>	<u>\$ (10)</u>	<u>\$ (4,131)</u>
Net margin from continuing operations	(0.1)%	(12.8)%	(.4)%	(7.1)%
	(Volume in thousands)			
Production volume(1) Cars	401	462	800	958
Trucks	740	775	1,404	1,534
Total	1,141	1,237	2,204	2,492
Vehicle Unit Sales(2) Industry — North America	5,305	5,399	10,000	10,162
GM	1,200	1,290	2,256	2,413
GM as% of industry	22.6%	23.9%	22.6%	23.7%
Industry — U.S.	4,442	4,572	8,430	8,626
GM as a percentage of industry	22.8%	24.1%	22.8%	24.0%
GM cars	19.2%	20.0%	19.2%	20.3%
GM trucks	26.2%	27.9%	26.0%	27.1%

(1) Production volume represents the number of vehicles manufactured from GM's assembly facilities, and also includes vehicles produced by joint ventures.

(2) Vehicle unit sales primarily represent sales to the ultimate customer.

GMNA reported net loss from continuing operations of \$39 million for the three months ended June 30, 2007, an improvement of \$3.9 billion over the net loss from continuing operations of \$4 billion reported for the comparable period in 2006. For the six month period ending June 30, 2007, GMNA reported net loss from continuing operations of \$221 million, as compared to net loss from continuing operations of \$4.4 billion in the comparable period in 2006, an improvement of \$4.1 billion.

Total Net Sales and Revenue

Regional industry vehicle unit sales in North America were 5.3 million units during the three months ended June 30, 2007 as compared to 5.4 million units in the three months ended June 30, 2006, a decrease of 94,000 units, or 1.7% due to weakness in the economy resulting from a decline in the housing market and rising and volatile gas prices. GMNA vehicle unit sales for the three months ended June 30, 2007 were 1.2 million units as compared to

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Regional Results — (continued)

GM North America — (continued)

1.3 million units for the three months ended June 30, 2006, a decrease of 90,000 units, or 7.0% due to lower reliance on the less profitable sales to daily rental car companies and loss of retail market share as demand shifts from trucks, where GMNA has strong market share, to cars where GMNA's market share is lower. The change in vehicle unit sales volumes has decreased GMNA market share to 22.6% during the three months ended June 30, 2007 as compared to 23.9% during the three months ended June 30, 2006, a decrease of 1.3 percentage points.

Regional industry vehicle unit sales in North America were 10 million units during the six months ended June 30, 2007 as compared to 10.2 million units in the six months ended June 30, 2006, a decrease of 162,000 units, or 1.6% due to weakness in the economy resulting from a decline in the housing market and rising and volatile gas prices. GMNA vehicle unit sales for the six months ended June 30, 2007 were 2.3 million units as compared to 2.4 million units for the six months ended June 30, 2006, a decrease of 157,000 units, or 6.5% due to lower reliance on the less profitable sales to daily rental car companies and loss of market share as demand shifts from trucks, where GMNA has strong market share, to cars where GMNA's market share is lower. The change in vehicle unit sales volumes decreased GMNA market share to 22.6% during the six months ended June 30, 2007 as compared to 23.7% during the six months ended June 30, 2006, a decrease of 1.1 percentage points.

Net sales and revenue were \$29.6 billion during the three months ended June 30, 2007 as compared to \$30.9 billion during the three months ended June 30, 2006, a decrease of \$1.3 billion, or 4.1%. The decrease in revenue was due to a decline in volumes, which was partially offset by favorable content mix on those units sold, primarily on the recently launched full size pick-ups.

Net sales and revenue were \$57.5 billion during the six months ended June 30, 2007 as compared to \$61.2 billion during the six months ended June 30, 2006, a decrease of \$3.7 billion, or 5.9%. The decrease in revenue was due to a decline in volumes, which was partially offset by favorable mix of vehicles sold as well as favorable content on those units sold, primarily on the recently launched full size pick-ups.

Automotive Cost of Sales

Automotive cost of sales was \$27.5 billion during the three months ended June 30, 2007 as compared to \$34.5 billion during the three months ended June 30, 2006, a decrease of \$7 billion or 20.5%. The decrease in Automotive cost of sales was primarily due to higher restructuring and impairment charges taken in the second quarter of 2006 than in 2007: these include charges of \$6.5 billion related to the UAW Special Attrition Program in 2006; vehicle line impairment charges of \$.3 billion recorded in the second quarter of 2006 as compared to \$.1 billion recorded in 2007; and net decreases of \$.9 billion in 2006 compared to increases in closed plants liabilities of \$.1 billion in 2007. In the second quarter of 2007, lower production volumes partially offset by production of higher costing vehicles accounted for an additional net favorable impact of \$1.6 billion. Also contributing favorably were savings on retiree pension/OPEB of \$.8 billion, primarily due to GM's UAW Health Care Settlement Agreement, as well as manufacturing savings of approximately \$.3 billion from lower hourly headcount levels driven by the UAW Attrition Program. Partially offsetting these favorable variances were higher material costs (\$.3 billion), and higher warranty related costs, primarily related to favorable reserve adjustments made in the second quarter of 2006 (\$.7 billion). Automotive cost of sales as a percentage of net sales and revenues was 92.8% during the three months ended June 30, 2007 as compared to 112% during the three months ended June 30, 2006.

Automotive cost of sales was \$53.2 billion during the six months ended June 30, 2007 as compared to \$62.8 billion during the six months ended June 30, 2006, a decrease of \$9.6 billion or 15.2%. The decrease in Automotive cost of sales was primarily due to \$5.9 billion higher restructuring and impairment charges taken in the first six months of 2006 compared to the same period in 2007: UAW Attrition Program expenses of \$6.5 billion in the second quarter of 2006, impairment charges of \$.3 billion in the second quarter of 2006, and net reductions in the closed plant liabilities totaling \$.9 billion in the second quarter of 2006. These compare to charges in 2007 related to

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM North America — (concluded)

vehicle line impairments of \$.1 billion. Lower production volumes partially offset by production of higher costing vehicles accounted for an additional net favorable impact of \$3.2 billion. Also contributing favorably were savings on retiree pension/OPEB of \$1.6 billion, primarily due to the UAW Health Care Settlement Agreement, as well as manufacturing savings of \$1 billion from lower hourly headcount levels driven by the UAW Attrition Program. Partially offsetting these favorable variances were higher material costs (\$.5 billion) and higher warranty related costs (\$.8 billion). Automotive cost of sales as a percentage of net sales and revenues was 92.5% during the six months ended June 30, 2007 as compared to 102.6% during the six months ended June 30, 2006.

Selling, General, and Administrative Expense

Selling, general, and administrative expense was \$1.8 billion during the three months ended June 30, 2007 as compared to \$2 billion during the three months ended June 30, 2006, a decrease of \$.2 billion or 10.3%. The decrease in Selling, general, and administrative expense was due to a reduction across the board in spending, as well as the impact of a reduction in the product liability reserve of \$.2 billion in the second quarter of 2007 as compared to the reduction in the prior year of \$.1 billion.

Selling, general, and administrative expense was \$3.8 billion during the six months ended June 30, 2007 as compared to \$4.2 billion during the six months ended June 30, 2006, a decrease of \$.4 billion or 8.7%. The decrease in Selling, general, and administrative expenses was due to higher than normal advertising spending in the first quarter of 2006 to promote the vehicle price repositioning initiative, called "Total Value Promise," which reduced selling prices and reduced the use and amount of retail incentives in North American operations, a reduction across the board in spending in 2007, as well as the impact of a reduction in the product liability reserve of \$.2 billion in the second quarter of 2007 as compared to the reduction in the prior year of \$.1 billion.

Net Income from Discontinued Operations

During the second quarter of 2007, GM announced it had reached an agreement to sell the commercial and military business of our Allison Transmission division. As such, income from this operation has been reclassified to discontinued operations for the current period as well as prior periods.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM Europe

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Total net sales and revenue	\$ 9,558	\$ 8,740	\$ 18,043	\$ 16,795
Automotive cost of sales	8,548	8,178	16,333	15,507
Selling, general, and administrative expense	670	584	1,332	1,173
Operating income (loss)	340	(22)	378	115
Automotive interest and other income (expense)	(28)	(32)	(64)	(77)
Income (loss) before income taxes, other equity income and minority interests	312	(54)	314	38
Income tax expense (benefit)	98	(9)	97	26
Equity income and minority interests, net of tax	3	6	5	8
Net income (loss)	<u>\$ 217</u>	<u>\$ (39)</u>	<u>\$ 222</u>	<u>\$ 20</u>
Net margin	2.3%	(.4)%	1.2%	.1%

	(Volume in thousands)			
Production volume(1)	464	495	975	989
Vehicle unit sales(2)				
Industry	6,054	5,949	11,759	11,520
GM	574	548	1,128	1,071
GM as percentage of industry	9.5%	9.2%	9.6%	9.3%
GM market share — Germany	9.2%	10.2%	9.6%	10.2%
GM market share — United Kingdom	15.9%	15.2%	15.4%	14.8%

- (1) Production volume represents the number of vehicles manufactured from GM's assembly facilities, and also includes vehicles produced by joint ventures.
- (2) Vehicle unit sales primarily represent sales to the ultimate customer.

GM Europe reported net income of \$217 million for the three months ended June 30, 2007, compared to a net loss of \$39 million for the three months ended June 30, 2006, an increase of \$256 million. For the six months ended June 30, 2007, GM Europe reported net income of \$222 million, compared to net income of \$20 million in the six months ended June 30, 2006, an increase of \$202 million.

Regional Industry Vehicle Unit Sales

During the three months ended June 30, 2007, regional industry vehicle unit sales in GM Europe were 6.1 million, compared to 5.9 million in the three months ended June 30, 2006, an increase of 105,000 vehicles, or 1.8%. Industry vehicle unit sales growth in the region was led by a 136,000 vehicle, or 24.8% increase in Russia, primarily in addition to increases in Italy, Poland, the Ukraine, and various markets in southeastern Europe. These improvements were partially offset by a 79,000 vehicle, or 7.8% decrease in Germany, primarily in addition to decreases in France and Turkey.

During the six months ended June 30, 2007, regional industry vehicle unit sales in GM Europe were 11.8 million, compared to 11.5 million in the six months ended June 30, 2006, an increase of 239,000 vehicles, or 2.1%. Industry vehicle unit sales growth in the region was led by a 248,000 vehicle, or 26.5% increase in Russia, primarily in addition to increases in Italy, Poland, the Ukraine, and various markets in southeastern Europe. These

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Regional Results — (continued)

GM Europe — (continued)

improvements were partially offset by a 153,000 vehicle, or 8.1% decrease in Germany, primarily in addition to decreases in France and Turkey.

Total Net Sales and Revenue

Net sales and revenue was \$9.6 billion during the three months ended June 30, 2007, compared to \$8.7 billion during the three months ended June 30, 2006, an increase of \$.9 billion, or 9.4%. This increase was primarily driven by a \$.6 billion increase due to the impact of foreign exchange rates, primarily the strengthening of the Euro, British Pound and Swedish Krona versus the U.S. Dollar, a \$.2 billion increase due to improvements in pricing associated with the introduction of new models, primarily the Corsa, partially offset by a \$.2 billion decrease due to lower wholesale sales volume. In line with the industry trends noted above, the most significant decrease in wholesale volume was experienced in Germany, where sales were down 24,000 units, or 24.2%. This impact was partially offset by a substantial increase in Russia, where sales were up 14,000 units, or 241.1%.

Net sales and revenue was \$18 billion during the six months ended June 30, 2007, compared to \$16.8 billion during the six months ended June 30, 2006, an increase of \$1.2 billion, or 7.4%. This increase was primarily driven by a \$1.3 billion increase due to the impact of foreign exchange rates, a \$.3 billion increase due to improvements in pricing associated with the introduction of new models, primarily the Corsa, partially offset by a \$.5 billion decrease due to lower wholesale sales volume. In line with the industry trends noted above, the most significant decrease in wholesale volume was experienced in Germany, where sales were down 39,000 units, or 21%. This impact was partially offset by a substantial increase in Russia, where sales were up 20,000 units, or 236%. In addition, vehicle mix caused a \$.1 billion unfavorable impact, as the favorable effect of higher Antara and Astra Twintop volume was more than offset by the unfavorable effect of lower Zafira and higher Corsa volume.

Automotive Cost of Sales

Automotive cost of sales was \$8.5 billion in the three months ended June 30, 2007, compared to \$8.2 billion during the three months ended June 30, 2006, an increase of \$.3 billion, or 4.5%. This increase was primarily driven by a \$.6 billion increase due to the impact of foreign exchange rates, and a \$.2 billion increase due to unfavorable vehicle and country mix, primarily as a result of higher freight and duties associated with vehicles imported into Russia and from Korea, partially offset by \$.2 billion lower separation and impairment charges and a \$.2 billion decrease due to lower wholesale sales volume. Automotive cost of sales as a percentage of net sales and revenue was 89.4% for the three months ended June 30, 2007, compared to 93.6% for the three months ended June 30, 2006.

Automotive cost of sales was \$16.3 billion in the six months ended June 30, 2007, compared to \$15.5 billion during the six months ended June 30, 2006, an increase of \$.8 billion, or 5.3%. This increase was primarily driven by a \$1.3 billion increase due to the impact of foreign exchange rates, and a \$.2 billion increase due to unfavorable vehicle and country mix, primarily as a result of higher freight and duties associated with vehicles imported into Russia and from Korea, partially offset by \$.3 billion lower separation and impairment charges and a \$.4 billion decrease due to lower wholesale sales volume. Automotive cost of sales as a percentage of net sales and revenue was 90.5% for the six months ended June 30, 2007, compared to 92.3% for the six months ended June 30, 2006.

Selling, General, and Administrative Expense

Selling, general, and administrative expense was \$.7 billion during the three months ended June 30, 2007, compared to \$.6 billion during the three months ended June 30, 2006, an increase of \$.1 billion, or 14.7%. This increase was primarily due to the impact of foreign exchange rates.

Selling, general, and administrative expense was \$1.3 billion during the six months ended June 30, 2007, compared to \$1.2 billion during the six months ended June 30, 2006, an increase of \$.1 billion, or 13.6%. This increase was primarily due to the impact of foreign exchange rates.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM Latin America/Africa/Mid–East (LAAM) Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Total net sales and revenue	\$ 4,330	\$ 3,829	\$ 7,903	\$ 6,990
Automotive cost of sales	3,847	3,442	7,004	6,354
Selling, general, and administrative expense	297	183	474	334
Operating income	186	204	425	302
Automotive interest and other income (expense)	109	(36)	125	(36)
Income before income taxes, other equity income and minority interests	295	168	550	266
Income tax expense	83	28	136	85
Equity income (loss) and minority interests, net of tax	1	(1)	—	(2)
Net income	<u>\$ 213</u>	<u>\$ 139</u>	<u>\$ 414</u>	<u>\$ 179</u>
Net margin	4.9%	3.6%	5.2%	2.6%

	(Volume in thousands)			
Production volume(1)	233	206	455	400
Vehicle Unit Sales(2)				
Industry	1,723	1,462	3,345	2,897
GM	293	245	564	475
GM as% of industry	17.0%	16.8%	16.9%	16.4%
GM market share — Brazil	20.1%	21.6%	20.1%	21.5%

- (1) Production volume represents the number of vehicles manufactured from GM’s assembly facilities, and also includes vehicles produced by joint ventures.
 (2) Vehicle unit sales primarily represent sales to the ultimate customer.

GMLAAM reported net income of \$213 million and \$139 million for the three months ended June 30, 2007 and 2006 respectively, an increase of \$74 million or 53.2%. For the six months ended June 30, 2007 and 2006, GMLAAM reported net income of \$414 million and \$179 million respectively, an increase of \$235 million or 131.3%.

Regional Vehicle Sales

Regional industry vehicle unit sales in GMLAAM were 1.7 million units for the three months ended June 30, 2007 as compared to 1.5 million units for the comparable period in 2006, an increase of 261,000 units, or 17.9%. Strong growth throughout the region contributed to this increase.

GMLAAM vehicle unit sales for the three months ended June 30, 2007 were 293,000 units as compared to 245,000 units for the comparable period in 2006, an increase of 48,000 units, or 19.6%. GMLAAM vehicle sales growth was strong in most countries throughout the region. The change in vehicle unit sales volumes has increased GMLAAM market share to 17% during the three months ended June 30, 2007 as compared to 16.8% during the three months ended June 30, 2006, an increase of .2 percentage points.

Regional industry vehicle unit sales in GMLAAM were 3.3 million units during the six months ended June 30, 2007 as compared to 2.9 million units in the six months ended June 30, 2006, an increase of 448,000 units, or 15.5%. Industry vehicle sales growth in GMLAAM was strong throughout the region.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Regional Results — (continued)

GM Latin America/Africa/Mid-East (LAAM) Operations — (continued)

GMLAAM vehicle unit sales for the six months ended June 30, 2007 were 564,000 units as compared to 475,000 units for the six months ended June 30, 2006, an increase of 89,000 units, or 18.7%. GMLAAM vehicle sales growth was strong throughout the region. The change in vehicle unit sales volumes has increased GMLAAM market share to 16.9% during the six months ended June 30, 2007 as compared to 16.4% during the six months ended June 30, 2006.

Total Net Sales and Revenue

Net sales and revenue were \$4.3 billion and \$3.8 billion for the three months ended June 30, 2007 and 2006, respectively, an increase of \$.5 billion or 13.1%. \$.5 billion of the increase in revenue was primarily due to increased volumes across most GMLAAM business units, including increased revenues in Venezuela, Brazil and Colombia offset by a decrease in the Middle East. Favorable vehicle pricing increased revenue by \$.1 billion, and favorable foreign currency exchange primarily related to the Brazilian Real and Columbian Peso increased revenue by \$.1 billion. These factors were offset by the unfavorable impact of the product mix in GM's vehicle portfolio, which reduced revenue by \$.2 billion.

Net sales and revenue were \$7.9 billion and \$7 billion for the three months ended June 30, 2007 and 2006, respectively, an increase of \$.9 billion or 13.1%. \$.9 billion of the increase in revenue was primarily due to increased volumes across most GMLAAM business units, including increased revenues in Venezuela, Brazil and Colombia offset by a decrease in the Middle East. Favorable vehicle pricing increased revenue by \$.2 billion, and favorable foreign currency exchange increased revenue by \$.1 billion. These factors were partially offset by the unfavorable impact of the product mix in GM's vehicle portfolio, which reduced revenue by \$.3 billion.

Automotive Cost of Sales

Automotive cost of sales was \$3.8 billion and \$3.4 billion during the three months ended June 30, 2007 and 2006, respectively, an increase of \$.4 billion or 11.8%. The increase in Automotive cost of sales is primarily due to the higher vehicle sales volume which had an impact of \$.4 billion, higher content cost of \$.1 billion and the impact of unfavorable foreign currency exchange rates of \$.1 billion offset by favorable product mix of \$.2 billion. Automotive cost of sales as a percentage of net sales and revenues was 88.8% during the three months ended June 30, 2007 as compared to 89.0% during the three months ended June 30, 2006.

For the six months ended June 30, 2007 and 2006, LAAM reported automotive cost of sales of \$7 billion and \$6.4 billion, respectively, an increase of \$.6 billion or 10.2%. The increase in Automotive cost of sales is primarily due to the higher vehicle sales volume which had an impact of \$.7 billion, higher content cost of \$.1 billion and the impact of unfavorable foreign currency exchange rates of \$.2 billion offset by favorable product mix of \$.3 billion. Automotive cost of sales as a percentage of net sales and revenues was 88.6% during the six months ended June 30, 2007 as compared to 90.9% during the six months ended June 30, 2006.

Selling, General, and Administrative Expense

Selling, general, and administrative expense was \$297 million during the three months ended June 30, 2007, as compared to \$183 million for the comparable 2006 period, an increase of \$114 million or 62.3%. The increase in Selling, general, and administrative expense is primarily due to a \$66 million charge recorded by GM do Brasil during the second quarter of 2007 for additional retirement benefits under a government sponsored pension plan. The remainder of the increase, \$48 million, is attributed primarily to increased marketing expense throughout the region.

Selling, general, and administrative expense was \$474 million during the six months ended June 30, 2007, as compared to \$334 million for the comparable 2006 period, an increase of \$140 million or 41.9%. The increase in Selling, general, and administrative expense is also primarily due to the additional retirement benefit recorded at

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM Latin America/Africa/Mid-East (LAAM) Operations — (concluded)

GM do Brasil mentioned above along with increased administrative and marketing expenses of \$74 million throughout the region in support of the higher volume levels.

Automotive Interest and Other Income (Expense)

Automotive interest and other income (expense) was \$109 million during the three months ended June 30, 2007 as compared to an expense of (\$36) million for the comparable 2006 period, an increase of \$145 million. This increase was primarily driven by a gain of \$87 million recorded at GM do Brazil in the second quarter of 2007 associated with the recovery of previously overpaid employee taxes and benefits. Also during the second quarter of 2007, GM do Brasil reversed a previously established tax reserve for \$34 million associated with duties, federal excise tax and related matters which were no longer required.

During the second quarter of 2007, GM do Brasil recorded a \$43 million charge for potential taxes and related matters concerning improperly registered material included in consignment contracts. This amount represents the low end of the range of potential additional taxes and fines that may be assessed. The range of possible fines based on information available is from \$43 million to \$450 million. GM do Brasil is providing documentation to the tax authorities that may reduce the fines that will eventually be paid.

Automotive interest and other income (expense) was \$125 million during the six months ended June 30, 2007 as compared to an expense of (\$36) million for the comparable 2006 period, an increase of \$161 million. This increase was primarily attributed to the items mentioned above.

Income Tax Expense (Benefit)

Income tax expense was \$83 million during the three months ended June 30, 2007 as compared to \$28 million for the comparable 2006 period, an increase of \$55 million. This increase was primarily driven by higher pre-tax income across most GMLAAM business units, especially GM do Brasil and GM Venezolana. This increase was partially offset by the tax benefit of interest on equity transactions executed at GM do Brasil during the second quarter of 2007, which are treated as dividends for U.S. GAAP reporting purposes, and therefore yield a current tax benefit of \$14 million.

Income tax expense was \$136 million during the six months ended June 30, 2007 as compared to \$85 million for the comparable 2006 period, an increase of \$51 million. This increase was primarily attributed to increased pre-tax income mentioned above.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM Asia Pacific

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Total net sales and revenue	\$ 5,446	\$ 3,782	\$ 10,005	\$ 7,168
Automotive cost of sales	4,818	3,443	8,978	6,410
Selling, general, and administrative expense	354	257	667	529
Operating income	274	82	360	229
Automotive interest and other income (expense)	8	310	16	844
Income before income taxes, other equity income and minority interests	282	392	376	1,073
Income tax expense	53	104	80	356
Equity income (loss) and minority interests, net of tax	(2)	88	47	151
Net income	<u>\$ 227</u>	<u>\$ 376</u>	<u>\$ 343</u>	<u>\$ 868</u>
Net margin	4.2%	9.9%	3.4%	12.1%

	(Volume in thousands)			
Production volume(1)(4)	571	482	1,115	954
Vehicle unit sales(2)(3)(5)				
Industry	5,063	4,629	10,464	9,714
GM	338	312	726	635
GM as a percentage of industry	6.7%	6.7%	6.9%	6.5%
GM market share — Australia	14.5%	14.7%	14.7%	15.6%
GM market share — China(3)	10.8%	12.3%	12.3%	12.9%

- (1) Includes GM Daewoo Auto & Technology Co., Ltd., Shanghai General Motors Co., Ltd., and SAIC–GM–Wuling Automobile Co., Ltd. joint venture production
- (2) Includes GM Daewoo Auto & Technology Co., Ltd., Shanghai General Motors Co., Ltd., and SAIC–GM–Wuling Automobile Co., Ltd. joint venture sales
- (3) Includes SAIC–GM–Wuling Automobile Co., Ltd. joint venture sales.
- (4) Production volume represents the number of vehicles manufactured from GM’s assembly facilities, and also includes vehicles produced by joint ventures.
- (5) Vehicle unit sales primarily represent sales to the ultimate customer.

GMAP reported net income of \$227 million and \$376 million for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, GMAP reported net income of \$343 million and \$868 million, respectively, a decrease of \$525 million, or 60.5% due to the gains realized in 2006 as a result of sale of GM’s Suzuki and Isuzu Investments.

Regional Vehicle Sales

Industry vehicle unit sales in the Asia Pacific region increased 9% during the three months ended June 30, 2007, to 5.1 million units, compared to 4.6 million units during the three months ended June 30, 2006. This result reflects strong growth in China, where industry vehicle unit sales increased 23% to 2.2 million units during the three months ended June 30, 2007 from 1.8 million units during the three months ended June 30, 2006. Industry vehicle

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
GM Automotive Regional Results — (continued)

GM Asia Pacific — (continued)

unit sales in the Asia Pacific region increased 7.7% during the six months ended June 30, 2007, to 10.5 million units, compared to 9.7 million units during the six months ended June 30, 2006. This result reflects strong growth in China, where industry vehicle unit sales increased 22% to 4.3 million units during the six months ended June 30, 2007 from 3.5 million units during the six months ended June 30, 2006. Following a record year in 2006, China's vehicle market has remained strong in 2007, and GM continues to capitalize on the demand in the China passenger car and light commercial vehicle markets.

GMAP increased its vehicle unit sales in the Asia Pacific region by 8% during the three months ended June 30, 2007, to 338,000 units, from 312,000 units during the three months ended June 30, 2006. GMAP increased its vehicle unit sales in the Asia Pacific region by 14.3% during the six months ended June 30, 2007, to 726,000 units, from 635,000 units during the six months ended June 30, 2006. GMAP's sales in China accounted for 234,000 units sold during the three months ended June 30, 2007, and 523,000 units sold during the six months ended June 30, 2007. GMAP's sales in China increased 6% during the three months ended June 30, 2007, from the comparable prior year period, and increased 16% during the six months ended June 30, 2007, from the comparable prior year period. China sales represent 69% and 72% of total GM sales in the Asia Pacific region for the three and six months ended June 30, 2007, respectively. GMAP's second quarter 2007 market share remained unchanged from the second quarter of 2006 at 6.7%, and GMAP's first half 2007 market share increased 0.4 percentage points relative to the first half of 2006. Relative to the second quarter and first half of 2006, GMAP gained market share in India and South Korea, and lost market share in China, Australia, and Thailand. Market share gains in India were supported by the addition of the Aveo and Spark to the vehicle portfolio. Although GM reported record sales in China in the first half of 2007, market share deteriorated due to continued robust industry growth. GM Holden's market share in Australia deteriorated due to a reduction in the share of the upper-medium segment, relative to the total industry.

Total Net Sales and Revenue

GMAP revenue grew \$1.6 billion, or 44.0%, to \$5.4 billion during the three months ended June 30, 2007, compared to \$3.8 billion during the three months ended June 30, 2006. The revenue growth was primarily due to an 8.1% increase in GMAP domestic unit sales, a 37.4% increase in GM Daewoo Auto & Technology Co., Ltd. (GM Daewoo) export unit sales to a diverse global customer base primarily driven by Captiva/Winstrom launch, and favorable pricing and product mix at Holden of \$.2 billion due to the VE Commodore in the third quarter of 2006. Favorable vehicle mix increased revenue by \$118 million, while favorable foreign currency exchange rates, primarily related to the Australian dollar increased revenue by \$65 million.

GMAP revenue grew 39.6% to \$10 billion during the six months ended June 30, 2007, compared to \$7.2 billion during the six months ended June 30, 2006, driven by factors similar to those which drove year-over-year second quarter revenue growth.

Automotive Cost of Sales

Automotive cost of sales increased by \$1.4 billion or 39.9% to \$4.8 billion during the three months ended June 30, 2007 compared to \$3.4 billion during the three months ended June 30, 2006. This is primarily due to a 36% export unit volume increase at GM Daewoo during the three months ended June 30, 2007, relative to the comparable period in 2006. Automotive cost of sales as a percentage of net sales and revenues was 88.5% during the three months ended June 30, 2007 as compared to 91% in the second quarter of 2006.

Automotive cost of sales increased by 40.1% to \$9 billion during the six months ended June 30, 2007 compared to \$6.4 billion during the six months ended June 30, 2006. This is primarily due to a 32% vehicle unit volume increase at GM Daewoo during the six months ended June 30, 2007, relative to the comparable period in 2006. Automotive cost of sales as a percentage of net sales and revenues was 89.7% during the six months ended June 30, 2007 as compared to 89.4% in the first half of 2006.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive Regional Results — (continued)

GM Asia Pacific — (concluded)

In the three months ended June 30, 2007, GMAP recognized separation costs of \$8 million related to restructuring activities at GM Holden, and impairment charges of \$5 million related to the write-down of product-specific assets at GM Holden. In the six months ended June 30, 2007, GMAP additionally recognized separation costs of \$40 million related to restructuring activities at GM Holden and impairment charges of \$9 million related to the write-down of product-specific assets at GM Holden.

Selling, General, and Administrative Expense

Selling, general, and administrative expenses increased by \$.1 billion in the three and six month periods ended June 30, 2007 as compared to the three and six month periods ended June 30, 2006 due to higher advertising, sales promotion, and administrative expenses which supported higher vehicle unit sales.

Automotive Interest and Other Income (Expense)

Automotive interest and other income (expense) in the three months ended June 30, 2006 included a \$311 million gain from the sale of approximately 90 million shares of Isuzu Motors Limited. Automotive interest and other income (expense) in the six months ended June 30, 2006 included a \$666 million gain related to the sale of 85% of GM's investment in Suzuki.

Corporate and Other

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Total net sales and revenue	\$ 22	\$ (52)	\$ 45	\$ (99)
Automotive cost of sales	24	141	113	344
Selling, general, and administrative expenses	159	177	326	384
Other expense	575	157	575	303
Operating loss	(736)	(527)	(969)	(1,130)
Automotive interest and other income (expense)	157	101	181	193
Loss before income taxes, other equity income and minority interests	(579)	(426)	(788)	(937)
Income tax benefit	(549)	(307)	(666)	(628)
Net loss	<u>\$ (30)</u>	<u>\$ (119)</u>	<u>\$ (122)</u>	<u>\$ (309)</u>

The net sales and revenue line primarily reflects prior year eliminations between our automotive business and GMAC. The remainder is associated with our corporate leasing activities.

Corporate and Other includes certain centrally managed costs such as interest and tax reserves, corporate expenditures, the elimination of intersegment transactions, and costs related to pension and postretirement benefits for Delphi and other retirees of divested businesses for which GM has retained responsibility. These costs declined by \$135 million and \$289 million for the three and six months ended June 30, 2007, respectively, compared to the same periods in the prior year. These declines are distributed between Automotive cost of sales and Selling, general, and administrative expenses, with a \$117 million decline in Automotive cost of sales and a \$18 million in Selling, general, and administrative expenses in second quarter of 2007 and \$231 million in Automotive cost of sales and \$58 million in Selling, general, and administrative expenses for the year to date. The declines are primarily due to

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Corporate and Other — (continued)

the UAW Health Care Settlement Agreement, the U.S. salaried workforce's increased participation in the cost of health care, and capping GM's contributions to salaried retiree health care at the level of 2006 expenditures.

Other expense of \$575 million for the three and six months ended June 30, 2007 relates to a charge associated with GM's support of the bankruptcy and reorganization of Delphi. This charge consists of incremental Delphi retiree health care costs, reimbursement of labor costs at certain Delphi facilities, and reimbursement of certain pension obligations for Delphi employees. For a further discussion refer to "Delphi Bankruptcy" discussed in Note 9

For the three and six months ended June 30, 2006, respectively, Other expense of \$157 million and \$303 million relates intersegment eliminations.

The net tax benefits recognized in Corporate and Other for the three and six months ended June 30, 2007 increased by \$242 million and \$38 million compared to the same period in the prior year. As discussed in Note 10, GM adopted FIN 48 as of January 1, 2007. All adjustments related to FIN 48 are recorded in the Corporate and Other segment. The higher tax benefit in the three months ended June 30, 2007 is primarily the result of uncertain tax positions now deemed more-likely-than-not to be realized and the benefit associated with the Delphi charge discussed above.

FIO Operations Financial Review

GM's FIO business included the operating results of GMAC's lines of businesses consisting of Automotive Finance Operations, Mortgage Operations; Insurance, and Other, which includes GMAC's Commercial Finance business and GMAC's equity investment in Capmark (previously known as GMAC Commercial Mortgage). On November 30, 2006, GM sold a 51% controlling interest in GMAC to FIM Holdings LLC (FIM Holdings). GM's remaining interest in GMAC is accounted for using the equity method. Also included in FIO is "Other Financing" which includes financing entities that are not consolidated by GMAC as well as two special purpose entities holding automotive leases previously owned by GMAC and its affiliates that were transferred to GM as part of the GMAC Transaction in November 2006. Therefore, for the three and six months ended June 30, 2007, FIO's operations primarily reflects its 49% share of the operating results of GMAC LLC as compared to the operating results of GMAC LLC fully consolidated for the comparable 2006 period.

FIO had a net income of \$196 million and \$100 million for the three months ended June 30, 2007 and 2006, respectively, and net income of \$110 million and \$597 million for the six months ended June 30, 2007 and 2006, respectively.

GMAC LLC reported net income available to members of \$240 million and a net loss of \$(116) million during the three and six months ended June 30, 2007, as compared to net income of \$787 million and \$1,283 million for the comparable periods of 2006. Included in FIO's "Other Financing" is \$57 million and \$86 million for three and six months ended June 30, 2007 respectively, of net income relating to the two special purpose entities holding outstanding leases previously owned by GMAC which would have been included in GMAC's net income in the prior year.

GMAC net income for the three and six months ended June 30, 2007 reflects strong earnings in the global automotive finance and insurance businesses which offset losses in the Mortgage business, which continued to be adversely affected by a decline in the residential housing market and deterioration in the nonprime securitization market in the United States.

Automotive Finance Operations benefited in the three months and six months ended June 30, 2007, due to strong lease residuals, stable credit performance, and increases in servicing income. These results reflect improved margins in North America and continued margin pressure overseas.

Mortgage earnings decreased significantly in the three months and six months ended June 30, 2007 compared to same period in 2006. The 2007 results continue to be adversely affected by domestic economic conditions, which include increases in nonprime delinquencies, a significant deterioration in the nonprime securitization market, and

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Corporate and Other — (concluded)

FIO Operations Financial Review — (concluded)

instability in the residential housing market. Insurance Operations increased in the three months and six months ended June 30, 2007, due to favorable underwriting results primarily driven by lower losses and loss adjustment expenses, which were partially offset by unfavorable acquisition and underwriting expenses and lower realized capital gains.

Key Factors Affecting Future and Current Results

The following discussion identifies the key factors, known events, and trends that could affect our future results:

Turnaround Plan

Our top priorities continue to be improving our business in North America and achieving global competitiveness in an increasingly global environment, thus positioning GM for sustained profitability and growth in the long term, while maintaining strong liquidity at the same time. GM has been systematically and aggressively implementing its turnaround plan for GMNA's business to return the operations to profitability and positive cash flow as soon as possible. Our turnaround plan for GMNA is built on four elements: achieving and sustaining product excellence; revitalizing sales and marketing strategy; accelerating cost reductions and quality improvements; and addressing health care/legacy cost burden.

The following update describes what we have done so far to achieve these elements:

Product Excellence. GM continues to focus significant attention on maintaining consistent product freshness by introducing new vehicles and reducing the average vehicle lifecycle. In 2007 we expect that approximately 40% of GMNA's retail sales will come from vehicles launched within the prior 18 months. GM expects its total capital expenditures going forward to be in the \$8 billion range in 2007 and 2008. GMNA is also allocating capital and engineering to support more fuel-efficient vehicles, including hybrid vehicles in the United States, and is increasing production of active fuel management engines and six-speed transmissions. In addition, GM is undertaking a major initiative in alternative fuels through sustainable technologies such as E85 Flex Fuel vehicles, which run on gasoline, ethanol, or any combination of the two fuels.

Revitalize Sales and Marketing Strategy. GM is pursuing a revised sales and marketing strategy by focusing on clearly differentiating our brands, optimizing our distribution network, growing in key metropolitan markets, and re-focusing our marketing efforts on the strength and value of our products. In January 2006, GM significantly lowered manufacturer's suggested retail prices on vehicles that accounted for approximately 80% of its 2006 model year automotive sales volume. GM's promotion strategy now emphasizes its brands and vehicles, rather than price incentives. In addition, GM has begun increasing advertising in support of new products and specific marketing initiatives to improve GM's sales performance in key under-developed states. GM's pricing strategy, improved quality, and product execution, reduced sales to daily rental fleets, as well as a strong market for used vehicles, resulted in higher residual values on GM's cars and trucks. For 2007, GM is continuing to focus on consistent alignment of its dealers, particularly among Buick, Pontiac, and GMC dealers, improved retail performance in key metropolitan markets, and further reductions in sales to daily rental companies.

Accelerate Cost Reductions and Quality Improvements. Since our November 2005 announcement of our strategy to reduce structural costs in the manufacturing area, GM has introduced a variety of initiatives to accomplish that strategy. In 2007, we are on track to realize the \$9 billion average annual structural-cost savings target versus 2005 in our GMNA and Corporate and Other segments. GM realized \$6.8 billion in structural cost reductions in North America during 2006, exceeding the \$4 billion of structural cost reductions estimated for 2006 in GM's 2005 Annual Report on Form 10-K. This improvement is due largely to the success of the attrition programs, including the effect of the pension remeasurement. The expected total annual cash savings from structural cost reductions is approximately \$5 billion. In addition, GM is focusing on our long-term goal of reducing

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Key Factors Affecting Future and Current Results — (continued)

Turnaround Plan — (concluded)

our global automotive structural costs to 25% of global revenue. For 2006, global automotive structural costs were less than 30% of revenue, down from approximately 35% in 2005.

Reducing material costs remains a critical part of GMNA's overall long-term cost reduction plans, although improved performance in purchasing has been offset by higher commodity prices for steel and non-ferrous metals and support for troubled suppliers. GM continues its aggressive pursuit of material cost reductions via improvements in its global processes for product development, which will enable further commonization and application of parts among vehicle architectures, as well as through the continued use of the most competitive supply sources globally and the extensive use of benchmarking and supplier footprint optimization. By leveraging its global reach to take advantage of economies of scale in purchasing, engineering, advertising, salaried employment levels, and indirect material costs, GM seeks to continue to achieve cost reductions. GM has seen significant improvements in both warranty and other quality related costs over the past several years, which has enabled the implementation of the extended powertrain warranty. In 2007, we are continuing to focus on reducing these costs.

Address Health Care/Legacy Cost Burden. Addressing the legacy cost burden of health care for employees and retirees in the United States is one of the critical challenges facing GM. In October 2005, we announced an agreement with the UAW that reduced GM's hourly retiree health-care obligations. GM began recognizing the benefit from the UAW Health Care Settlement Agreement during the three months ended September 30, 2006. The remeasurement of the U.S. hourly OPEB plans as of March 31, 2006 generated a \$1.3 billion reduction in OPEB expense and an approximate \$14.5 billion reduction in the OPEB obligation. This reduction in expense was partially offset by the recognition of expense associated with the approximate \$3 billion related to capped benefits expected to be paid from GM contributions to the new UAW Mitigation Plan. In April 2006, GM and the International Union of Electrical Workers Communications Workers of America (IUE-CWA) also reached a tentative agreement to reduce health-care costs that is similar to the UAW Health Care Settlement Agreement, which was ratified by the IUE-CWA membership in April 2006 and received court approval in November 2006. GM is also increasing the U.S. salaried workforce's participation in the cost of health care. In February 2006, GM announced that beginning in January 2007, it would cap its contributions to salaried retiree health care at the level of its 2006 expenditures. After 2006, when average costs exceed established limits, GM will make additional plan changes that affect cost-sharing features of program coverage, effective with the start of the next calendar year. Program changes may include, but are not limited to, higher monthly contributions, deductibles, coinsurance, out-of-pocket maximums, and prescription drug payments. In October 2006, the GM board of directors approved a reduction in the levels of coverage for corporate-paid life insurance for salaried retirees. GM will continue to work with its employees, health-care providers, and the U.S. government to find solutions to the critical issues posed by the rising cost of health care. Initiatives during the six months ended June 30, 2007 included using the global purchasing process to identify more cost-effective suppliers and auditing the eligibility of plan participants as well as working with the UAW and other vehicle manufacturers to support a variety of federal legislation that would reduce employer health care costs.

Labor Negotiations

GM's current collective bargaining agreement with the UAW expires in September 2007. The negotiations present both risks and opportunities to address cost competitiveness issues.

GM recognizes the impact that any resulting labor stoppages could have on GM, its suppliers, and its dealers. If the collective bargaining agreement expires before a new agreement is reached, GM anticipates that it would attempt to persuade the UAW to support continuing its operations while negotiations continue. It is possible, however, that the expiration of the collective bargaining agreement could result in labor disruptions affecting some or all GM facilities in the United States, or the operations of some of its suppliers that employ workers represented by the UAW. A lengthy strike by the UAW that involves all or a significant portion of our manufacturing facilities in

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Key Factors Affecting Future and Current Results — (continued)

Labor Negotiations — (concluded)

the United States would have a material adverse effect on our operations and financial condition, particularly our liquidity.

Delphi Bankruptcy

General. 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 continues to assure GM that it expects no disruption in its ability to supply GM with the systems, components, and parts it needs as Delphi pursues a restructuring plan under the Chapter 11 process. Although the challenges faced by Delphi during its restructuring process could create operating and financial risks for GM, that process is also expected to present opportunities for GM. These opportunities include reducing, over the long term, the significant cost penalty GM incurs in obtaining parts from Delphi, as well as improving the quality of systems, components, and parts GM procures from Delphi.

Since the initial filing, GM has worked and will continue to work constructively with Delphi, Delphi's unions, and other participants in Delphi's Chapter 11 restructuring process. Delphi, GM, and other interested parties have negotiated certain arrangements described below (the "Proposed Plan") that we believe will provide a basis for a successful consensual resolution of Delphi's Chapter 11 proceedings. However, there can be no assurance that these proceedings will be resolved substantially on the terms of the Proposed Plan or on other consensual terms, or that GM will be able to realize any benefits as a result of Delphi's restructuring process.

Delphi's financial distress and Chapter 11 filing posed significant risks to GM for two reasons: First, GM's production operations rely on systems, components, and parts provided by Delphi, GM's largest supplier, and could be substantially disrupted if Delphi rejects its GM supply agreements or its labor agreements and thereby affects the availability or price of the required systems, components, or parts. Second, in connection with the 1999 spin-off of Delphi, GM provided limited benefit guarantees with regard to certain hourly employees who were transferred to Delphi from GM, which could be triggered in connection with the Chapter 11 proceedings.

Delphi Motions to Reject Various Contracts.

In March 2006, Delphi filed motions in Bankruptcy Court seeking authority to reject its U.S. labor agreements and modify retiree welfare benefits, and to reject certain supply contracts with GM. Hearings on these motions have been adjourned indefinitely while the parties seek a consensual resolution. Delphi's motions to reject its U.S. labor agreements have been settled as explained below. If the Proposed Plan is not successful, Delphi or one or more of its affiliates could be subject to labor disruptions or could reject or threaten to reject individual contracts with GM, either for the purpose of exiting specific lines of business or in an attempt to increase the price GM pays for certain parts and components. We believe that Delphi is likely to complete a restructuring based on the Proposed Plan, but we are seeking to minimize our risks in case the Proposed Plan is not consummated by protecting our right of setoff against the \$1.15 billion we owed to Delphi in the course of ordinary business when it made its Chapter 11 filing. However, the extent to which these obligations are covered by our right to setoff may be subject to dispute by Delphi, the creditors' committee, or Delphi's other creditors, and limitation by the court. GM cannot provide any assurance that it will be able to setoff such amounts fully or partially. To date, GM has taken setoffs of approximately \$53.6 million against that pre-petition obligation, with Delphi's agreement.

Benefit Guarantee Agreements.

In connection with the 1999 spin-off of Delphi, GM made commitments to guarantee limited pension and OPEB payments to eligible hourly employees who were transferred to Delphi from GM (Covered Employees), entering into separate agreements with the UAW, the IUE-CWA, and the United Steel Workers (Benefit Guarantee Agreements). Each Benefit Guarantee Agreement contains separate benefit guarantees relating to pension and OPEB obligations, with different triggering events under which GM could be liable if Delphi fails to provide the

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Key Factors Affecting Future and Current Results — (continued)

Delphi Bankruptcy — (continued)

corresponding benefit at the required level. Therefore, GM could incur liability under one of the guarantees (e.g., OPEB) without triggering the other guarantees (e.g., pension). In addition, with respect to pension benefits, GM's guarantee of pension benefits arises only to the extent that pension benefits provided both by Delphi (or an applicable successor) and by the Pension Benefit Guaranty Corporation fall short of the guaranteed amounts.

GM's obligations under the Benefit Guarantee Agreements have not been triggered by Delphi's Chapter 11 filing or its motions in Bankruptcy Court to reject its U.S. labor agreements and modify retiree welfare benefits. The Benefit Guarantee Agreements do not obligate GM to guarantee any benefits for Delphi retirees in excess of the corresponding benefits GM provides at the time to its own hourly retirees. Accordingly, any reduction of the benefits GM provides to its hourly retirees would reduce GM's obligations under the corresponding benefit guarantee.

A separate agreement between GM and Delphi requires Delphi to indemnify GM for any payments under the benefit guarantees to the UAW employees or retirees. Any recovery by GM under indemnity claims against Delphi, however, might be subject to partial or complete discharge in the Delphi reorganization proceeding. As a result, GM's claims for indemnity may not be paid fully or partially.

The Benefit Guarantee Agreements were originally scheduled to expire on October 18, 2007, unless triggered before then. As described below, GM has agreed to extend the expiration date of the existing Benefit Guarantee Agreement with the UAW from October 18, 2007 to December 31, 2007, and further to March 31, 2008 if approval of the Proposed Plan is being sought. Delphi has agreed to extend its agreement to indemnify GM for payments made under the Benefit Guarantee Agreement with the UAW on the same basis and for the same time period. GM has also agreed to obligations under the Benefit Guarantee Agreements with the UAW under certain circumstances described below under "Proposed Consensual Resolution — Labor MOUs".

Delphi Attrition Programs.

GM has also assumed costs related to Delphi hourly employees who participated in special attrition and buyout programs, which provided a combination of early retirement programs and other incentives to reduce hourly employment at both GM and Delphi. In 2006, 13,800 Delphi employees represented by the UAW and 6,300 Delphi employees represented by the IUE-CWA elected to participate in these attrition and buyout programs. If Delphi's bankruptcy proceedings are not resolved consensually according to the Proposed Plan, or otherwise, GM will have a pre-petition, general unsecured claim against Delphi of \$3.8 billion related to some of GM's costs under these attrition and buyout programs, \$3.5 billion of such claim would be subject to objections on any grounds other than that the claim did not arise under the terms of certain pre-existing contractual agreements between GM and Delphi.

Proposed Consensual Resolution

GM and Delphi have entered into agreements with the UAW and the IUE-CWA. In July GM also indicated its support for a new investment agreement entered into between Delphi and a group of plan investors. We believe that the arrangements contemplated by these agreements, which are described in this section, should provide a consensual basis for a plan of reorganization which would resolve the issues discussed above.

Labor MOUs. On June 22, 2007, GM, Delphi, and the UAW entered into a Memorandum of Understanding regarding Delphi's restructuring (UAW MOU), which was ratified by the UAW membership on June 28 and became effective upon bankruptcy court approval on July 19, 2007. The court order also settled Delphi's motion to reject the U.S. labor agreements with the UAW. The UAW MOU covers a number of issues including (1) an extension of the GM-UAW benefit guarantee and the related Delphi indemnity, (2) flowbacks by certain Delphi UAW employees, (3) settlement of a UAW claim against Delphi, and (4) GM support for certain specific Delphi sites.

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Key Factors Affecting Future and Current Results — (continued)

Delphi Bankruptcy — (continued)

In the UAW MOU, GM agreed to extend the expiration date of the Benefit Guarantee Agreement with the UAW from October 18, 2007 to December 31, 2007. If Delphi has commenced solicitation of acceptance of its plan of reorganization prior to December 31, 2007, but the plan has not been confirmed and substantially consummated by then, the Benefit Guarantee Agreement with the UAW would be further extended to March 31, 2008. Delphi agreed to extend its agreement to indemnify GM for payments made under the Benefit Guarantee Agreement with the UAW on the same basis and for the same time period. GM also agreed that if Delphi terminates its pension plan, ceases to provide on-going service, or fails or refuses to provide post-retirement medical benefits for certain UAW employees at any time before both (a) GM and Delphi execute a comprehensive settlement agreement resolving the financial, commercial and other matters between them (GM-Delphi Settlement Agreement) and (b) the U.S. Bankruptcy Court substantially confirms a Delphi plan of reorganization that incorporates, approves and is consistent with the GM-Delphi Settlement Agreement, the applicable provisions of the Benefit Guarantee Agreement will be triggered for those UAW employees.

GM also agreed in the UAW MOU to allow Delphi UAW employees who were on the payroll prior to October 8, 2005 to flowback to GM and be offered job opportunities at GM for purposes of OPEB under certain circumstances. GM will also permit certain Delphi UAW represented employees to flowback to GM if they agree to retire by September 1, 2007 under the retirement incentives agreed to by Delphi and the UAW in the UAW MOU, and GM will assume OPEB obligations for such retirees. With respect to the retirement incentives, buy outs, buy downs and severance payments agreed to by Delphi and the UAW in the UAW MOU, GM's financial contribution for such payments will be covered in the GM-Delphi Settlement Agreement, which has not yet been finalized. GM further committed in the UAW MOU to pay \$450 million to settle a UAW claim against Delphi, which the UAW has directed GM to pay directly to the GM UAW VEBA trust. GM will be required to make this payment upon execution of the GM-Delphi Settlement Agreement and substantial confirmation of a reorganization plan for Delphi that incorporates the GM-Delphi Settlement Agreement.

In the UAW MOU, GM also agreed to make commitments to certain product programs at certain specified Delphi sites. In addition, at certain Delphi sale sites (Saginaw Steering — Saginaw, Sandusky, and Adrian) and the Delphi "Footprint" sites (Flint East, Needmore Road, and Saginaw Manufacturing), GM agreed to cause the production operations and the active and inactive Delphi UAW employees to be transferred to a third party by certain dates and under certain circumstances. Finally, GM agreed to provide a certain number of job opportunities at each of the Delphi "Footprint" sites by providing business at Flint and Needmore Road to a facility operated by GM or a third party designated by GM, either of which would operate at or near the site, and at Saginaw Manufacturing to a facility operated by a third party.

On August 5, 2007, GM entered into Memorandum of Understanding with Delphi and the IUE-CWA (IUE-CWA MOU), which provides terms that are similar to the UAW MOU with regard to establishing terms related to the consensual triggering of the Benefit Guarantee Agreement offering an additional attrition program, and continuing operations at certain Delphi sites for which GM committed to certain product programs. The IUE-CWA MOU is subject to ratification by the IUE-CWA membership and approval of the Bankruptcy Court. We expect to enter into similar agreements with other U.S. labor unions that represent Delphi hourly employees.

Delphi Reorganization. On July 7, 2007, Delphi announced the termination of the December 18, 2006 Plan Framework Support Agreement with GM and a consortium of potential investors and the related investment agreement. On July 18, Delphi announced that it would seek bankruptcy court approval of an equity purchase and commitment agreement (EPCA) with a modified investor group led by Appaloosa Management L.P., which would be supported by Delphi's Statutory Committees and GM. On August 2, 2007, the Bankruptcy Court issued an order approving the EPCA. Under the terms of the EPCA and the GM-Delphi Settlement Agreement as contemplated, GM would release claims against Delphi in exchange for \$2.7 billion in cash and an unconditional release of any alleged claims against GM by the bankruptcy estate. In addition, GM will assume up to \$2 billion but not less than \$1.5 billion of net pension obligations of Delphi, and GM will receive a note payable for the amount of the

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Key Factors Affecting Future and Current Results — (continued)

Delphi Bankruptcy — (concluded)

obligations assumed, which will be payable in cash by Delphi on market terms within 10 days after the plan of reorganization becomes effective. As with other customers, certain GM claims related to ordinary business would flow through the Chapter 11 proceedings and be satisfied by Delphi after the reorganization in the ordinary course of business.

GM Claims Against Delphi.

In July 2006, GM filed a Consolidated Proof of Claim, in accordance with the Bankruptcy Court's procedures order, setting forth GM claims (including the claims of various GM subsidiaries) against Delphi and the other debtor entities. The exact amount of GM's claims cannot be established because of the contingent nature of many of the claims involved and the fact that the validity and amount of the claims may be subject to objections from Delphi and other stakeholders, but, based on currently available data, the amount of GM's claims could be as much as \$13 billion. Although the Proof of Claim preserves GM's right to pursue recovery of its claims from Delphi, these claims would be included in the settlement of all claims under the Proposed Plan.

GM Contingent Liability.

Depending on the outcome of the current negotiations and other factors, GM believes that it is probable that it has incurred a contingent liability due to Delphi's Chapter 11 filing. Based on currently available data and ongoing discussions with Delphi and other stakeholders, GM believes that the range of the contingent exposures is approximately \$7 billion. GM currently expects under the GM-Delphi Settlement Agreement to reimburse Delphi for certain labor expenses with an initial payment of up to approximately \$500 million when it emerges from bankruptcy, and to provide annual labor-related payments between \$300 million and \$400 million and annual transitional payments of approximately \$100 million, which will be recognized in the future as incurred. GM continues to expect that the cost of these reimbursements will be more than offset in the long term by its savings from reductions to the \$2 billion price penalty it now pays Delphi annually for systems, components, and parts.

During 2006, amounts previously recorded under the benefit guarantee were reclassified to GM's OPEB liability as GM has assumed the OPEB obligation for approximately 17,800 Delphi employees who have returned back to GM to continue working or retire from GM.

GM believes that it is likely that the parties will reach a consensual resolution, so that no payments will be required under the Benefit Guarantee Agreement, except as provided for under the UAW MOU and similar agreements with other Delphi labor unions. If, however, because of unexpected events GM is required to make OPEB payments to current Delphi retirees under the Benefit Guarantee Agreements, GM would expect that such payments would be made from ongoing operating cash flow and financings and would not have a material effect on GM's cash flows in the short term. If such payments were required, however, they would be likely to increase over time and could have a material effect on GM's liquidity in coming years. (For reference, Delphi's 2006 Annual Report on Form 10-K reported that in 2006 it paid benefits of \$229 million to hourly and salaried retirees; salaried retirees are not covered under the Benefit Guarantee Agreements).

Because negotiations are not complete, the actual impact of the resolution of issues related to Delphi cannot be determined until the Bankruptcy Court's approval of a comprehensive resolution and plan of reorganization, and there can be no assurance that the parties will reach a comprehensive resolution and plan or that the Bankruptcy Court will approve such a resolution and plan, or that any resolution and plan will include the terms described above.

Investigations

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

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Key Factors Affecting Future and Current Results — (concluded)

Investigations — (concluded)

The SEC has issued subpoenas and information requests to GM in connection with various matters including restatements of its previously disclosed financial statements in connection with GM's accounting for certain foreign exchange contracts and commodities contracts, GM's financial reporting concerning pension and OPEB, certain transactions between GM and Delphi, supplier price reductions or credits, and any obligation GM may have to fund pension and OPEB costs in connection with Delphi's bankruptcy proceedings. 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, and a federal grand jury issued a subpoena in connection with supplier credits.

GM has produced documents and provided testimony in response to the SEC and federal grand jury subpoenas. GM will continue to cooperate with the SEC and federal grand jury 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 federal 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 GM securities consider cash flows of the Automotive and FIO businesses to be a relevant measure in the analysis of GM's various securities that trade in public markets. Accordingly, GM provides supplemental statements of cash flows to aid users of GM's Condensed Consolidated Financial Statements in the analysis of liquidity and capital resources.

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
Liquidity and Capital Resources — (continued)

Other Operations” line items shown in the table below. Following are such statements for the six months ended June 30, 2007 and 2006:

	<u>Automotive</u>		<u>Financing and Insurance</u>	
	<u>Six Months Ended June 30,</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(Dollars in millions)			
Net cash provided by (used in) continuing operating activities	\$ 2,983	\$ 5,068	\$ 1,044	\$ (7,457)
Net cash provided by discontinued operations	240	400	—	—
Net cash provided by (used in) operating activities	3,223	5,468	1,044	(7,457)
Cash flows from investing activities				
Expenditures for property	(2,883)	(3,128)	(1)	(135)
Investments in marketable securities, acquisitions	(1,490)	(62)	(10)	(11,518)
Investments in marketable securities, liquidations	56	1,663	5	10,246
Net change in mortgage servicing rights	—	—	—	(55)
Increase in finance receivables	—	—	—	(169)
Proceeds from sale of finance receivables	—	—	—	15,213
Proceeds from sale of business units/equity investments	—	1,968	—	8,550
Capital contribution to GMAC LLC	(1,022)	—	—	—
Operating leases, acquisitions	—	—	—	(9,135)
Operating leases, liquidations	—	—	1,613	3,411
Net investing activity with Financing and Insurance Operations	476	1,411	—	—
Investments in companies, net of cash acquired	—	(25)	—	(324)
Other	(121)	(1,031)	10	(580)
Net cash provided by (used in) continuing investing activities	(4,984)	796	1,617	15,504
Net cash used in discontinued operations	(13)	(11)	—	—
Net cash provided by (used in) investing operations	(4,997)	785	1,617	15,504
Cash flows from financing activities				
Net increase (decrease) in short-term borrowing	(272)	(331)	(2,290)	(6,853)
Borrowings of long-term debt	1,572	425	—	42,226
Repayment of long-term debt	(1,132)	(379)	—	(43,205)
Net financing activity with Automotive Operations	—	—	(476)	(1,411)
Cash dividends paid to stockholders	(283)	(283)	—	—
Other	—	—	—	1,918
Net cash used in continuing financing activities	(115)	(568)	(2,766)	(7,325)
Net cash used in discontinued operations	—	(1)	—	—
Net cash used in financing operations	(115)	(569)	(2,766)	(7,325)
Effect of exchange rate changes on cash and cash equivalents	169	73	—	98
Net transactions with Automotive/Financing Operations	(14)	(947)	14	947
Net increase (decrease) in cash and cash equivalents	(1,734)	4,810	(91)	1,767
Cash and cash equivalents reclassified as Assets Held for Sale	—	—	—	(14,458)
Cash and cash equivalents at beginning of the period	23,774	15,187	349	15,539
Cash and cash equivalents at end of the period	\$ 22,040	\$ 19,997	\$ 258	\$ 2,848

GENERAL MOTORS CORPORATION AND SUBSIDIARIES**Liquidity and Capital Resources — (continued)***Available Liquidity*

GM believes it has sufficient liquidity and financial flexibility to meet its capital requirements over the short and medium term under reasonably foreseeable circumstances. In the third quarter of 2007, we may experience unusually large demands on our liquidity resulting from events related to the expiration of the current collective bargaining agreement with the UAW so we have made preparations to have more liquidity available than usual. Over the long term, GM believes that its ability to meet its capital requirements will primarily depend on the successful execution of its turnaround plan and the return of its North American operations to profitability and positive cash flow. Automotive's available liquidity includes its cash balances, marketable securities and readily-available assets of its VEBA trusts. At June 30, 2007, Automotive's available liquidity was \$27.2 billion compared with \$26.4 billion at December 31, 2006 and \$22.9 billion at June 30, 2006. 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.

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u>
	(Dollars in billions)		
Cash and cash equivalents	\$ 22.0	\$ 23.8	\$ 20.0
Marketable securities	1.6	0.1	0.1
Readily-available assets of VEBA trusts	<u>3.6</u>	<u>2.5</u>	<u>2.8</u>
Available Liquidity	<u>\$ 27.2</u>	<u>\$ 26.4</u>	<u>\$ 22.9</u>

In addition to the \$3.6 billion of readily-available VEBA trust assets included in available liquidity, GM expects to have access to additional VEBA trust assets over time to reimburse OPEB plan costs. These additional VEBA trust assets totaled \$15.3 billion at June 30, 2007, making the total VEBA trust assets available to GM \$18.9 billion at June 30, 2007. At December 31, 2006, the total VEBA trust assets were \$17.8 billion, \$2.5 billion of which was readily-available. At June 30, 2006, the total VEBA trust assets were \$18.4 billion, \$2.8 billion of which was readily-available. The increase in the total VEBA trust assets since December 31, 2006 was due to asset returns during the year.

GM also has a \$4.6 billion standby revolving credit facility with a syndicate of banks, of which \$150 million terminates in June 2008 and \$4.5 billion terminates in July 2011. As of June 30, 2007, the availability under the revolving credit facility was \$4.6 billion. There are \$69 million of letters of credit issued under the credit facility, but no loans are currently outstanding. Under the \$4.5 billion secured facility, borrowings are limited to an amount based on the value of the underlying collateral, which consists of certain North American accounts receivable and inventory of GM, Saturn Corporation, and GM Canada, certain plants, property and equipment of GM Canada, and a pledge of 65% of the stock of the holding company for GM's indirect subsidiary GM de Mexico. 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, totaling \$1.5 billion. In the event of certain work stoppages, the secured facility would be temporarily reduced to \$3.5 billion.

As an additional source of available liquidity, GM obtained a \$4.1 billion standby revolving credit agreement with a syndicate of banks on June 22, 2007. This agreement provides additional available liquidity that GM could use for general corporate purposes, including working capital needs. The facility is secured by GM's common equity interest in GMAC and matures in June 2008. As of June 30, 2007, the availability under this facility was \$4.1 billion. There are no loans currently outstanding.

In May, 2007, GM entered into a revolving credit agreement (Agreement) expiring in June, 2008, with a lender that provides for borrowings of up to \$.5 billion. The borrowings are to be used for general corporate purposes including working capital needs. No borrowings were outstanding under this Agreement at June 30, 2007.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Liquidity and Capital Resources — (continued)

Available Liquidity — (continued)

GM also has an additional \$1.7 billion in undrawn committed facilities (including certain off-balance sheet securitization programs) with various maturities and \$.9 billion in undrawn uncommitted lines of credit. In addition, GM's consolidated affiliates with non-GM minority shareholders, primarily GM Daewoo, have a combined \$1.6 billion in undrawn committed facilities.

In May, 2007, GM issued \$1.5 billion principal amount of Series D convertible debentures due in 2009. The debentures were issued at par with interest at a rate of 1.5%, and may be converted at the option of the holder into common stock based on an initial conversion rate of .6837 shares per \$25.00 principal amount of debentures, which represents an initial conversion price of approximately \$36.57 per share. In connection with the issuance of the Series D debentures, GM purchased a hedging instrument of the convertible debentures in a private transaction. The hedge instrument is expected to reduce the potential dilution with respect to our common stock upon conversion of the Series D debentures, and effectively increases the conversion price to \$45.71 per share. The proceeds from these debentures provide additional available liquidity that GM may use for general corporate purposes, including working capital needs.

Other potential measures to strengthen available liquidity could include the sale of non-core assets, additional public or private financing transactions, and recoveries under the equity purchase and commitment agreement entered into with Delphi and the Plan Investors. In June 2007, GM announced that it had entered into an agreement to sell the commercial and military operations of our Allison Transmission business for \$5.6 billion in cash plus assumed liabilities. The transaction is expected to close in the third quarter of 2007. In connection with Delphi, the recoveries to GM under the arrangement contemplated by the equity purchase and commitment agreement and current negotiations are expected to include cash. GM anticipates that such additional liquidity, along with other currently available liquidity described above could be used in funding the turnaround plan and addressing the potential risks and contingencies described below and in our 2006 Annual Report on Form 10-K in "Risk Factors — Risks related to GM and its Automotive business."

GM believes that it is possible that issues may arise from the restatement of its prior consolidated financial statements under various other financing arrangements. These financing arrangements consist principally of obligations in connection with sale/leaseback transactions and other lease obligations (including off-balance sheet arrangements) and do not include GM's public debt indentures. In view of the restatement of its prior consolidated financial statements, GM has evaluated the effect of its restatement under these agreements, including its legal rights (such as its ability to cure) with respect to any claims that could be asserted. Based on its review, GM believes that amounts subject to possible claims of acceleration, termination or other remedies are not likely to exceed \$2.7 billion (consisting primarily of off-balance sheet arrangements), although no assurances can be given as to the likelihood, nature, or amount of any claims that may be asserted. Moreover, GM believes there may be economic or other disincentives for third parties to raise such claims to the extent they have them. Based on this review, GM reclassified \$257 million of these obligations, as of December 31, 2006, from long-term debt to short-term debt. As of June 30, 2007 the amount of such reclassified obligations was \$213 million. GM believes that it has sufficient liquidity over the short and medium term, regardless of the resolution of these matters. To date, GM has not received any claims related to these matters.

Cash Flow

The increase in available liquidity to \$27.2 billion at June 30, 2007 from \$26.4 billion at December 31, 2006 was primarily a result of positive operating cash flow (net of a \$1 billion contribution to the mitigation VEBA), an increase in readily-available VEBA trust assets of \$1.1 billion and cash flows received from Financing and Insurance operations. This increase was partially offset by capital expenditures and the \$1 billion capital contribution to GMAC.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Liquidity and Capital Resources — (continued)

For the six months ended June 30, 2007, Automotive had positive operating cash flow of \$3.2 billion on a net income of \$.8 billion, including discontinued operations. That result compares with the positive operating cash flow of \$5.5 billion and a net loss of \$3.4 billion in the comparable period of 2006. During the six months ended June 30, 2006, GM withdrew \$2 billion from its VEBA trusts to reimburse OPEB plan costs. Operating cash flow for the six month period ending June 30, 2007 was unfavorably impacted by \$.6 billion of costs related to the GMNA restructuring initiative, \$.2 billion of costs related to the GME restructuring initiative, and \$.3 billion of costs related to the Delphi special attrition programs, for which the charges were recorded in 2003 to 2006.

Capital expenditures of \$2.9 billion and \$3.1 billion were a significant use of investing cash in the six months ended June 30, 2007 and 2006, respectively. Capital expenditures were primarily made for global product programs, powertrains and tooling requirements.

On November 30, 2006, GM consummated the GMAC Transaction, in which it sold a controlling 51% interest in GMAC to FIM Holdings. Subsequently, in the first quarter of 2007, GM made a capital contribution of \$1 billion to GMAC to restore GMAC's adjusted tangible equity balance to the contractually required amount of \$14.4 billion. This capital contribution was required due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.

Debt

Automotive's total debt, including capital leases, industrial revenue bond obligations, and borrowings from GMAC at June 30, 2007 was \$39.3 billion, of which \$5.2 billion was classified as short-term or current portion of long-term debt and \$34.1 billion was classified as long-term. At December 31, 2006, total debt was \$38.7 billion, of which \$5.7 billion was short-term or current portion of long-term debt and \$33 billion was long-term. This increase in total debt was primarily a result of \$1.5 billion convertible debenture issuance on May 31, 2007 partly offset by \$1.1 billion convertible debentures that were put to GM and settled for cash on March 6, 2007. GM funded this settlement using cash flow from operations and available liquidity.

Short-term borrowing and current portion of long-term debt of \$5.1 billion includes \$1.8 billion of debt issued by GM's subsidiaries and consolidated affiliates, and \$2.7 billion of related party debt, mainly dealer wholesale floor plan financing from GMAC. GM has various debt maturities other than current of \$2.8 billion in 2008 and \$2.2 billion in 2009 and various debt maturities of \$29.8 billion thereafter. GM believes it has adequate liquidity to settle those obligations as they become due.

In order to provide financial flexibility to GM and its suppliers, GM maintains a trade payables program through GMAC Commercial Finance (GMACCF). Under the terms of the GMAC Transaction, GM will be permitted to continue administering the program through GMACCF so long as GM provides the funding of advance payments to suppliers under the program. As of May 1, 2006, GM commenced funding of the advance payments, and as a result, at June 30, 2007, there was no outstanding balance owed by GM to GMACCF under the program.

Net Liquidity

Net liquidity, calculated as cash, marketable securities, and \$3.6 billion (\$2.5 billion at December 31, 2006) of readily-available assets of the VEBA trust less the short-term borrowings and long-term debt, was a negative \$12.1 billion at June 30, 2007, compared with a negative \$12.3 billion at December 31, 2006.

Financing and Insurance Operations

Prior to the consummation of the GMAC Transaction, GMAC paid a dividend to GM of lease-related assets, having a net book value of \$4 billion and related deferred tax liabilities of \$1.8 billion. This dividend resulted in the transfer to GM 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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Liquidity and Capital Resources — (continued)

Financing and Insurance Operations — (concluded)

remains as the servicer of the securitizations. GM consolidates the bankruptcy-remote subsidiaries and the ten trusts for financial reporting purposes.

At June 30, 2007, GM had vehicles subject to operating leases of \$9.1 billion compared to \$11.8 billion at December 31, 2006, other net assets of \$1.5 billion compared to \$1.5 billion at December 31, 2006, outstanding secured debt of \$7.1 billion compared to \$9.4 billion at December 31, 2006, and net equity of \$3.6 billion compared to \$3.9 billion at December 31, 2006 associated with these bankruptcy-remote subsidiaries.

The decrease in operating leases, secured debt and net equity from December 31, 2006 is the result of the termination of some leases during the six months ended June 30, 2007 and the repayment of the related secured debt. The secured debt has recourse solely to the leased vehicles and related assets. GM continues to be obligated to the bankruptcy-remote subsidiaries for residual support payments on the leased vehicles in an amount estimated to equal \$1.3 billion at June 30, 2007 (December 31, 2006 — \$1.6 billion). However, neither the securitization investors nor the trusts have any rights to the residual support payments. GM expects the operating leases and related securitization debt to gradually amortize over the next three to four 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 GM expects to realize from the leased vehicle securitizations over the next three to four years will come from three principal sources. The first is 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. The second is cash received upon and following termination of a securitization, to the extent of remaining overcollateralization. The third is a return of the residual support payments owing from GM each month. For the six months ended June 30, 2007, the total cash flows released to these two bankruptcy-remote subsidiaries was \$418 million and from November 2006 through June 30, 2007 the total cash flows released was \$536 million.

Status of Debt Ratings

Dominion Bond Rating Services (DBRS), Fitch Ratings (Fitch), Moody's Investor Service (Moody's), and Standard & Poors (S&P) currently rate GM's credit at non-investment grade. The following table summarizes GM's credit ratings as of August 1, 2007:

Rating Agency	Senior Unsecured Debt	Outlook	Commercial Paper
DBRS	B	Negative	R-5
Fitch	B-	Negative	Withdrawn
Moody's	Caa1	Negative	Not Prime
S&P	B-	Negative	B-3

On May 14, 2007, DBRS affirmed GM's senior unsecured debt rating at 'B' with 'Negative' trend. On May 23, 2007, Fitch affirmed GM's issuer default rating at 'B' with 'Rating Watch Negative' but downgraded GM's senior unsecured debt rating to 'B-' from 'B'. On July 12, 2007 Fitch affirmed GM's issuer default rating at 'B' but removed it from 'Rating Watch Negative'. On June 7, 2007, S&P recalibrated its rating scale resulting in an upgrade to GM's secured credit rating to 'BB-' from 'B+'. As of August 1, 2007, GM's secured credit is rated at 'BB' by Fitch, 'Ba3' by Moody's and 'BB-' by S&P. For the period January 1, 2007 through August 1, 2007, DBRS and Moody's have taken no ratings action on GM's unsecured or secured debt.

While the non-investment grade ratings identified above have translated into higher borrowing costs and limited access to unsecured debt markets, these outcomes have been mitigated by actions taken by GM over the past few years to focus on increased use of liquidity sources other than institutional unsecured markets, which are not directly affected by ratings on unsecured debt, including secured funding sources and conduit facilities. Further reductions of GM's credit ratings could increase the possibility of additional terms and conditions contained in any

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Liquidity and Capital Resources — (continued)

Status of Debt Ratings — (concluded)

new or replacement financing arrangements. As a result of specific funding actions taken over the past few years, management believes that GM will continue to have access to sufficient capital to meet its ongoing funding needs over the short and medium term. Notwithstanding the foregoing, management believes that the current ratings situation and outlook increase the level of risk for achieving GM's funding strategy. In addition, the ratings situation and outlook increase the importance of successfully executing GM's plans for improvement of operating results.

Off-Balance Sheet Arrangements

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

The financial assets sold by GM consist principally of trade receivables that are part of a securitization program that GM has participated in since 2004. As part of this program, GM entered into an agreement to sell undivided interests in eligible trade receivables up to \$850 million in 2006 to a bank conduit which funds its purchases through issuance of commercial paper or via direct bank funding. The receivables under the program were sold at fair market value and were excluded from the consolidated balance sheets. The loss on the trade receivables sold is included in Automotive cost of sales and was \$1.5 million and \$8.3 million for the three months ended June 30, 2007 and 2006, respectively. The amount of receivables sold as of June 30, 2007, December 31, 2006 and June 30, 2006 was \$25 million, \$200 million and \$587 million, respectively. GM does not have a retained interest in the receivables sold, but performs collection and administrative functions. The gross amount of proceeds received from the sale of receivables under this program was \$.1 billion and \$3.2 billion for three months ended June 30, 2007 and 2006, respectively.

In addition to this securitization program, GM participates in other trade receivable securitization programs, primarily in Europe. Financing providers had a beneficial interest in GM's pool of eligible European receivables of \$.1 billion as of June 30, 2007, December 31, 2006 and June 30, 2006, related to those securitization programs.

GM leases real estate and equipment from various off-balance sheet entities that have been established to facilitate the financing of those assets for GM by nationally prominent lessors that GM believes are creditworthy. These assets consist principally of office buildings, warehouses, 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 GM. 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, GM. GM believes that no officers, directors, or employees of GM, or their affiliates hold any direct or indirect equity interests in such entities.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Liquidity and Capital Resources — (concluded)

Off-Balance Sheet Arrangements — (concluded)

Assets in off-balance sheet entities were as follows:

	June 30, 2007	December 31, 2006	June 30, 2006
		(Dollars in millions)	
Assets leased under operating leases	\$ 2,193	\$ 2,248	\$ 2,298
Trade receivables sold*	142	309	713
Total	\$ 2,335	\$ 2,557	\$ 3,011
Financing and Insurance Operations			
Receivables sold or securitized:			
— Mortgage loans			\$ 95,687
— Retail finance receivables			7,151
— Wholesale finance receivables			21,624
Total			\$ 124,462

* As of June 30, 2006, additional off-balance sheet trade receivables sold to GMAC were \$590 million.

Dividends

Dividends may be paid on our common stock when, as, and if declared by GM's 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.

GM's policy is to distribute dividends on its common stock based on the outlook and indicated capital needs of the business. Cash dividends per share on common stock were \$1.00 in 2006, and \$2.00 in 2005 and 2004. At the February 6, 2007 and May 1, 2007 meetings of the GM board of directors, the board approved the payment of a \$0.25 quarterly dividend on GM's common stock for the first and second quarters of 2007, respectively. Cash dividends per share of common stock were \$0.25 per quarter for 2006.

Employees

As of June 30, 2007, GM employed 274,000 employees. The following represents GM's employment by regions at June 30, 2007, December 31, 2006 and June 30, 2006 (in thousands):

	June 30, 2007	December 31, 2006	June 30, 2006
GMNA(1)	146	152	167
GME	59	60	63
GMLAAM	33	32	32
GMAP	33	34	34
GMAC(2)	—	—	31
Other	3	2	2
Total	274	280	329

(1) The number of employees for GMNA at June 30, 2007, December 31, 2006, and June 30, 2006 excludes U.S. hourly employees of 5,507, 3,620, and 4,234, respectively, who are on a temporary leave of absence.

(2) The number of employees at June 30, 2007 and December 31, 2006 exclude GMAC employees, who were removed from the consolidated payroll as a result of the GMAC Transaction in November 2006.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Critical Accounting Estimates

The Condensed Consolidated Financial Statements of GM are prepared in conformity with generally accepted accounting principles, which requires the use of estimates, judgments, and assumptions that affect the reported assets and liabilities as of the financial statements dates and the reported revenues and expenses for the periods presented. GM's accounting policies and critical accounting estimates are consistent with those described in Note 3 to the Consolidated Financial Statements and the Management's Discussion and Analysis section in our 2006 Form 10-K. Management believes 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. Management has discussed the development, selection and disclosures of its critical accounting estimates with the Audit Committee of GM's Board of Directors, and the Audit Committee has reviewed the disclosures relating to these estimates.

Accounting Standards Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" (SFAS No. 157), which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 are to be applied prospectively. Management is currently assessing the potential impact of the standard on GM's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS No. 115" (SFAS No. 159), which permits an entity to measure certain financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. Management is currently assessing the potential impact of the standard on GM's financial condition and results of operations.

In June 2007, the FASB ratified the consensus in EITF Issue No. 07-3 "Accounting for Nonrefundable Payments for Goods or Services to Be Used in Future Research and Development Activities", requiring that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts should be expensed as the related goods are delivered or the related services are performed. The statement is effective for fiscal years beginning after December 15, 2007. Management is currently assessing the potential impact of the standard on GM's financial condition and results of operations.

In June 2007, the FASB ratified EITF Issue No. 06-11 "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11), which requires entities to record tax benefits on dividends or dividend equivalents that are charged to retained earnings for certain share-based awards to additional paid-in capital. In a share-based payment arrangement, employees may receive dividends or dividend equivalents on awards of nonvested equity shares, nonvested equity share units during the vesting period, and share options until the exercise date. Generally, the payment of such dividends can be treated as deductible compensation for tax purposes. The amount of tax benefits recognized in additional paid-in capital should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. EITF 06-11 is effective for

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Critical Accounting Estimates — (concluded)

Accounting Standards Not Yet Adopted — (concluded)

fiscal years beginning after December 15, 2007, and interim periods within those years. Management does not expect this guidance to have a material effect on GM's financial condition and results of operations.

Forward-Looking Statements

In this report and in reports subsequently filed by GM with the SEC on Form 10-K and filed or furnished on Form 8-K, and in related comments by management of GM, our use of the words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "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 GM may file with the SEC on Form 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 GM's 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:

- The ability of GM to realize production efficiencies, to achieve reductions in costs as a result of the turnaround restructuring and health care cost reductions and to implement capital expenditures at levels and times planned by management;
- The pace of product introductions;
- Market acceptance of the Corporation's new products;
- Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on the Corporation's pricing policies;
- Our ability to maintain adequate liquidity and financing sources and an appropriate level of debt;
- 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;
- Costs and risks associated with litigation;
- The final results of investigations and inquiries by the SEC and other governmental agencies;
- Changes in our accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, including the range of estimates for the Delphi pension benefit guarantees, which could result in an impact on earnings;
- 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 a new collective bargaining agreement with the UAW;
- Negotiations and bankruptcy court actions with respect to Delphi's obligations to GM, negotiations with respect to GM's obligations under the pension benefit guarantees to Delphi employees, and GM's ability to recover any indemnity claims against Delphi;
- Labor strikes or work stoppages at GM or its key suppliers such as Delphi or financial difficulties at GM's key suppliers such as Delphi;
- Additional credit rating downgrades and the effects thereof;

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Forward-Looking Statements — (concluded)

- Shortages of and price increases for fuel; and
- Changes in economic conditions, commodity prices, currency exchange rates, or political stability in the markets in which we operate.

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. Such factors include, among others, the following:

- Changes in the residential mortgage market, especially in the nonprime sector;
- Significant changes in the competitive environment and the effect of competition in the GMAC's markets, including on the GMAC's pricing policies;
- Its ability to maintain adequate financing sources;
- Its ability to maintain an appropriate level of debt;
- Restrictions on the ability of GMAC's residential mortgage subsidiary to pay dividends and prepay subordinated debt obligations to GMAC;
- Changes in the residual value of off-lease vehicles;
- Changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which GMAC's mortgage subsidiaries operate;
- Changes in its contractual servicing rights;
- Costs and risks associated with litigation;
- Changes in GMAC's accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- Changes in the credit ratings of GMAC or GM;
- The threat of natural calamities;
- Changes in economic conditions, currency exchange rates, or political stability in the markets in which it operates; and
- Changes in the existing, or the adoption of new, laws, regulations, policies, or other activities of governments, agencies and similar organizations.

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 such factors that affect the subject of these statements, except where we are expressly required to do so by law.

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Item 3. *Quantitative And Qualitative Disclosures About Market Risk*

There have been no significant changes in the Corporation's exposure to market risk since December 31, 2006. Refer to Item 7A in GM's 2006 Annual Report on Form 10-K.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Controls and Procedures

Disclosure Controls and Procedures

GM maintains 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 GM's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

GM's management, with the participation of its Chairman and Chief Executive Officer (CEO) and its Vice Chairman 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 as of June 30, 2007. Based on that evaluation, GM's CEO and CFO concluded that, as of that date, GM's disclosure controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 were not effective at the 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.

As discussed in GM's Annual Report on Form 10-K for the year ended December 31, 2006, management's assessment identified the following material weaknesses:

1. The Corporation lacked the technical expertise and processes to ensure compliance with SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109), and did not maintain adequate controls with respect to (1) timely tax account reconciliations and analyses, (2) coordination and communication between Corporate Accounting and Tax Staffs, and (3) timely review and analysis of corporate journals recorded in the consolidation process. This material weakness resulted in a restatement of prior financial statements, as described in Note 15 to the Condensed Consolidated Financial Statements, and, if not remediated, has the potential to cause a material misstatement in the future.

2. The Corporation in certain instances lacked the technical expertise and did not maintain adequate procedures to ensure that the accounting for derivative financial instruments under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), was appropriate. Procedures relating to hedging transactions in certain instances did not operate effectively to (1) properly evaluate hedge accounting treatment (2) meet the documentation requirements of SFAS No. 133, (3) adequately assess and measure hedge effectiveness on a quarterly basis, and (4) establish the appropriate communication and coordination between relevant GM departments involved in complex financial transactions. This material weakness resulted in a restatement of prior financial statements, as described in Note 15 to the Condensed Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future.

3. The Corporation did not maintain a sufficient complement of personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of generally accepted accounting principles commensurate with the Corporation's complex financial accounting and reporting requirements and low materiality thresholds. This was evidenced by a significant number of out-of-period adjustments noted during the year-end closing process. This material weakness contributed to the restatement of prior financial statements, as described in Note 15 to the Condensed Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future.

4. Due to the previously reported material weaknesses, as evidenced by the significant number and magnitude of out-of-period adjustments identified during the year-end closing process and the resulting restatements related to deferred taxes and hedging activities, management has concluded that the controls over the period-end financial reporting process were not operating effectively. Specifically, controls were not effective to ensure that significant non-routine transactions, accounting estimates, and other adjustments were appropriately reviewed, analyzed, and monitored on a timely basis. A material weakness in the period-end financial reporting process could result in the Corporation not being able to meet its regulatory filing deadlines and, if not remediated, has the potential to cause a material misstatement or to miss a filing deadline in the future.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. *Controls and Procedures* — (continued)

Remediation and Changes in Internal Controls

The Corporation is in the process of developing and implementing remediation plans to address our material weaknesses. During the first half of 2007, management conducted a program to plan the remediation of all identified material weaknesses and significant deficiencies using a risk-based approach based on the “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These plans contemplate various changes in process, procedures, policy, training and organizational design, and are currently being implemented. In addition, new senior managers have been appointed to key positions in the accounting area and 35 accounting professionals have been engaged from external resources to address internal control weakness in technical accounting. The tax accounting group has been reorganized under the Tax Staff, headed by a new Director of Global Tax Accounting.

The following specific remedial actions are in process for each of the material weaknesses described above:

1. Reorganize and restructure the Tax Department by (1) implementing new policies and procedures to ensure that tax account reconciliations and analyses are properly prepared and monitored on a timely basis, (2) establishing appropriate communication and collaboration protocols between the Tax Staff and Corporate Accounting group, and (3) hiring the necessary technical tax accounting personnel to support GM’s complex tax environment.

2. Implement additional policies, procedures, and documentation retention requirements for hedge accounting to ensure compliance with SFAS No. 133. Contract with outside SFAS No. 133 experts in the interim until the necessary technical accounting personnel have been hired to support GM’s complex hedge accounting activities.

3. Reorganize and restructure Corporate Accounting by (1) revising the reporting structure and establishing clear roles, responsibilities, and accountability, (2) hiring additional technical accounting personnel to address GM’s complex accounting and financial reporting requirements, and (3) assessing the technical accounting capabilities in the operating units to ensure the right complement of knowledge, skills, and training.

4. Improve period-end closing procedures by (1) requiring all significant non-routine transactions to be reviewed by Corporate Accounting, (2) ensuring that account reconciliations and analyses for significant financial statement accounts are reviewed for completeness and accuracy by qualified accounting personnel, (3) implementing a process that ensures the timely review and approval of complex accounting estimates by qualified accounting personnel and subject matter experts, where appropriate, and (4) developing better monitoring controls at Corporate Accounting and the operating units.

As previously noted, management has augmented the resources in Corporate Accounting by utilizing external resources in technical accounting areas and implemented additional closing procedures during 2007. As a result, management believes that there are no material inaccuracies or omissions of material fact and, to the best of its knowledge, believes that the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2007, fairly present in all material respects the financial condition and results of operations of the Corporation in conformity with accounting principles generally accepted in the United States of America.

As discussed in GM’s Annual Report on Form 10-K for the year ended December 31, 2005, GM management also identified a significant deficiency in internal controls related to accounting for complex contracts. As part of its remediation efforts, GM management issued procedural guidance to ensure review and evaluation of the appropriate accounting for complex contracts by experienced accounting personnel. GM management will continue to monitor the effectiveness of the remedial actions.

Other than as described above, there have not been any other changes in the Corporation’s internal control over financial reporting during the three and six months ended June 30, 2007, which have materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. *Controls and Procedures* — (concluded)

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. 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 the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within GM have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II

Item 1. *Legal Proceedings*

Canadian Export Antitrust Class Action

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 court ruled on March 21, 2007 that it will certify 20 separate statewide class actions for damages under various state law theories under Federal Rule 23(b)(3), covering the period from January 1, 2001 to April 30, 2003. General Motors has appealed the certification of the damages classes following the entry of the class certification order and anticipates that its appeal will be consolidated with its pending appeal of a prior order certifying a nationwide class for injunctive relief only.

ERISA Case

On April 12, 2007, a purported class action lawsuit was filed in the U.S. District Court for the Southern District of New York captioned *Mary M. Brewer, et al. v. General Motors Investment Management Corporation, et al.* The case was brought by a plaintiff who alleges that she is a participant in the Delphi Savings-Stock Purchase Program for Salaried Employees and purports to bring claims on behalf of all participants in that plan as well as participants in the Delphi Personal Savings Plan for Hourly-Rate Employees; the ASEC Manufacturing Savings Plan and the Delphi Mechatronic Systems Savings-Stock Purchase Program against General Motors Investment Management Corporation (GMIMCo) and State Street Bank (State Street). The complaint alleges that GMIMCo and State Street breached their fiduciary duties to plan participants by allowing participants to invest in five different funds that each held primarily the equity of a single company: the EDS Fund, the DIRECTV Fund, the News Corp. Fund, the Raytheon Fund, and the GM Common Stock Fund, all of which plaintiffs allege were imprudent investments because of their inherent risk and poor performance relative to more prudent investment alternatives. The complaint also alleges that GMIMCo breached its fiduciary duties to plan participants by allowing participants to invest in mutual funds offered by FMR Corp. under the Fidelity brand name. Plaintiffs allege that by investing in these funds, participants paid excessive fees and costs that they would not have incurred had they invested in more prudent investment alternatives. The complaint seeks a declaration that defendants have breached their fiduciary duties, an order requiring defendants to compensate the plans for their losses resulting from their breaches of fiduciary duties,

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 1. *Legal Proceedings — (concluded)*

the removal of defendants as fiduciaries, an injunction against further breaches of fiduciary duties, other unspecified equitable and monetary relief, and attorneys fees and costs. No determination has been made that the case may be maintained as a class action.

Environmental Matters

Linden, New Jersey Assembly Plant

GM has entered into a settlement agreement with the New Jersey Department of Environmental Protection and the Administrator of the New Jersey Spill Compensation Fund under which GM will pay \$121,752, plus the Department's assessment costs, to settle the Department's allegations related to ground water contamination resulting from discharges at the site of a GM assembly plant in Linden, New Jersey. EPA Region II withdrew its previously reported administrative complaint against the Linden assembly plant without prejudice pending a final resolution of a previously reported EPA Region V Administrative Complaint, which is expected some time in 2007.

Greenhouse Gas Lawsuit

In the previously reported tort case, *California ex rel. Lockyer v. General Motors Corporation, et al.*, the United States District Court for the Northern District of California heard oral argument on defendants' motion to dismiss on March 6, 2007; a ruling has not been issued. Following the U.S. Supreme Court's decision on April 2, 2007 in *Massachusetts v. EPA*, the parties in *Lockyer* submitted supplemental briefs commenting on the significance of the decision to the pending motion for dismissal.

* * * * *

Item 1A. *Risk Factors*

The following risk factors, which were disclosed in the 2006 Form 10-K, have been modified to provide additional disclosure related to changes since we filed the 2006 Form 10-K and the First Quarter 2007 Form 10-Q. Refer to the 2006 Form 10-K and the First Quarter 2007 Form 10-Q for an expanded discussion of other risks facing the Corporation listed below under the caption "Other Risk Factors."

Risks related to GM and its automotive business

Changes in existing, or the adoption of new, laws, regulations or policies of governmental organizations, particularly environmental or fuel economy regulations, may have a significant negative impact on how we do business.

We are affected significantly by a substantial amount of governmental regulations, which are expensive to comply with and anticipated to increase. In the United States and Europe, for example, governmental regulation is primarily driven by concerns about the environment, vehicle safety, and fuel economy. These government regulatory requirements complicate our plans for global product development and can result in substantial costs, which can be difficult to pass through to our customers.

The Corporate Average Fuel Economy (CAFE) requirements mandated by the U.S. government pose special concerns. In June 2007, the U.S. Senate approved an energy bill that would significantly increase CAFE requirements to a combined standard for cars and trucks of 35 miles per gallons by 2020, a 40% increase. The estimated cost to the automotive industry of compliance with this new standard would exceed \$100 billion, and GM's 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. Proposals that would result in dramatically higher standards could disrupt our future product plans in ways that would significantly and adversely affect our sales volume, revenue, and profitability in the United States and could result in plant closures and job losses. We anticipate that the U.S. House of Representatives will soon consider

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 1A. Risk Factors — (continued)

Risks related to GM and its automotive business — (continued)

energy legislation that would impose similarly aggressive CAFE standards. In addition, a growing number of states have adopted regulations that establish CO₂ **emission standards that effectively impose similarly heightened fuel economy standards for new vehicles sold in those states. Although the automotive industry is challenging certain of these state regulations in court, no assurance can be given that these challenges will be successful.**

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

Shortages and increases in the price of fuel can result in diminished profitability due to shifts in consumer vehicle demand.

High gasoline prices in 2006 and the first half of 2007 contributed to weaker demand for certain of our higher margin vehicles, especially our fullsize sport utility vehicles, as consumer demand shifted to smaller, more fuel-efficient vehicles, which provide lower profit margins and generally represent a smaller proportion of our sales volume in North America. Fullsize pickup trucks, which are generally less fuel efficient than smaller vehicles, provided more than 27% of GM's retail sales in the first half of 2007, compared to a total industry average of approximately 13% (approximately 14% of industry retail sales). Any future increases in the price of gasoline in the United States or in our other markets or any sustained shortage of fuel could weaken further the demand for such vehicles. Such a result could lower profitability and have a material adverse effect on our business.

Our collective bargaining agreement with the UAW will expire in September 2007, and we intend to negotiate a new agreement that promotes our cost reduction goals.

Substantially all of the hourly employees in our U.S., Canadian, and European automotive operations are represented by labor unions and are covered by collective bargaining agreements, which usually have a multi-year duration. Many of these agreements include provisions that limit our ability to realize cost savings from restructuring initiatives such as plant closings and reductions in workforce.

Our current collective bargaining agreement with the UAW will expire in September 2007, and we intend to pursue our cost reduction goals vigorously in negotiating the new agreement. The UAW agreements of the other major U.S. vehicle manufacturers, Ford Motor Company and Chrysler LLC will expire at the same time, and the UAW generally chooses to negotiate a new agreement with one manufacturer that it selects to establish a pattern for agreements with the other two manufacturers. We do not have any influence over which manufacturer may be selected for this pattern bargaining, and if a pattern agreement is established with a different manufacturer, the terms of such an agreement may be disadvantageous to GM. Any UAW strikes, threats of strikes, or other disruption in connection with the negotiation of a new agreement could materially adversely affect our business as well as impair our ability to implement further measures to reduce structural costs and improve production efficiencies in furtherance of our North American initiatives. A lengthy strike by the UAW that involves all or a significant portion of our manufacturing facilities in the United States would have a material adverse effect on our operations and financial condition and result in unusually large demands on our liquidity.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 1A. Risk Factors — (continued)

Risks related to GM and its automotive business — (continued)

The proposed consensual resolution of Delphi's bankruptcy proceedings may be contested by other parties or rejected by the Bankruptcy Court.

Delphi has announced a number of arrangements that could serve as the basis of a consensual resolution of its bankruptcy proceedings, including the UAW MOU with GM and an equity purchase proposal from an investor group, and Delphi's Statutory Committees and GM have indicated their support for a plan of reorganization that carries out such arrangements. These arrangements have not been fully negotiated and documented in definitive agreements. Therefore, issues may arise that the parties cannot resolve or that are resolved in ways that increase GM's obligations or decrease the benefits GM would receive from a resolution of Delphi's bankruptcy proceedings. In addition, parties excluded from the investor group, or other entities negatively affected by the proposed consensual resolution, may oppose the proposed plan of reorganization in whole or request changes that would have a negative effect on GM's position. Finally, the Bankruptcy Court may delay its decision or refuse to approve the plan of reorganization, which could result in uncertainty that affects our bargaining with the UAW as well as our ability to plan future production.

Other Risk Factors

The following risk factors, which were disclosed in the 2006 Form 10-K, have not materially changed since we filed the 2006 Form 10-K. Refer to the 2006 Form 10-K for a complete discussion of these risk factors.

Risks related to GM and its automotive business

- Our continued ability to achieve structural and material cost reductions and to realize production efficiencies for our automotive operations is critical to our ability to achieve our turnaround plan and return to profitability.
- We must continue to make structural changes to reduce our U.S. health-care cost burden, the source of our largest competitive cost disadvantage.
- Our extensive pension and OPEB obligations to retirees are a competitive disadvantage for us.
- Our pension and OPEB expenses are affected by factors outside our control, including the performance of plan assets, interest rates, actuarial data and experience, and changes in laws and regulations.
- We have guaranteed a significant amount of Delphi's financial obligations to its unionized workers. If Delphi fails to satisfy these obligations, we would be obligated to pay some of these obligations.
- Delphi may seek to reject or compromise its obligations to us through its Chapter 11 bankruptcy proceedings.
- Financial difficulties, labor stoppages, or work slowdowns at key suppliers, including Delphi, could result in a disruption in our operations and have a material adverse effect on our business.
- Increase in cost, disruption of supply, or shortage of raw materials could harm our business.
- A decline in consumer demand for our higher margin vehicles could result in diminished profitability.
- The pace of introduction and market acceptance of new vehicles is important to our success.
- Decreases in the residual value of our vehicles could have a significant negative effect on our results of operations.
- GM's significant investment in new technology may not result in successful vehicle applications.
- We operate in a highly competitive industry that has excess manufacturing capacity.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 1A. Risk Factors — (continued)

Risks related to GM and its automotive business — (concluded)

- The financial distress, bankruptcy, or insolvency of a major competitor could have significant adverse consequences for us.
- We could be materially adversely affected by changes or imbalances in currency exchange or other rates.
- Our liquidity position could be negatively affected by a variety of factors, which in turn could have a material adverse effect on our business.
- Continued failure to achieve profitability may cause some or all of our deferred tax assets to expire.
- Further reduction of our credit ratings, or failure to restore our credit ratings to higher levels, could have a material adverse effect on our business.
- The federal government is currently investigating certain of our accounting practices. The final outcome of these investigations could require us to restate prior financial results.
- We have determined that our internal controls over financial reporting are currently ineffective. The lack of effective internal controls could adversely affect our financial condition and ability to carry out our strategic business plan.
- Our indebtedness and other obligations of our automotive operations are significant and could materially adversely affect our business.
- Economic and industry conditions constantly change and could have a material adverse effect on our business and results of operations.
- Our businesses outside the United States expose us to additional risks that may cause our revenues and profitability to decline.
- We are subject to significant risks of litigation.

Risks related to GM's 49% ownership interest in GMAC

- General business, economic, and market conditions may significantly affect the operating results of GMAC's business and earnings.
- GMAC requires substantial capital, and if GMAC is unable to maintain adequate financing sources, its profitability and financial condition will suffer and jeopardize its ability to continue operations.
- GMAC's indebtedness and other obligations are significant and could materially adversely affect its business.
- GMAC's earnings may decrease because of increases or decreases in interest rates.
- GMAC's hedging strategies may not be successful in mitigating its risks associated with changes in interest rates and could affect its profitability and financial condition.
- GMAC's residential mortgage subsidiary's ability to pay dividends to GMAC is restricted by contractual arrangements.
- GMAC uses estimates and assumptions in determining the fair value of certain of its assets, its allowance for credit losses, lease residual values, and its reserves for insurance losses and loss adjustment expenses. If its estimates or assumptions prove to be incorrect, its cash flow, profitability, financial condition, and business prospects would be materially adversely affected.
- GMAC is exposed to credit risk which could affect its profitability and financial condition.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 1A. Risk Factors — (concluded)

Risks related to GM’s 49% ownership interest in GMAC — (concluded)

- Recent developments in the residential mortgage market, especially in the nonprime sector, may adversely affect GMAC’s revenues, profitability, and financial condition.
- Changes in existing U.S. government-sponsored mortgage programs, or disruptions in the secondary markets in the United States or other countries in which GMAC’s mortgage subsidiaries operate, could adversely affect the profitability and financial condition of GMAC’s mortgage business.
- GMAC may be required to repurchase contracts and provide indemnification if it breaches representations and warranties in its securitization and whole loan transactions, which could harm GMAC’s profitability and financial condition.
- Significant indemnification payments or contract, lease, or loan repurchase activity of retail contracts or leases or mortgage loans could harm GMAC’s profitability and financial condition.
- A loss of contractual servicing rights could have a material adverse effect on GMAC’s financial condition, liquidity, and results of operations.
- The regulatory environment in which GMAC operates could have a material adverse effect on its business and earnings.
- The worldwide financial services industry is highly competitive. If GMAC is unable to compete successfully or if there is increased competition in the automotive financing, mortgage, and/or insurance markets or generally in the markets for securitizations or asset sales, GMAC’s margins could be materially adversely affected.

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Item 2(c). Purchases of Equity Securities

GM made no purchases of its common stock during the three months ended June 30, 2007.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders

The General Motors Corporation’s annual meeting of stockholders was held on June 5, 2007. At that meeting, the following matters were submitted to a vote of the stockholders:

	<u>Final Voting Results</u>	
	<u>Votes</u>	<u>Percent</u>
Item No. 1		
Nomination and election of directors		
The following nominees for directors received the number of votes set opposite their respective names and were elected to serve on the Board of Directors:		
Percy N. Barnevik	For	439,042,834 94.3
	Withheld	26,336,904 5.7
Erskine B. Bowles	For	439,532,226 94.4
	Withheld	25,847,512 5.6

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders — (continued)

		Final Voting Results	
		Votes	Percent
John H. Bryan	For	435,142,072	93.5
	Withheld	30,237,666	6.5
Armando M. Codina	For	443,605,563	95.3
	Withheld	21,774,175	4.7
Erroll B. Davis, Jr.	For	446,046,597	95.8
	Withheld	19,333,141	4.2
George M.C. Fisher	For	439,049,013	94.3
	Withheld	26,330,725	5.7
Karen Katen	For	440,038,288	94.6
	Withheld	25,341,450	5.4
Kent Kresa	For	423,537,045	91.0
	Withheld	41,842,693	9.0
Ellen J. Kullman	For	424,031,880	91.1
	Withheld	41,347,858	8.9
Philip A. Laskawy	For	423,449,025	91.0
	Withheld	41,930,713	9.0
Kathryn V. Marinello	For	446,769,015	96.0
	Withheld	18,610,723	4.0
Eckhard Pfeiffer	For	419,894,212	90.2
	Withheld	45,485,526	9.8
G. Richard Wagoner, Jr.	For	446,201,778	95.9
	Withheld	19,177,960	4.1
In addition, 676 votes were cast for each of the following: John Chevedden, James Dollinger, Lucy Kessler, John Lauve, Louis Lauve III, Steve Mahac, Erik Nielsen, Larry Parks, Danny Taylor, William Walde, and William Woodward, M.D.; and 476 votes were cast for Dean Fitzpatrick			0.0
Item No. 2			
Ratification of the selection of Deloitte & Touche LLP as independent public accountants for the year 2007	For	421,236,249	90.5
	Not in favor		
	Against	33,800,994	7.3
	Abstain	<u>10,343,171</u>	<u>2.2</u>
	Total	44,144,165	9.5
Broker Non-Vote		—	—

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders — (continued)

		Final Voting Results	
		Votes	Percent
Item No. 3			
Approval of the 2007 Annual Incentive Plan	For	434,407,716	93.3
	Not in favor		
	Against	19,493,945	4.2
	Abstain	<u>11,478,553</u>	<u>2.5</u>
	Total	30,972,498	6.7
	Broker Non-Vote	—	—
Item No. 4			
Approval of the 2007 Long-Term Incentive Plan	For	306,500,951	87.7
	Not in favor		
	Against	31,778,280	9.1
	Abstain	<u>11,124,899</u>	<u>3.2</u>
	Total	42,903,179	12.3
	Broker Non-Vote	115,976,085	—
Item No. 5			
Stockholder proposal regarding disclosure of political contributions	For	15,313,094	4.4
	Not in favor		
	Against	295,716,392	84.6
	Abstain	<u>38,374,843</u>	<u>11.0</u>
	Total	334,091,235	95.6
	Broker Non-Vote	115,976,085	—
Item No. 6			
Stockholder proposal regarding limit on directorships of GM Board members	For	15,582,930	4.5
	Not in favor		
	Against	322,976,454	92.4
	Abstain	<u>10,844,945</u>	<u>3.1</u>
	Total	333,821,399	95.5
	Broker Non-Vote	115,976,085	—
Item No. 7			
Stockholder proposal regarding greenhouse gas emissions	For	89,907,649	25.7
	Not in favor		
	Against	218,824,558	62.6
	Abstain	<u>40,671,622</u>	<u>11.7</u>
	Total	259,496,180	74.3
	Broker Non-Vote	115,976,585	—

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders — (continued)

		Final Voting Results	
		Votes	Percent
Item No. 8			
Stockholder proposal regarding cumulative voting	For	90,813,196	26.0
	Not in favor		
	Against	247,261,567	70.8
	Abstain	<u>11,329,566</u>	<u>3.2</u>
	Total	258,591,133	74.0
	Broker Non-Vote	115,976,085	—
Item No. 9			
Stockholder proposal regarding stockholder approval of a “poison pill”	For	63,946,276	18.3
	Not in favor		
	Against	271,262,719	77.6
	Abstain	<u>14,194,834</u>	<u>4.1</u>
	Total	285,457,553	81.7
	Broker Non-Vote	115,976,585	—
Item No. 10			
Stockholder proposal regarding special stockholder meetings	For	143,499,738	41.1
	Not in favor		
	Against	193,969,205	55.5
	Abstain	<u>11,935,186</u>	<u>3.4</u>
	Total	205,904,391	58.9
	Broker Non-Vote	115,976,085	—
		Final Voting Results	
		Votes	Percent
Item No. 11			
Stockholder proposal regarding performance-based equity compensation	For	73,920,595	21.2
	Not in favor		
	Against	264,483,778	75.7
	Abstain	<u>10,999,956</u>	<u>3.1</u>
	Total	275,483,734	78.8
	Broker Non-Vote	115,976,085	—

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders — (concluded)

		Final Voting Results	
		<u>Votes</u>	<u>Percent</u>
Item No. 12			
Stockholder proposal regarding recouping unearned incentive bonuses	For	40,934,930	11.7
	Not in favor		
	Against	297,843,876	85.2
	Abstain	<u>10,625,023</u>	<u>3.1</u>
	Total	308,468,899	88.3
	Broker Non-Vote	115,976,585	—
Item No. 13			
Stockholder proposal regarding optimum Board size	For	12,952,111	3.7
	Not in favor		
	Against	324,682,901	92.9
	Abstain	<u>11,769,317</u>	<u>3.4</u>
	Total	336,452,218	96.3
	Broker Non-Vote	115,976,085	—
Item No. 14			
Stockholder proposal regarding simple majority vote	For	61,465,439	17.6
	Not in favor		
	Against	276,614,575	79.2
	Abstain	<u>11,323,815</u>	<u>3.2</u>
	Total	287,938,390	82.4
	Broker Non-Vote	115,976,585	—

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Item 6. Exhibits

Exhibit Number	Exhibit Name
10.1	UAW–Delphi–GM Memorandum of Understanding — Delphi Restructuring
10.2	Asset Purchase Agreement dated as of June 28, 2007 by and between General Motors Corporation and Clutch Operating Company, Inc.
10.3	General Motors Corporation 2007 Cash–Based Restricted Stock Unit Plan (Amendment to 2006 Cash–Based Restricted Stock Unit Plan)
10.4	Form of Special RSU Grant award document for March 2007 award
10.5	Form of Special Cash–based RSU Grant award document for March 2007 award
10.6	364–Day Revolving Credit Agreement Among General Motors Corporation, the Several Lenders, Bank of America, N.A. as Syndication Agent, and JPMorgan Chase Bank, N.A. as Administrative Agent dated as of June 22, 2007
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

SIGNATURES

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: August 7, 2007

EXHIBIT INDEX

Exhibit Number	Exhibit Name
10.1	UAW–Delphi–GM Memorandum of Understanding — Delphi Restructuring
10.2	Asset Purchase Agreement dated as of June 28, 2007 by and between General Motors Corporation and Clutch Operating Company, Inc.
10.3	General Motors Corporation 2007 Cash–Based Restricted Stock Unit Plan (Amendment to 2006 Cash–Based Restricted Stock Unit Plan)
10.4	Form of Special RSU Grant award document for March 2007 award
10.5	Form of Special Cash–based RSU Grant award document for March 2007 award
10.6	364–Day Revolving Credit Agreement Among General Motors Corporation, the Several Lenders, Bank of America, N.A. as Syndication Agent, and JPMorgan Chase Bank, N.A. as Administrative Agent dated as of June 22, 2007
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
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UAW-DELPHI-GM
MEMORANDUM OF UNDERSTANDING
DELPHI RESTRUCTURING

INTRODUCTION

The International Union, UAW, Delphi Corporation and General Motors Corporation ("the Parties") have discussed the challenges impacting Delphi and its UAW-represented operations. As GM's largest supplier and the employer of thousands of UAW-represented employees, indirectly supporting tens of thousands of dependents, retirees and surviving spouses, the Parties have a critical interest in Delphi's successful emergence from bankruptcy with certain UAW-represented operations. The Parties acknowledge that restructuring actions are necessary and commit to take specific actions to protect the needs of the Parties and their constituencies, continuing progress already made toward transforming Delphi's labor cost structure and ongoing business operations.

The UAW has already agreed to an attrition program pursuant to which thousands of employees at traditional Big Three wages and benefits took buy outs, flowbacks to GM, or retired, and the UAW waived Delphi obligations to hire thousands of new employees as a result of the departures caused by the attrition program. The Parties have also agreed to the "Term Sheet - Delphi Pension Freeze and Cessation of OPEB, and GM Consensual Triggering of Benefit Guarantee" (attached as Attachment B, hereinafter the "Term Sheet"), facilitating the freeze of Delphi's pension plan and the assumption of billions of dollars of OPEB liabilities by GM, thereby dramatically reducing Delphi's ongoing benefit costs and liabilities.

In addition to the above, to enable 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, the Parties agree as follows on a two-party or three-party basis, as applicable, (the "Agreement") subject to ratification by the membership.

A. DURATION

1. This Agreement will continue until 11:59 p.m. on September 14, 2011.
2. Delphi and the UAW agree that the UAW-Delphi Supplemental Agreement dated April 29, 2004 (the "Supplemental Agreement") shall continue in full force and effect, as modified herein, for its stated duration, i.e. until 11:59 p.m. on September 14, 2011. The 2003-2007

UAW-Delphi National Agreement, and including without limitation the supplemental agreements attached as exhibits thereto (the "National Agreement"), are hereby extended, as modified herein, until 11:59 p.m. on September 14, 2011.

3. Delphi and the UAW agree that the current Local Agreements are extended until 11:59 p.m. on September 14, 2011, except as may be mutually modified by the local parties pursuant to Section E below, and as modified by this Agreement as modified by this Agreement and summarized in the matrix of modified and eliminated provisions in Attachment E hereto.
4. The agreements comprising the UAW-Delphi collective bargaining agreements, national and local, following the date of this Agreement are set forth in Attachment E hereto.

B. SITE PLAN

The UAW and Delphi agree that Article 2 of the Supplemental Agreement, Document 13 and Document 91 of the National Agreement shall remain in effect through September 14, 2011, and are waived to the extent necessary to implement the site plans outlined below and as described in detail in Attachment A ("Site Plans"). GM and Delphi agree to implement the site plans as outlined below and described in detail in Attachment A.

1. Sites to remain owned and operated by Delphi ("Keep Sites"):

Kokomo
Lockport
Rochester
Grand Rapids

2. Sites to be held for divestiture as ongoing businesses by Delphi ("Sell Sites"):

Saginaw Steering - Saginaw
Sandusky
Adrian
Cottondale

The Parties agree that if divestiture of the Saginaw Steering - Saginaw, Sandusky and Adrian sites are not concluded (by December 31, 2008, for Sandusky and Adrian, and by December 31, 2010 for Saginaw), GM will cause the operations and all active and inactive bargaining unit employees to be transferred to employment with a third

party so that Delphi will have no further operational or employment responsibility for the site(s). If the respective transfers will not be completed by the dates identified above, the Parties agree that prior to the required date, GM and the UAW will implement a solution such that Delphi will have no further responsibility for the operation of future production at the Saginaw, Sandusky and Adrian sites as identified above, nor will the bargaining unit employees remain as Delphi employees, but the terms and conditions of the current collective bargaining agreement will continue to apply to such employees.

3. Footprint Sites

Flint East - Business operated by GM or provided by GM to a third party designated by GM will operate at a geographically proximate site, providing a total of approximately 1,000 jobs. No later than December 31, 2008, the Parties agree that GM will cause the active and inactive bargaining unit employees at Flint - East to transfer to employment with a third party. Delphi and the UAW will cooperate with the transfer. If the transfers of the active and inactive bargaining unit employees will not be completed by this date, the Parties agree that prior to December 31, 2008 GM and the UAW will implement a solution such that Delphi will have no further responsibility for the operation of future production at the Flint East site, nor will the bargaining unit employees remain as Delphi employees. If it remains necessary after December 31, 2008 for Delphi to complete the currently existing cluster programs through their OE expiration dates, Delphi would manage such programs using contracted need-to-run UAW labor from the third party or from other resources as specified by GM. From time to time, commencing on October 1, 2007, as Delphi's need-to-run ("NTR") headcount declines, GM will cause the active and inactive bargaining unit employees to transfer to employment with a third party. Delphi and the UAW will also cooperate with these transfers. If new work is not available for these employees, then GM and the UAW will implement a solution such that these bargaining unit employees will no longer remain as Delphi employees.

Needmore Rd. - Business operated by GM or provided by GM to a third party will operate at a geographically proximate site designated by GM, providing a total of approximately 750 jobs. On the earlier of thirty (30) days following the end of OE production of current programs at Needmore Road (which is currently scheduled for June 30, 2008), or December 31, 2008, the Parties agree that GM will cause the active and inactive bargaining unit employees at Needmore Road to transfer to employment with a third party. Delphi and the UAW will cooperate with the transfer. If the transfer of all active and inactive bargaining unit employees will not be completed as described above, the Parties

agree that prior to the required date GM and the UAW will implement a solution such that Delphi will have no further responsibility for the operation of future production at the Needmore Rd. site, nor will the bargaining unit employees remain as Delphi employees.

Saginaw Mfg. - Business provided by GM to a third party will operate at the current site or another geographically proximate site designated by GM, providing approximately 500 jobs. No later than December 31, 2008, the Parties agree that GM will cause the active and inactive bargaining unit employees at Saginaw Manufacturing to transfer to employment with a third party. Delphi and the UAW will cooperate with the transfer. If the transfer of all active and inactive bargaining unit employees to a third party is not completed by the date identified above, GM and the UAW will, prior to the required date, implement a solution such that Delphi will have no further responsibility for the operation of future production at the Saginaw Mfg. site, nor will the bargaining unit employees remain as Delphi employees.

4. Sites to be wound down or consolidated by Delphi in accordance with Delphi's restructuring plan and timing ("Wind Down Sites"):

- Columbus
- Milwaukee PWT (E&C)
- Milwaukee E&S
- Coopersville
- Anderson
- Wichita Falls
- Fitzgerald
- Olathe
- Laurel
- Athens

C. WORKFORCE TRANSITION

1. Current Employee Flowback

Employees on roll prior to October 8, 2005 ("Flowback-Eligible Employees") without a valid flowback application on file will be afforded a final opportunity to make application for flowback by October 1, 2007.

Eligible Delphi employees hired prior to October 18, 1999 will receive closed plant treatment for purposes of job offers at GM plants. Employees from those plants who apply will have their seniority co-mingled with the seniority of GM employees who are eligible for closed plant treatment for purposes of job offers to GM openings in accordance with Appendix A.4 and 5 of the 2003 UAW-GM National

Agreement. A \$67,000 relocation allowance will be paid to otherwise eligible employees from AHG - Anderson, PT - Coopersville, AHG - Wichita Falls, AHG - Fitzgerald, AHG - Columbus (except MFD - Mansfield), PT - Milwaukee, E&S - Milwaukee, and Steering - Athens (except Spring Hill assembly plant) who flow at the time the plant ceases operations to a General Motors Extended Area Hire plant. All other Flowback-eligible employees will be eligible for a relocation allowance in accordance with Paragraph (96a)(2)(a) of the 2003 UAW-Delphi National Agreement.

AHG-Columbus will be in the MFD-Mansfield plant Area Hire area and employees will be eligible for relocation allowance in accordance with Paragraph (96a)(2)(a) of the UAW-Delphi National Agreement.

Delphi - Athens will be placed in the General Motors Spring Hill area hire for purposes of placement. Flowback opportunities to Spring Hill will be made available to 300 Traditional Delphi employees (defined in Section C.5.a below) or the number of Traditional employees remaining after the Delphi Special Attrition Program whichever is less. No relocation will be paid for the flowback. The flowback opportunities will begin at the earlier of:

- a) March 1, 2009
- b) When layoffs begin at Athens
- c) Spring Hill needs people

Upon transfer to Spring Hill from Athens, if no jobs are available, the employee will be placed on layoff and then will be under the SUB and Job Security terms of the GM-UAW National Agreement. No employee being transferred can take a job in the plant unless a job is available. If there are surplus people at Spring Hill, the parties agree to look for ways to reduce the surplus including, but not limited to:

- a) A Special Attrition Program at Spring Hill
- b) Placement at other GM plants such as Bowling Green

As of the Effective Date of this Agreement (defined in Section K.1 below), Delphi employees who are otherwise eligible and who have an application on file will be eligible for flowback opportunities for the same length of time as the length of their seniority (time-for-time).

GM employees are no longer eligible for flowback to Delphi.

2. UAW-Delphi Employees Hired After October 18, 1999 and Prior to October 8, 2005 - Agreement between the Parties to offer job

opportunities at GM

- a. Employees will be offered the job opportunities at GM after the Appendix A Placement Process and the UAW-GM-Delphi Flowback Agreement have been exhausted.
 - b. Employees will be eligible for relocation allowance in accordance with Appendix A VI and Paragraphs (96a)(1), (2), (3), and (4) of the 2003 UAW-Delphi National Agreement.
 - c. Employees will acquire GM seniority on the date of hire at the new location and will receive a new plant seniority date that is the effective date of hire. The new plant seniority date will also be the date used in the administration of Appendix A, Memorandum of Understanding - Employee Placement in the UAW-GM National Agreement.
 - d. Employees hired by GM will receive the same benefits treatment as other employees who transfer to GM under the UAW-GM-Delphi Flowback Agreement in accordance with the UAW-GM-Delphi Memorandum of Understanding, Benefit Plan Treatment dated September 30, 1999 as amended.
 - e. Initial vacation entitlement at GM will be the same as that at Delphi as of the date immediately prior to the transfer.
 - f. Employees will receive a wage rate in the same progression as they were in at Delphi and in accordance with Paragraph (98) of the UAW-GM National Agreement.
 - g. These employees will be SEL protected at GM unless noted otherwise.
3. Delphi to Delphi Transfers

Delphi employees (excluding temporary employees) covered by the Supplemental Agreement ("Supplemental Employees") with seniority as of the Effective Date of this Agreement, will have rights to other Delphi plants outside their own Area Hire area prior to permanent new hires and will be eligible for relocation allowance in accordance with Paragraph (96a)(2)(a).

4. Temporary Employees

It is mutually agreed between the parties that employees hired as temporary employees in UAW-Delphi plants will be converted to

permanent employees on the Effective Date of this Agreement. Such employees will receive credit for time worked as a temporary employee toward establishing a seniority date pursuant to Paragraph (57) of the UAW-Delphi National Agreement. Employees who worked for Delphi as of January 1, 1999 or later, or employees who accepted an option under the GM or Delphi Special Attrition Programs, are not eligible to be converted to permanent status. Employees hired July 2, 2007 and later will be hired as temporary employees under the provisions of Appendix A. X - Memorandum of Understanding Employee Placement-Section X-Vacation Replacements and Other Employees Hired for Temporary Work, subject to review of the National Parties.

5. Transformation Program Options

Delphi and the UAW agree on the following Transformation Program options which will be offered at all Delphi sites. The Retirement Incentives and Buy Out are subject to the terms of Attachment C, and are generally described below.

a. Retirement Incentives - Traditional Employees

Retirement options will be provided for Delphi employees not covered by the Supplemental Agreement to be effective no later than September 1, 2007 as described in Attachment C and summarized below:

- 1) \$35,000 for normal or early voluntary retirements
- 2) 50 & 10 Mutually Satisfactory Retirement (MSR)
- 3) Pre-retirement program covering employees with at least 26 years of credited service but less than 30 years as of September 1, 2007
- 4) These retiring employees will be considered to have flowed back to GM for purposes of retirement ("Check the Box") and be treated consistent with the Check the Box retirements under the UAW-GM-Delphi Special Attrition Program.
- 5) Participation conditioned on release of claims

b. Buy Out - Traditional Employees

- 1) The amount of the Buy Out Payments shall be as follows, subject to release of claims:

- i. Traditional Employees with 10 or more years of seniority or credited service, whichever is greater, will be eligible for a Buy Out payment of \$140,000
 - ii. Traditional Employees with less than 10 years of seniority will be eligible for a Buy Out payment of \$70,000
 - 2) Buy Outs will be effective when the employee's services are no longer required, but in any event no later than September 15, 2007. Employees will sever all ties with GM and Delphi except for any vested pension benefits (as such no pension supplements are payable).
 - 3) As necessary, employees who have accepted a Buy Out may be rehired as temporary employees to satisfy any operating needs. Any employee rehired as a temporary employee will not be eligible for any coverage or benefits under the Term Sheet. Further, any employee rehired as a temporary employee shall receive the starting wage rate applicable for a new temporary employee. Such temporary employees will not be eligible for any future attrition or Severance Payments.
- c. Buy Down - Traditional Employees
- 1) Effective October 1, 2007 all Traditional Employees, both production and skilled trades, other than pre-retirement program participants, will become Supplemental Employees and will be covered by all provisions of the Supplemental Agreement.
 - 2) Buy Down payments will be made to Traditional production employees as described below and will not exceed \$105,000.
 - a) Traditional production employees on active status (including Protected Status, but excluding pre-retirement program participants), and Traditional production employees on temporary layoff as of October 1, 2007 will be eligible for the Buy Down payments.
 - b) The \$105,000 Buy Down payment will be paid out in three (3) equal installments of \$35,000, less applicable withholding, in the first pay ending after October 1, 2007, October 1, 2008, and October 1, 2009 provided the employee is on active status, receiving holiday pay, paid vacation, jury duty, military leave, or temporary layoff status on each of those three (3) dates. The October 1, 2008 and October 1, 2009 payments will be prorated based on the

number of pay periods worked and the rate of compensation in the preceding 52-week period. Treatment of employees on disability or Workers' Compensation leave is in accordance with (d) and (e), below.

- c) Traditional production employees who are on a leave of absence other than Sickness and Accident (S&A), Extended Disability (EDB), and Workers Compensation on October 1, 2007 will be eligible for the first \$35,000 payment, less applicable withholding, at the time they return to work if they return to work prior to October 1, 2008. The two (2) subsequent payments will be pro-rated based on the number of pay periods worked during the year immediately prior to the October 1st date. Additionally, the two (2) subsequent payments also will be adjusted by time spent on disability during the year immediately prior to the October 1st date, as described in (e), below.
- d) Sickness & Accident (S&A) benefits, Extended Disability Benefits (EDB), health care, life insurance and other applicable benefits will be reduced on October 1, 2007 to Supplemental Agreement levels for Traditional Employees who are on disability or Workers' Compensation leave on October 1, 2007. Traditional production employees will be eligible to receive a \$35,000 Buy Down payment on October 1, 2007.
- e) Traditional production employees who are eligible for Buy Down payments and who are on or commence a disability or Worker's Compensation leave on or after October 1, 2007, will be eligible for the 2nd and 3rd Buy Down payments pro-rated for the time they spent on disability or Worker's Compensation leave during the year immediately preceding the date of each subsequent Buy Down payment. The pro-rated amount that will be included in the Buy Down payment for the period spent on disability or Workers' Compensation leave will have the same percentage relationship to the full Buy Down amount as the employee's applicable Sickness & Accident or Extended Disability Benefit schedule of benefits has to their base hourly rate for the applicable periods of leave.
- f) Traditional Production employees on active status (including Protected Status, but excluding pre-retirement program participants), and Traditional production employees on temporary layoff as of October 1, 2007 who do not elect an

option as described in Attachment C will become Supplemental Employees and will be covered by all provisions of the Supplemental Agreement as described in Paragraph C.5.c. 1-2 e of this Buy Down section. Employees must sign a Conditions of Participation Release Form in order to receive the \$35,000 lump sum payment.

- g) Traditional production employees who are in a plant that is wound down on October 1, 2007 who do not elect an option under the Special Attrition Program - Transformation (Attachment C), will become Supplemental employees and will be covered by all provisions of the Supplemental Agreement as described in Paragraph C.5.c.1-2 e of this Buy Down section and will be placed on layoff effective October 1, 2007. The employees will receive the October 1, 2007 \$35,000 lump sum payment, less applicable withholding, if they sign the Conditions of Participation Release Form. These laid off employees will not be eligible for any future Buy Down payments, but can collect SUB, if otherwise eligible.
 - h) Traditional skilled trades employees who are on roll October 1, 2007 and receiving compensation will be eligible for a one time buy down payment of \$10,000, less applicable withholding, in the first pay ending after October 1, 2007. Traditional skilled trades employees will have the COLA in effect as of the Effective Date of this Agreement frozen at that level through October 1, 2007. Any Traditional skilled trades employees who are Bought Down and remain on roll will have such frozen COLA folded into their base rate effective October 1, 2007, and will thereafter be covered by the skilled trades wage and benefit provisions of the Supplemental Agreement.
 - i) Employees must sign a Conditions of Participation Release Form in order to receive the lump sum payments.
 - j) No further Buy Down payments will be payable to any employee who flows back to GM or severs their employment with Delphi.
- 3) In determining the wages and benefits for Traditional Employees who Buy Down to Supplemental Employee status, such employees will be given credit for time spent as a Delphi Traditional Employee at traditional wages and benefits (i.e., will

not be treated as new hires for purposes of applying Supplemental Agreement wage and benefit schedules).

- 4) Traditional Employees electing a Buy Down will retain eligibility for OPEB and pension benefit treatment under the Term Sheet without regard to such election.

6. Severance Payments

Delphi and the UAW agree that any Supplemental or Temporary Employees on the active employment rolls as of the Effective Date of this Agreement at any "Keep," "Sell," "Footprint," or "Wind Down" sites (excluding employees who previously received a Buy Out payment from Delphi and were rehired as temporary employees), who are permanently laid off prior to September 14, 2011, shall be eligible for a lump sum severance payment equal to \$1,500 for each month of his/her combined service with Delphi and, in the case of sold facilities, the new owner. The maximum amount of severance pay is \$40,000, less applicable withholdings. Employees must sign a Conditions of Participation Release Form in order to receive the Severance Payment. The Parties agree that employees who are separated will sever all ties with GM and Delphi except for any vested pension benefits (as such no pension supplements are payable), if any.

Employees who are on roll on the Effective Date of this Agreement who are also eligible for Supplemental Employee Benefits (SUB) will have their choice of SUB or the Severance Payment specified above but will not be entitled to both.

Employees hired after the Effective Date of this Agreement who have 3 or more years of seniority at the time their services are no longer required but prior to September 14, 2011 may elect a \$40,000 severance payment or SUB as specified in the Supplemental Agreement.

Permanent employees covered by the Supplemental Agreement placed on indefinite layoff from the AHG- Fitzgerald plant after May 1, 2007 and prior to the Effective Date of this Agreement will be eligible for the severance payment provided they sign the required Conditions of Participation Release form.

7. Any problems with the implementation of this Transformation section will be discussed by the National Parties in order to agree on an equitable solution.

D. MODIFICATIONS TO THE 2004 SUPPLEMENTAL AGREEMENT

The UAW and Delphi agree to the following Supplemental Agreement modifications:

1. Wages

The UAW and Delphi agree that wages for Supplemental Employees, and for Traditional Employees who Buy Down will continue to be determined in accordance with the Supplemental Agreement except as modified below:

- a. Wage Progression. For production employees hired prior to the Effective Date of this Agreement, the 3% wage progression increases will be discontinued subject to the following:
 - (i) Employees in groups A, B, or C (as defined in the Supplemental Agreement) hired before the Effective Date whose base hourly wage rate , as of the Effective Date, exceeds the respective group's 2007 Floor Rate as described below, will receive his/her next scheduled wage progression increase, as defined in the 2004 Supplemental Agreement, following the Effective Date, and will thereafter receive wage increases only as described in Section D.1.d below. In the event such final wage progression increase occurs on or after December 31, 2007, it shall be adjusted upward to reflect the impact of any Wage Formula increase effective on that date, as described in Section D.1.d below.
 - (ii) Employees in groups A, B, or C hired before the Effective Date whose base hourly wage rate , as of the Effective Date, is at or below the respective group's 2007 Floor Rate as described below will continue to receive scheduled wage progression increases as defined in the 2004 Supplemental Agreement, if any, required to bring such employee up to the respective group's 2007 Floor Rate. Any employee who has not reached his/her respective Floor Rate through scheduled wage progression increases will be automatically moved to the Floor Rate effective December 31, 2007, and will thereafter receive wage increases only as described in D.1.d below. Any wage increases described in D.1.d. below will be applied to an employee's base wage rate following application of any automatic increase up to his/her respective group's Floor Rate. (The examples provided in Attachment F are provided for reference in the administration of this provision).

Supplemental Wage Group	2007 Floor Rate*
A	\$16.23
B	\$15.30
C	\$14.50

* The Floor Rate will be adjusted at the beginning of each year as described in Section D.1.d below.

(iii) An employee in Group D ("Screw Machine Operator" and "Screw Machine Operator - Trainee") hired before the Effective Date whose base hourly rate, as of the Effective Date of this Agreement, is at or below his/her first progression step (i.e. \$18.50) shall have his/her base rate increased to this first progression step on such date, and increased further to the second (and final) progression step of \$19.50, effective December 31, 2007. The final progression step of \$19.50 shall be the initial Floor Rate for Group D employees. Thereafter, such employees will receive wage increases only as described in Section D.1.d below, and consistent with the methodology as described in D.1.a.(i) and (ii) above.

(iv) Traditional Employees taking the Buy-Down to Supplemental Employee status will be given credit in the wage progression schedule for time as a Traditional Employee up to the current wage maximum in each respective Supplemental Agreement wage group and will thereafter be treated as described in Section D.1.a.(i) above.

b. Production Employee New Hire Rates

For all production employees hired after the Effective Date of this Agreement, new hire rates shall be established at the greater of (a) \$14.00 per hour, or (b) 90% of the prevailing Floor Rate for the respective classification. As a temporary exception, employees newly hired into classifications belonging to Wage Group A between the Effective Date of this Agreement and December 31, 2007, will start at an initial hire rate of \$14.42 per hour. The wage rate of employees hired under this temporary exception will be adjusted to \$14.61 effective December 31, 2007, and thereafter proceed under the normal progression schedule as described below based on his/her hire date. Employees hired at the 90% level will receive four wage progression increases, one every 26 weeks in an amount equal to 2.5% of the then-prevailing Floor Rate, until reaching the Floor Rate for the relevant classification

over the course of 104 weeks. Employees hired at the \$14.00 rate will receive four wage progression increases, one every 26 weeks, in the amount necessary to achieve the then-prevailing Floor Rate over the course of 104 weeks in four proportional increases. These proportional increases shall be equal to the difference between the then-prevailing Floor Rate for the classification and the employee's then-current rate multiplied by 25% for the first progression increase; 33% for the second; 50% for the third; and 100% for the fourth and final progression increase. All new hires will also receive the wage increases described in Section D.1.d below.

c. COLA

As of the Effective Date of this Agreement, Skilled Trades employees covered by the Supplemental Agreement will have all accrued COLA folded into their base rates. Thereafter, future COLA adjustments shall be eliminated and replaced by Wage Formula increases as described in Section D.1.d below. With respect to the January, 2008 Wage Formula increase, the applicable percentage adjustment shall be applied to each employee's base wage rate, including any applicable COLA folded in as of the Effective Date. Supplemental Production Employees hired prior to the Effective Date, and on active status as of August 1, 2007, will be eligible to receive a one-time COLA make-up adjustment payment in the amount of \$350 payable during the week of August 6, 2007.

d. Wage Formula Increases

Effective with the Monday of the week that includes the first scheduled workday of 2008 (12/31/2007), 2009 (1/5/2009), 2010 1/4/2010 and 2011 (1/3/2011), the hourly wage rate for each production and Skilled Trades employee will be increased by a percentage equal to the greater of (a) the annual percentage increase in average hourly earnings, excluding overtime, of employees in the Manufacturing sector (BLS Series CEU3000000033) or (b) the annual percentage increase in the All Items, Less Medical, CPI-W Index (1982-84=100), both as calculated for the 12 month period ending with the month of August prior to the respective increase date. In the event a calculated increase exceeds 3.75%, wages will be increased by 3.75% and the parties will determine a mutually acceptable disposition of the excess, guided by the twin goals of enhancing UAW members' job and income security and the company's competitiveness. In the event the wage formula generates a negative result, wages will not be reduced. Instead, the negative result, up to a negative 3.75%,

would be used as a direct offset to the next subsequent formula increase (and subsequent increases after that, if necessary, until fully offset). For example, if the formula produced a negative result of 1.34% in one year followed by a 2.45% increase in the next year, the adjusted increase in the second year would be a net 1.11%. The engineering method of rounding will be adopted for all Wage Formula calculations: to three decimal places for the Manufacturing sector average hourly earnings component; to four decimal places for the annual inflation component; to four decimal places for year-to-year percentage changes for each of these components; and to two decimal places for new base hourly wage rates following application of a four decimal Wage Formula increase.

e. Wage Formula Basis

In the event that either of the BLS Series data as referenced above is eliminated, the parties will adopt a mutually agreeable successor or replacement series for use in future calculations. When calculating a Wage Formula result for a current year, BLS data from the preceding year's calculation will become the basis for the current year formula and will not be changed to reflect subsequent revisions in the published data, nor will a Wage Formula adjustment for a prior year be changed as a result of subsequent revisions in the underlying data.

2. Individual Retirement Plan and Personal Savings Plan

Covered Employees under the Term Sheet (Attachment B) are not eligible to participate in the Individual Retirement Plan provisions of the Delphi pension plan or receive a company match to the Personal Savings Plan for the period of time they are eligible to accrue credited service in the GM pension plan in accordance with the Term Sheet.

3. Post Retirement Health Care Account

Covered Employees who can attain eligibility to receive GM OPEB under the Term Sheet (Attachment B) are not eligible to receive credits in the Retiree Medical Account.

E. LOCAL NEGOTIATIONS

The UAW and Delphi agree that local negotiations regarding work rules and other local agreement issues will be conducted on an expedited basis immediately upon ratification of this Agreement, with the support and assistance of the National Parties, at all "Keep", "Sell" and "Footprint" sites (see Section B and Attachment A, D). At facilities to be sold/transferred, such local negotiations will involve the new owner.

F. PENSION AND OPEB / BENEFIT GUARANTEE

1. The Parties have agreed to a Term Sheet with respect to the freezing of Delphi's pension plan, the cessation of Other Post Employment Benefits (OPEB) for Delphi employees and retirees and the consensual triggering of the GM-UAW Benefit Guarantee. That agreement, the Term Sheet, is attached as Attachment B, and is incorporated by reference herein.
2.
 - a. GM and the UAW agree that the period of time on or before which GM's obligations under sections b., c., d., and e. of the Benefit Guarantee Agreement between GM and the UAW, dated September 30, 1999 ("Benefit Guarantee"), may be triggered shall be extended to December 31, 2007 (and to March 31, 2008 if Delphi has commenced solicitation of acceptances of its chapter 11 plan of reorganization prior to December 31, 2007 but the plan has not been confirmed and substantially consummated or such later date as Delphi and GM shall agree to extend the Indemnification Agreement expiration in Section F.2.c)), provided, however that notwithstanding the foregoing or any other provision of this Agreement, this extension shall be without prejudice to any rights, defenses or claims of any Party with respect to the Benefit Guarantee.
 - b. Notwithstanding anything to the contrary in the Benefit Guarantee, this Agreement, or the Benefit Guarantee Term Sheet (Attachment B), GM and the UAW hereby agree that if, at any time prior to the Effective Date, as defined in Attachment B (including the event that such Effective Date never occurs):
 - 1) Delphi or its successor company(ies) terminates its pension plan covering the Covered Employees or ceases to provide on-going credited service for the Covered Employees working at Delphi or its successor company(ies), as applicable, section b. of the Benefit Guarantee will be triggered for such Covered Employees to whom such cessation or termination applies; or
 - 2) Delphi fails or refuses to provide post-retirement medical benefits to Covered Employees retired from Delphi with eligibility for such benefits prior to September 1, 2007, or Delphi reduces the level of post-retirement medical benefits for such Covered Employees below the level of benefits which GM is providing to its UAW-represented retirees, section c. of the Benefit Guarantee will be triggered for all such Covered Employees to whom such failure,

refusal or reduction applies, except for any Covered Employee who is a "check the box" retiree.

Any such triggering in this Section F.2.b. will be subject to all other terms and conditions of the Benefit Guarantee. All terms of this Section F.2.b (even any that have already become effective) will be superseded in their entirety by Attachment B if and when Attachment B becomes effective. Notwithstanding the foregoing or any other provision of this Agreement, any triggering of the Benefit Guarantee hereunder as between GM and the UAW shall be without prejudice to the rights, defenses or claims of any Party with respect to the Benefit Guarantee (including, without limitation, Delphi, which the UAW and GM acknowledge has neither agreed nor consented to the triggering of the Benefit Guarantee pursuant to this Agreement or otherwise), except as to GM regarding its agreement to trigger as specifically provided for in this section F.2.b.

c. Delphi and GM agree that the eighth anniversary date reference in paragraph L of the Agreement between Delphi and GM, with respect to the Benefit Guarantee, dated as of December 22, 1999 (the "Indemnification Agreement"), i.e. October 18, 2007, shall be extended to December 31, 2007 (and to March 31, 2008 if Delphi has commenced solicitation of acceptances of its chapter 11 plan of reorganization prior to December 31, 2007 but the plan has not been confirmed and substantially consummated or such later date as Delphi and GM shall mutually agree); provided, however that notwithstanding the foregoing or any other provision of this Agreement, this extension shall be subject to a full reservation of rights to challenge on any grounds the validity or enforceability of the Indemnity Agreement or any claim GM has made or may make in connection with the Indemnity Agreement, and GM expressly agrees and acknowledges that nothing herein shall be deemed to be, or shall be evidence of, any waiver of any defense Delphi has concerning the Indemnity Agreement or any claim there under or otherwise including defenses arising out or related to the triggering of the Benefit Guarantee under this Agreement without Delphi's approval or consent as an indemnitor under the Indemnity Agreement.

3. Notwithstanding anything to the contrary in this Agreement or any other agreement between (a) the UAW and GM or (b) the UAW and Delphi, in the event that the Benefit Guarantee expires as described in Section F-2, and the Effective Date (as defined in the Benefit Guarantee Term Sheet (Attachment B)) has not occurred, and Delphi has unilaterally modified, terminated or in any way reduced or diminished any of the benefits covered by the Benefit Guarantee, the

UAW shall be immediately released from any obligations to refrain from striking and shall be allowed to call a strike against Delphi and/or GM on two days written notice. This limited right to strike will terminate on the Effective Date of Attachment B or as provided in a substitute agreement between the UAW, Delphi and GM.

G. INTENTIONALLY OMITTED

H. OTHER NATIONAL AND LOCAL AGREEMENT MODIFICATIONS

1. Hiring requirements

The UAW and Delphi agree that all existing and future hiring obligations and all such provisions contained in the Existing Agreements as defined below in Section 7 are eliminated.

2. Transfer of Pension Assets and Liabilities - (414)(1)

A transfer of pension assets and liabilities will occur as provided in the Term Sheet pursuant to Internal Revenue Code Section (414)(1).

3. Existing CHR/Legal Services

The Parties agree as follows:

- a. As of October 1, 2007, all Delphi funding and participation in the Legal Services Plan (Attachment I to the 2003 UAW-Delphi National Agreement) and all programs associated with the UAW-GM Center for Human Resources (CHR) will be terminated. Discussions about any joint programs to be continued, and the method for their administration at the local level in the absence of the CHR, will be a matter of Local Negotiations.
- b. CHR joint training fund accruals will be addressed as specified in Section J, below.
- c. The CHR/Joint Training Funds New Allocation Agreement dated April 2, 2001 is terminated as of the Effective Date of this Agreement.
- d. Existing Legal Services fund (cash and accruals) will be reserved for the exclusive use of eligible participants or to pay administrative expenses incurred by the Plan until depleted. Any excess (cash and accruals) will be addressed as specified in Section J below.

4. Holiday Schedule

Delphi and the UAW agree to adopt the same specified holidays as agreed to by General Motors and the UAW through September 14, 2011 (not including any paid Independence Week days except for the specified Independence Day holiday itself).

5. Workers' Compensation Letter

The Workers' Compensation letter agreement attached to the 2003 Delphi HRP will be subject to the same modifications that may be made to the Workers' Compensation letter agreement in the 2003 UAW - GM National Agreement as a result of 2007 National Negotiations between GM and the UAW.

6. Temporary Employees

The UAW and Delphi agree that temporary employees may be used to satisfy need-to-run requirements in plants that are considered "Wind Downs", "Sell" and "Footprint". Temporary employees may be used in "Keep" sites to bridge any difficulties arising from the implementation of the attrition portion of this Agreement (Attachment C). The use of temporary employees at any site for any reason is subject to the approval of the UAW-Delphi National Parties.

7. Existing Agreements

The UAW and Delphi agree that the Supplemental Agreement, the UAW-Delphi National Agreement dated September 18, 2003 and supplemental agreements attached as Exhibits thereto and UAW-Delphi Local Agreements (collectively the "Existing Agreements") are modified or eliminated to conform to the provisions of this Agreement, as listed in Attachment E.

8. Document 13

The UAW and Delphi agree that the Document 13 commitment in Article 2 of the Supplemental Agreement and Document 13 of the National Agreement shall remain in effect through and expire on September 14, 2011, and that both are waived to the extent necessary to implement the site plans outlined in Section B. and as described in detail in Attachment A ("Site Plans").

9. Appendix L

The UAW and Delphi agree that the terms of the existing Appendix L provisions of the 2003 UAW/Delphi National Agreement will be

applicable with the understanding that upon the conclusion of these negotiations, the UAW-Delphi Joint National Sourcing Committee will identify the proper variable wage and benefit cost elements to be utilized in the Net Present Value Costing Methodology.

10. GIS

The UAW and Delphi agree that the Guaranteed Income Stream (GIS) Program (Exhibit E to the 2003 UAW-Delphi National Agreement) will be eliminated.

11. AOL

The UAW and Delphi agree that the Corporation-paid subsidy for AOL will be discontinued.

I. EQUIVALENCE OF SACRIFICE

Delphi reaffirms its commitment to the principle of "equivalence of sacrifice" when establishing compensation and benefit levels for salaried employees and management, to ensure that sacrifices by UAW-represented employees are reflected in the pay and benefit practices of all non-represented employees.

Information provided by Delphi related to this matter will be in accordance with the requirements of the Supplemental Agreement.

J. SETTLEMENT OF ALL EMPLOYEE, RETIREE, AND UNION ASSERTED AND UNASSERTED CLAIMS

The Parties agree to the following in partial consideration for the UAW entering into this Agreement and in consideration for the releases to be provided pursuant to Section K.

1. Individual settlements pursuant to Transformation Program terms and conditions.
2. The UAW has asserted a claim against Delphi in the amount of \$450 million as a result of the modifications encompassed by this Agreement and various other UAW agreements during the course of Delphi's bankruptcy. Although Delphi has not acknowledged this claim, GM has agreed to settle this claim by making a payment in the amount of \$450 million, which the UAW has directed to be paid directly to the DC VEBA established pursuant to the settlement agreement approved by

the court in the case of Int'l Union, UAW, et. al. v. General Motors Corp., Civil Action No. 05-73991.

3. Delphi is current in its payment of Delphi-related CHR expenses and Legal Services through year end 2006 and to date in 2007. In addition, on October 1, 2007, the UAW will receive payment for an allowed claim against Delphi in the amount of \$140 million consisting of CHR existing accruals of \$134 million and UAW-Delphi Legal Services Plan accruals of \$6 million (adjusted by the difference between accruals and expenditures until the effective date of the plan of reorganization) in complete settlement of the UAW and the UAW-GM Center for Human Resources claims asserted as to CHR Joint Funds and the UAW-Delphi Legal Services Plan accruals and expenses. The amount of \$30 million will be directed to the UAW-GM Center for Human Resources and the balance will be paid directly to the DC VEBA established pursuant to the settlement agreement approved by the court in the case of Int'l Union, UAW, et. al. v. General Motors Corp., Civil Action No. 05-73991.
4. Excludes waiver of rights to vested pension benefits, workers compensation benefits, unemployment compensation benefits and pursuance of pending ordinary course grievances of employees remaining in the workforce.
5. All other consideration and concessions provided by GM and Delphi under the terms of this Agreement and all attachments to this Agreement.

The Parties also acknowledge that (i) the consideration provided by GM pursuant to this Agreement and all attachments to this Agreement constitutes a substantial contribution to Delphi's plan of reorganization, (ii) this contribution is necessary to the success of Delphi's plan of reorganization, and (iii) GM would not have made this contribution without obtaining the waivers and releases provided for herein. 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 as agreed to by Delphi and GM in a comprehensive settlement agreement resolving the financial, commercial, and other matters between them.

K. EFFECTIVE DATES AND BANKRUPTCY PROCEEDINGS

1. Subject to its terms and conditions, this Agreement is a final, binding and conclusive commitment and agreement that will be effective on the later of entry of an Order by the U.S. Bankruptcy Court approving this Agreement that is satisfactory to the UAW, GM and Delphi (the

"Approval Order"), or the first Monday following receipt by Delphi of written notice of ratification from the UAW (the "Effective Date"). The ratification process will commence as soon as practical following the date of this Agreement. In connection with Delphi's prosecution of a motion to obtain entry of the Approval Order in the Bankruptcy Court, (a) Delphi shall use its best efforts to file a motion for approval of this Agreement in form and substance reasonably acceptable to the Parties to be heard not later than the first monthly omnibus hearing at which the motion can be considered under the case management orders entered in the Bankruptcy Court, (b) Delphi shall provide, to the extent reasonably practicable, both the UAW and GM with copies of, and a reasonable opportunity to comment on, all motions, applications, proposed orders, pleadings and supporting papers prepared by Delphi for filing with the bankruptcy court relating to court approval of this Agreement, and (c) the Parties shall support the approval of this Agreement in the Bankruptcy Court without condition, qualification or exception.

2. The parties acknowledge that the following provisions of this Agreement will not become effective until all of the following events have occurred and as of the date when the last of such events shall have occurred: (a) execution by Delphi and GM of a comprehensive settlement agreement resolving the financial, commercial, and other matters between them and (b) the substantial consummation of a plan of reorganization proposed by Delphi in its chapter 11 cases and confirmed by the Bankruptcy Court which incorporates, approves and is consistent with all of the terms of this Agreement and the comprehensive settlement agreement between Delphi and GM:
 - a. The Benefit Guarantee Term Sheet (Attachment B)
 - b. Delphi pension freeze (Section F and Attachment B)
 - c. Cessation of Delphi OPEB (Section F and Attachment B)
 - d. 414(1) transfer (Section H.2 and Attachment B)
 - e. Section J.2.
3. The Parties agree that the order of the Bankruptcy Court approving this Agreement shall provide that any plan of reorganization consistent with this Agreement and any confirmation order entered into with respect to such plan shall include the following provisions:
 - a) On the effective date of such plan of reorganization, the UAW, all employees and former employees of Delphi 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, waive and release and be deemed to have waived and released any and all claims of any

nature, whether liquidated, unliquidated, contingent, non-contingent, asserted or unasserted, existing and/or arising in the future against Delphi, its subsidiaries or affiliates, the Delphi HRP, the Delphi Health Care Program for Hourly Employees and the Delphi Life and Disability Benefits Program for Hourly Employees, GM, its subsidiaries or affiliates, the GM HRP, the GM Health Care Program for Hourly Employees and the GM Life and Disability Benefits Program for Hourly Employees, and the officers, directors, employees, fiduciaries, and agents of each, arising directly or indirectly from or in any way related to any obligations under the collective bargaining agreements between Delphi and the UAW and between GM and the UAW related to such employees and the UAW-GM-Delphi Memorandum of Understanding Benefit Plan Treatment related to such employees (provided, however, that claims for benefits provided for or explicitly not waived under the provisions of this Agreement are not waived).

- b) A plan exculpation and release provision (which provision shall be at least as comprehensive as the plan exculpation and release provision under the plan of reorganization for the debtor) for the UAW released parties (which shall include the UAW and each of their current or former members, officers, committee members, employees, advisors, attorneys, accountants, investment bankers, consultants, agents and other representatives) with respect to any liability such person or entity may have in connection with or related to the Delphi bankruptcy cases, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the plan of reorganization, the disclosure statement concerning the plan of reorganization, this Agreement or the Agreements on Attachment E hereto or any contract, employee benefit plan, instrument, release or other agreement or document created, modified, amended or entered into in connection with either the plan of reorganization or any agreement between the UAW or Delphi, or any other act taken or omitted to be taken consistent with this Agreement in connection with the Delphi bankruptcy.
 - c) This Agreement and the agreements referenced in Attachment E shall be assumed under 11 U.S.C. Section 365.
4. The Parties agree that they will cause the UAW-GM Center for Human Resources to enter into a consent order in the Bankruptcy Court agreeing to the treatment of the CHR claim provided for in Section J of this Agreement.

5. Nothing contained herein shall constitute an assumption of any agreement described herein, including, without limitation any collective bargaining agreement between the UAW and Delphi (except as provided for in Section K.3) or any commercial agreement between GM and Delphi, nor shall anything herein be deemed to create an administrative or priority claim with respect to GM or convert a prepetition claim into a postpetition claim or an administrative expense with respect to any party. The Parties further agree (and the Bankruptcy Court order shall also provide) that this Agreement is without prejudice to any interested party (including the parties to this Agreement and the statutory committees) in all other aspects of Delphi's Chapter 11 cases and that each Party to this Agreement reserves all rights not expressly waived herein.
6. Unless this Agreement is consummated following all required approvals, nothing herein shall bind any of the Parties nor shall the Agreement be admissible in any judicial or other proceeding on behalf of or against any Party.

SITE PLANS

OVERVIEW

- The following site documents describe GM's and Delphi's product program commitments to the sites (Keep, Sell and Footprint). At the Sell Sites, the Parties understand that the new owners' involvement and perspective will be needed as part of the process.
- General Motors will suspend all Sourcing on current products and new products (identified in Attachment A-1) at the Keep, Sell and Footprint Sites (after their transformation) for the life cycles of the identified engine programs, vehicle programs, warehousing, unitizing, trucking-related and component manufacturing.
- Program name changes will not alter the commitments made for the Keep Sell and Footprint Sites in this document. In the event a product program identified in Attachment A-1 is cancelled, discussions will be held between General Motors, Delphi and the UAW to find alternative solutions.
- Grand Rapids, Kokomo, Rochester and Lockport (the "Keep" Sites) will retain all current parts, including their current respective percentage of the total volume, through the life cycles of the identified engine and vehicle programs which they supply to General Motors.
- General Motors will award new work to the Keep Sites as identified in Attachment A-1, and Delphi will produce the associated products at the Keep Sites.
- Delphi will suspend all Sourcing relative to the above referenced current product programs manufactured for GM at the Keep sites, as well as the new products identified in Attachment A-1, through the life cycles of the engine and vehicle programs associated with these commodities. If a component in the above program awards causes the product to become uncompetitive, the local parties will meet to resolve the problem. If the local parties cannot reach resolution, the National Parties will provide assistance. If the parties are still unable to reach resolution, Appendix L will be utilized.
- A few GM products are dual sourced. If future volume reductions occur at the Keep, Sell and Footprint sites, GM and/or Delphi will maintain the previously identified volume percentage at the impacted locations.
- Revenue and jobs as identified in this document (including Attachment A-1) are based on current estimates of program volumes which are subject to change based on future market conditions and are not financial or volume guarantees.
- Investment and engineering figures are estimates based on the current understanding of program requirements which are subject to change based on future program revisions, and are not financial or volume guarantees.

GRAND RAPIDS

CURRENT STATE

- Booked revenue projected to increase from \$174 million in 2007 to \$195 million in 2011 (reference Attachment A-1).

GM COMMITMENT

- GM will award the new product programs starting in 2010-2012, including Cylinder Deactivation, Lash Adjusters, Lifter Guide Assemblies, and the 4.5 HO V-8 12mm HLA. GM will commit these product programs (for specific program details see the charts included in Attachment A-1), with the potential for additional new product programs as they are released. The majority of the specific program replacement for incumbent work is beyond the GM program planning horizon at this time.

DELPHI COMMITMENT

- Engineering and capital investment of approximately \$22.5 million will be made by Delphi at the Grand Rapids facility as required to support the above-designated product programs.

ROCHESTER

CURRENT STATE

- Booked revenue projected to decrease from \$583 million in 2007 to \$343 million in 2011 (reference Attachment A-1).

GM COMMITMENT

- GM will award the new product programs for Fuel Rails, IAFM's & IAM's, SIDI, LOMA and Canisters (Note: E85 injectors are included as part of the Fuel Rails/SIDI system). GM will commit these product programs (for specific program details see the charts included in Attachment A-1), with the potential for additional new product programs as they are released.
 - The most significant programs for the site are the GMPT SIDI programs for the next generation (Gen V) engines.
 - GM has confirmed that Delphi has demonstrated the technical capability to satisfy product requirements and compete for SIDI programs as future applications are identified.

DELPHI COMMITMENT

- Engineering and capital investment of approximately \$134 million will be made by Delphi at the Rochester facility as required to support the Gen V SIDI program.

LOCKPORT

CURRENT STATE

- Booked revenue projected to decline from \$753 million in 2007 to \$457 million in 2011 (reference Attachment A-1).

GM COMMITMENT

- GM will award the new product programs for a variety of HVAC and Powertrain Cooling (PTC) products. GM is committing these product programs (for specific program details see the charts included in Attachment A-1), with the potential for additional product programs as they are released.
- The most significant future programs for the site are a large portion of the C3XX HVAC and PTC products.

DELPHI COMMITMENT

- Engineering and capital investment of approximately \$48 million will be made by Delphi at the Lockport facility as required to support the C3XX HVAC/PTC product programs.

KOKOMO

CURRENT STATE

- Booked revenue projected to decline from \$666 million in 2007 to \$310 million in 2012 (reference Attachment A-1).

GM COMMITMENT

- GM will award the new product programs for a variety of powertrain and electronics related products. GM is committing these product programs (for specific program details see the charts included in Attachment A-1), with the potential for additional product programs as they are released.
- The most significant future product programs for the site are:
 - Gen V SIDI Engine Controllers.
 - TEHCM Controllers (T-90, T-76).
 - GM BAS+ APM/BPIM (electronics & system assembly).
 - Crash sensing SDM.
 - Note: Delphi will relocate ECM/BCM from Milwaukee to Kokomo per the timing in the transition plan shared with the Union June 15, 2007.
- The basis of competition for manufacturing this electronics product line is generally dominated by low-cost non-U.S. manufacturers (favorable packing density logistics). Therefore, it is critical for the future of the site that the parties work together to address this competitive challenge, including evaluation of ongoing wafer fabrication operations.

SANDUSKY

GENERAL

- Intent of all parties is to complete sale as soon as possible, but in any event by the end of 2008.
- Objective is to accomplish a sale of the Sandusky operation to a new owner who is committed to bearing manufacturing as an on-going business.
- The below defined commitments from GM and Delphi are contingent upon this business being sold to an acceptable buyer.
- Investment of an estimated \$40 million in engineering and capital will be required to support the various Gen III Bearing programs.
- If the sale of the Sandusky site is not concluded by December 31, 2008, GM will cause the Sandusky operations to be transferred as set forth in Section B.2 of this Memorandum of Understanding.

GM COMMITMENT

- Support the sale of the business.
- Provide/award a book of business for extended period of time.
 - GM has agreed to award new programs with annual volume estimated at approximately 6.0 million bearings, for product programs as follows:
 - N.A. Delta fronts and rears.
 - Theta Epsilon, Zeta.
 - N.A. Epsilon, Theta.
- GM has issued purchase orders for five years subject to the above stated conditions, i.e. a sale or transfer to a third party.
- GM has confirmed that Sandusky has demonstrated the technical capability to satisfy product requirements and compete for bearing program opportunities as future applications are identified.

DELPHI COMMITMENT

- Support the sale of the business.
- Agree to asset sale as appropriate to support sale of Sandusky.
- Support hourly workforce transformation.
- Support the transition of technical expertise and resources.
- Until the business is sold, or December 31, 2008, whichever is sooner, Delphi will operate the facility.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to complete the sale/transformation.

ADRIAN

GENERAL

- Intent of all parties is to complete the divestiture as soon as possible and in any event by end of 2007.
- Objective is to accomplish a transfer of operations to a new owner as an on-going business.
- If the sale of the Adrian site is not concluded by December 31, 2008, GM will cause the Adrian operations to be transferred as set forth in Section B.2 of this Memorandum of Understanding.
- GM will not impede the future site owner's efforts to attract non-GM business.

GM COMMITMENT

- Support the sale of the business.
- Provide/award a book of business for extended period of time.
- Negotiate long-term supply agreement with buyer.
- GM will commit to similar levels of content for the C3XX instrument panel components as Adrian currently produces for the GMT 900 program.

DELPHI COMMITMENT

- Support the sale of the business.
- Agree to sale of assets as appropriate to support sale of the business.
- Support hourly workforce transformation.
- Support the transition of technical expertise and resources.
- Until the business is sold, or December 31, 2008, whichever is sooner, Delphi will operate the facility.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to complete the sale/transformation.

SAGINAW STEERING - SAGINAW

GENERAL

- Intent of all parties is to complete the divestiture as soon as possible and in any event by end of 2007.
- Objective is to accomplish a transfer of operations to a new owner as an on-going business.
- If the sale of the Saginaw site is not concluded by December 31, 2010, GM will cause the Saginaw operations to be transferred as set forth in Section B.2 of this Memorandum of Understanding.

GM COMMITMENT

- Support the sale of the business.
- Provide/award a book of business for extended period of time.
- Negotiate long-term supply agreement with buyer.
- GM will commit to product programs as described in Attachment A-1. These programs will remain in the Saginaw, Michigan site for the duration of the product life cycle.
- GM agrees to award to Saginaw, Michigan the C3XX front half shafts, rack & pinion gear, integral gear, steering columns and (if technical capability is demonstrated to GM Engineering satisfaction) steering pumps and rear half shafts.
- Based upon future product applications for the Electronic Power Steering (EPS), GM will award the C3XX EPS to the Saginaw, Michigan site if the technical and engineering capability of the organization is demonstrated to GM Engineering.
- In the event that it is determined that the technical specifications cannot be met, GM, the Company and the UAW will initiate discussions so that alternative job opportunities for future available product programs are identified that are within the technical capabilities of the Company.

DELPHI COMMITMENT

- Support the sale of the business.
- Agree to sale of assets as appropriate to support sale of the business.
- Support hourly workforce transformation.
- Support the transition of technical expertise and resources.
- Until the business is sold, or December 31, 2010, whichever is sooner, Delphi will operate the facility.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to complete the sale/transformation.

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SAGINAW MFG. NEWCO

GENERAL

- Intent of all parties is to complete transfer as soon as possible.
- Objective is to maintain presence in Saginaw County area
- Objective is to create a successful on-going business entity, operated by a third party, and provide jobs
- If the transfer of the Saginaw Manufacturing site is not concluded by December 31, 2008, the operations will be handled in accordance with Section B.3 of this Memorandum of Understanding.

GM COMMITMENT

- GM will award new product programs as outlined in Attachment A-1, which includes brake corner machining and brake corner assembly.
- Grant Newco a ROLR for next generation replacement programs or next generation value-added assembly (VAA) opportunities as they are identified through the GM Product Development Process for the programs described above.
- GM will fund engineering design and development and start-up costs for Newco to enable a competitive piece price environment for long-term viability.
- The job opportunities described above will provide an initial commitment of 500 jobs.

DELPHI COMMITMENT

- Support the transfer of the business.
- Agree to sale of assets as appropriate for transfer of Saginaw Mfg.
- Agree to support the transfer of work to the Saginaw area from other Delphi sites providing acceptable commercial terms and conditions can be reached between the parties (GM and Delphi).
- Consider facility lease proposals as appropriate with respect to the transfer process.
- Support transfer of hourly workforce.
- Until the transfer of the business is complete, or December 31, 2008, whichever is sooner, Delphi will operate the facility.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to implement the plan.

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FLINT - EAST

GENERAL

- Objective is to maintain presence in Flint area.
- Objective over time is to bring new work into the area operated by a third party as an ongoing business entity and provide jobs as existing legacy work exits from the Flint-East site without successor program replacement.
- After December 31, 2008, Delphi will no longer have ongoing responsibility for the hourly employees, but will continue to own, operate and support the site through the end of current OE production at the site.
- After December 31, 2008, all remaining hourly employees will be handled in accordance with Section B.3 of this Memorandum of Understanding.
- Employees who become redundant after October 1, 2007 and prior to new work being available to the site, will be transferred to a third party and placed on layoff and, if eligible, will be paid unemployment benefits and applicable SUB.

GM COMMITMENT

- GM will develop and implement a unitizing facility (or facilities) in the Flint area (to be named later) to be represented by Local 651 by transitioning certain work beginning January, 2008 that is currently contracted to third party packagers (230 jobs). This work will be staffed by current employees represented by Local 651, who will become GM employees at the wage and benefit levels as contained within the modified UAW-Delphi Supplemental Agreement. Any issues, administrative details or the application of the modified Supplemental Agreement will be resolved by GM and the GM Department of the International Union, UAW. This work is anticipated to be fully transitioned by July, 2008 and will remain through January 1, 2015.
- In addition, GM is prepared to commit this business on new and replacement service parts, not unitized by suppliers, for unitizing awards through the 2011 model year.
- GM also commits to provide 220 "trucking-related" jobs with ramp-up timing beginning no later than the fall of 2007 with the commitment level attained by July 2008. Local 651 employees will be able to make application for these "trucking-related" jobs in conjunction with the selection process managed by Local 659 and the Company responsible for the "trucking-related" jobs.
- GM also commits to identify 550 additional job opportunities for Local 651, in addition to the work described above to provide 1,000 total jobs upon full implementation. In the event that a sufficient number of job opportunities are not identified by July 1, 2008, GM will allocate the C3XX cluster to replace the existing GMT 900 cluster work. GM will also identify

additional replacement work to be placed in Flint - East to attain the committed employment level of 1,000 jobs by July 1, 2008.

DELPHI COMMITMENT

- Support hourly workforce transformation.
- Provide approximately 350 instrument cluster jobs at the Flint - East site until the end of their respective program life cycles and/or in accordance with the transition plan.
- Additionally Delphi will support an initial complement of approximately 150 jobs related to GM service MRA's through the end of current OE cluster production.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to implement the transformation plan.

NEEDMORE RD.

GENERAL

- Objective is to maintain presence in Dayton area.
- Objective over time is to bring new work into the area as an on-going business entity and provide jobs.
- If the transfer of the Needmore Rd. site employees has not been completed within 30 days following the end of OE production (currently scheduled for June 30, 2008), or December 31, 2008, whichever is sooner, the employees will be transferred in accordance with Section B.3 of this Memorandum of Understanding.
- Employees who become redundant prior to new work being available to the site, will be transferred to a third party and placed on layoff and, if eligible, will be paid unemployment benefits and applicable SUB.

GM COMMITMENT

- GM will develop and implement a warehousing facility (or facilities) in the Dayton area (location to be named later) to be represented by Local 696 by transitioning certain work beginning July, 2008 that is currently contracted to third party logistics providers (160 jobs). These employees will become GM employees at the wage and benefit levels as contained within the modified UAW-Delphi Supplemental Agreement. Any issues, administrative details or the application of the modified Supplemental Agreement will be resolved by GM and the GM Department of the International Union, UAW. This work is anticipated to be fully transitioned by March, 2009, and will remain through January 1, 2015.
- As new vehicle programs are launched, GM will commit service parts warehousing work for these vehicles through the 2011 model year.
- GM also commits to provide 140 "trucking-related" jobs with ramp-up timing beginning on or about September, 2008, with the commitment level attained by March, 2009.
- GM will transition IPC/CKD services from a current third party supplier, which currently employs approximately 250 employees beginning in July, 2008 with the commitment level attained by January, 2009.
- GM also commits, by March, 2008, to identify 200 additional job opportunities for Local 696, in addition to the work described above to provide 750 total jobs upon full implementation.

DELPHI COMMITMENT

- Support the transfer of the hourly workforce.
- Delphi will manage the current existing programs through the end of production, or December 31, 2008, whichever is sooner.
- Until the transfer of the employees is complete, or December 31, 2008, whichever is sooner, Delphi will operate the facility.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to implement the transformation plan.

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COTTONDALE

GENERAL

- Intent of all parties is to complete the divestiture as soon as possible and in any event by end of 2007.
- Objective is to accomplish a transfer of operations to a new owner as an on-going business.

CURRENT STATE

- Booked revenue projected to decline from \$324.7 million in 2007 to \$101.5 million in 2011 (reference attached documents).
- New work opportunities at the Mercedes assembly plant include future cockpit programs (W-166, X-166 and W-251 NG). This new business represents an annual revenue stream of approximately \$320 million. Winning this new business will be dependent upon the plant's ability to satisfy Mercedes' requirements in the areas of quality, technology and cost.
- The basis of competition for assembly of this product is generally dominated by low-cost U.S.-based assemblers. Therefore, it is critical for the future of the plant that the parties work together to address this ongoing competitive challenge.

DELPHI COMMITMENT

- Support the sale of the business.
- Agree to sale of assets as appropriate to support sale the business.
- Support hourly workforce transformation.
- Support the transition of technical expertise and resources.

UAW COMMITMENT

- Waive Document 13 of the National Agreement to the extent necessary to complete the sale/transformation.
- Work with the new buyer to develop a competitive agreement that will support the plant in winning new business.

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ATTACHMENT A-1

UAW Site Revenue & Headcount Projections

Attached Separately

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ATTACHMENT B

Term Sheet - Delphi Pension Freeze and Cessation of OPEB, and GM Consensual
Triggering of Benefit Guarantee"

Attached Separately

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ATTACHMENT C

Special Attrition Plan

Attached Separately

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ATTACHMENT D

COMPETITIVE OPERATING AGREEMENT FRAMEWORK

(DELPHI LOGO)

Local Negotiations
Competitive Operating Agreement Framework

TO IMPROVE PLANT COMPETITIVENESS, PROMOTE OPERATING VIABILITY AND BETTER POSITION THE PLANTS TO WIN NEW BUSINESS, THE FOLLOWING REPRESENTS DELPHI'S AND GM'S VIEW OF CRITICAL ELEMENTS FOR DISCUSSION DURING LOCAL NEGOTIATIONS AT ALL KEEP, SELL AND FOOTPRINT SITES.

- Process
 - Commence local negotiations at all Keep, Sell and Footprint Issue sites as promptly following ratification
 - Conclude local COA negotiations within 60 days following ratification
 - Wages and benefits not included in Local Negotiations
- Top Priority Local COA Issues:
 - Effective utilization of workforce capabilities to achieve competitive direct to indirect ratios
 - Elimination of uncompetitive activities (direct and indirect): outsource/subcontract as required
 - Flexibility to use skilled trades efficiently, focusing on direct support of production operations
 - Reduce skilled trades classifications (ultimately to Electrical, Mechanical)
 - No restrictions on combination of jobs or "right of access" (eliminate LODs)
 - Operate production equipment as required
 - Flexibility to use production employees efficiently
 - Reduce production classifications to a minimum
 - No restrictions on combination of jobs
 - Enhancing production employee skills and utilizing them to their fullest capabilities (maintenance of tooling/equipment, changeovers, etc.)
 - Reduce employee movement to protect quality of product and operating efficiencies
 - Overtime
 - Resolve uncompetitive skilled trades Full Utilization restrictions
 - Simplify scheduling and equalization administration
 - Attendance
 - Implement a local No Fault Attendance Program
 - FMLA Administration as allowed by law
- Eliminate prior agreements and practices that generate unnecessary operating costs
- The local parties will not be constrained in achieving a COA by existing agreements/past practices

Delphi Confidential - Subject to Protective Order

Industrial Relations

Source: GENERAL MOTORS CORP, 10-Q, August 07, 2007

ATTACHMENT E

List of Agreements

Attached Separately

ATTACHMENT F

ILLUSTRATIVE EXAMPLE OF WAGE PROGRESSION SCALES

	GROUP A HIRE DATE				
	7/1/05	8/1/06	10/1/06	11/1/06	2/1/07
Initial Base	14.00	14.00	14.00	14.00	14.00
6 Mth Progression #1	14.42	14.42	14.42	14.42	--
6 Mth Progression #2	14.85	--	--	--	--
6 Mth Progression #3	15.30	--	--	--	--
Base As Of June 30, 2007	15.30	14.42	14.42	14.42	14.00
Incremental Next Wage Progression	0.46	0.43	0.43	0.43	0.42
Revised Base	15.76	14.85	14.85	14.85	14.42
December 30, 2007 Incr. Conversion To Floor Wages As Of December 30, 2007	0.47	1.38	1.38	1.38	1.81
January 2008 Base With Accrued COLA	16.23	16.23	16.23	16.23	16.23
Multiplied By Wage Formula %, Greater Of Equals	16.23	16.23	16.23	16.23	16.23

Revised January Base

	GROUP B HIRE DATE				
	7/1/05	8/1/06	10/1/06	11/1/06	2/1/07
Initial Base	14.00	14.00	14.00	14.00	14.00
6 Mth Progression #1	14.42	14.42	14.42	14.42	--
6 Mth Progression #2	14.85	--	--	--	--
6 Mth Progression #3	15.30	--	--	--	--
Base As Of June 30, 2007	15.30	14.42	14.42	14.42	14.00
Incremental Next Wage Progression	--	0.43	0.43	0.43	0.42
Revised Base	15.30	14.85	14.85	14.85	14.42
December 30, 2007 Incr. Conversion To Floor Wages As Of December 30, 2007	--	0.45	0.45	0.45	0.88
January 2008 Base With Accrued COLA	15.30	15.30	15.30	15.30	15.30
Multiplied By Wage Formula %, Greater Of Equals	15.30	15.30	15.30	15.30	15.30

Revised January Base

	GROUP C HIRE DATE				
	7/1/05	8/1/06	10/1/06	11/1/06	2/1/07
Initial Base	14.00	14.00	14.00	14.00	14.00
6 Mth Progression #1	14.42	14.42	14.42	14.42	--
6 Mth Progression #2	14.50	--	--	--	--
6 Mth Progression #3	14.50	--	--	--	--

Base As Of June 30, 2007	14.50	14.42	14.42	14.42	14.00
Incremental Next Wage Progression	--	0.08	0.08	0.08	0.42

Revised Base	14.50	14.50	14.50	14.50	14.42
December 30, 2007 Incr. Conversion To Floor	--	--	--	--	0.08
Wages As Of December 30, 2007	14.50	14.50	14.50	14.50	14.50
January 2008 Base With Accrued COLA	14.50	14.50	14.50	14.50	14.50
Multiplied By Wage Formula %, Greater Of	CPI-W / Mfg. Sector Earnings Change				
Equals	-----				
	Revised January Base				
	=====				

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ASSET PURCHASE AGREEMENT
DATED AS OF
JUNE 28, 2007
BY AND BETWEEN
GENERAL MOTORS CORPORATION
AND
CLUTCH OPERATING COMPANY, INC.

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of June 28, 2007, is made by and between General Motors Corporation, a Delaware corporation ("GM"), and Clutch Operating Company, Inc., a Delaware corporation (the "Buyer").

WHEREAS, GM, together with certain of its Subsidiaries set forth on Schedule 1.1A (collectively with GM, the "Sellers," and each individually, a "Seller"), are engaged through their Allison Transmission operations ("Allison") in the business, conducted at the locations listed on Schedule 1.1B, of (i) researching, developing, designing, manufacturing, distributing, marketing, and selling (A) Automatic Transmissions for use in Vocational Vehicles, Military Vehicles and Off-Road Products, and (B) Hybrid Propulsion Systems for use in Vocational Vehicles and Military Vehicles (the "Transferred Hybrid Business"), (ii) remanufacturing such Automatic Transmissions for use in those applications, (iii) manufacturing and selling replacement parts and support equipment and providing related services, in each case, for such Automatic Transmissions and Hybrid Propulsion Systems, and (iv) researching, developing, designing, manufacturing, distributing, marketing and selling the products, and providing the services, currently researched, developed, designed, manufactured, distributed, marketed, sold or provided, as applicable, at or from the facilities listed on Schedule 1.1B (the foregoing, excluding the Retained Businesses, the "Business");

WHEREAS, the Business is also conducted by the Subsidiaries set forth on Schedule 1.1C (the "Transferred Subsidiaries"), all of the outstanding capital stock of which (all of the outstanding capital stock of all of the Transferred Subsidiaries, collectively, the "Transferred Stock") is, or will be prior to Closing, owned directly or indirectly by GM and one or more of the Sellers;

WHEREAS, GM and its Affiliates are engaged in the business, based out of the Castleton Facility and elsewhere, of designing, manufacturing, distributing and selling Hybrid Propulsion Systems for use in Non-vocational Vehicles (such business, including all businesses relating to Hybrid Propulsion Systems other than the Transferred Hybrid Business, the "Retained Hybrid Business");

WHEREAS, GM and its Affiliates are engaged in the business, based out of the Szentgotthard Facility, of assembling Automatic Transmissions sold by Allison outside of North America (the "Hungarian Manufacturing Business");

WHEREAS, GM and its Affiliates are engaged in the business, based out of the Baltimore Facility and other facilities in the United States and elsewhere (the Baltimore Facility, together with the Castleton Facility and the Szentgotthard Facility, the "Retained Facilities"), of designing, manufacturing, distributing and selling, among other things, (i) Automatic Transmissions (including A1000 Products) for use in Non-vocational Vehicles, and (ii) Non-vocational Vehicles and Vocational Vehicles employing those and other Automatic Transmissions (such business, together with the Retained Hybrid Business and the Hungarian Manufacturing Business, the "Retained Businesses");

WHEREAS, the Retained Businesses and the Retained Facilities, including any and all assets, rights and properties primarily used or held for use in connection with or at such Retained Businesses, are not included in the Business and are not being transferred to or acquired by the Buyer;

WHEREAS, GM and its Affiliates have certain interests in, and/or conduct various businesses and operations, not included in the Business, at, the facilities and other properties listed on Schedule 1.1D (the "Shared Retained Facilities"), which Shared Retained Facilities are also used in connection with the Business but are being retained by GM and its Affiliates and are not being transferred to or acquired by the Buyer; and

WHEREAS, this Agreement contemplates that the Buyer shall acquire substantially all of the assets of the Business (other than the Retained Businesses, the Retained Facilities and certain excluded assets), including the Transferred Stock, certain assets of the Business at the Shared Retained Facilities, and a right to continued use of portions of certain of the Shared Retained Facilities and shall assume substantially all of the liabilities of the Business, other than certain excluded liabilities, in each case on the terms and subject to the conditions set forth in this Agreement and the Ancillary Documents.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, and for other good and valuable consideration, the value, receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms have the meanings set forth below:

"1000 Series Products" means Automatic Transmissions manufactured at the Business' operations in Indianapolis, Indiana and known by GM and the Business as the "Allison 1000 Series," in each case as of the date hereof, and any Derivations thereof, but excludes all Hybrid Propulsion Systems. For the avoidance of doubt, the manufacture of the 1000 Series Products (and any Derivations thereof) after the date hereof is not limited to such location.

"A1000 IP License Agreement" has the meaning set forth in SECTION 8.2(D).

"A1000 Products" means Automatic Transmissions manufactured at the Baltimore Facility and known by GM and the Business as the "A1000," in each case as of the date hereof, and any Derivations thereof, but excludes all Hybrid Propulsion Systems. For the avoidance of doubt, the manufacture of A1000 Products (and any Derivations thereof) is not limited to the Baltimore Facility.

"Adverse Buyer Modification" means any modification or modifications to the MOU that are materially adverse to the Buyer or that would reasonably be expected to have a material and adverse impact, cost or expense on or to the Buyer or the Business.

"Adverse GM Modification" means any modification or modifications to the MOU that are materially adverse to GM or that would reasonably be expected to have a material and adverse impact, cost or expense on or to GM.

"Automatic Transmission" means an electro/mechanical/hydraulic mechanism that transmits torque from the prime mover in a vehicle or Off-Road Product to propel the vehicle or product without power interruption to the drive wheels or mechanism during shifting between gear ranges and that changes gear ranges automatically without any operator input required

beyond depressing the accelerator pedal, if applicable, and specifically excludes automated manual transmissions (i.e., AMTs, as such term is commonly understood in the United States automobile industry as of the date hereof).

"Action" means any claim, action, arbitration, charge, grievance, suit, inquiry, proceeding or investigation by or before any Governmental Entity or any arbitrator with legal and binding authority over such matter.

"Affiliates" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended.

"Agreed Accounting Conventions" means GAAP applied on a basis consistent with the past practices of the Sellers and the Transferred Subsidiaries.

"Agreement" has the meaning set forth in the Preamble.

"Allison" has the meaning set forth in the Recitals.

"Allison Indy Transmission Facilities" means the facilities used in the Business and consisting of Plants 3, 4, 6 and 7 located at 4700 West 10th Street, Speedway, Indiana, Plants 12 and 14 located at 901 Grande Avenue, Indianapolis, Indiana and the former Plant 2 located at 4500 West Gilman Street, Speedway, Indiana.

"Allison New Lease Facilities" means the facilities located at (i) Taeseok Building, #275-5 Yahggjae-dong, Seocho-gu, Seoul, Korea and (ii) Kalman Imre u. 1, Budapest, Hungary.

"Allocation" has the meaning set forth in SECTION 3.4.

"Ancillary Documents" means the Employee Matters Agreement, the Transition Services Agreement, the Bill of Sale and Assignment and Assumption Agreement, the Assignment of Trademarks, the Assignment of Copyrights, the Patent and Technology License Agreement, the A1000 IP License Agreement, the Software License Agreement, the Confidentiality Agreements, the Proving Grounds Use Agreements, the Business to GM Edge Agreement, the GMPT Germany Supply Contract, the Sublease Agreement, the Lease Agreement, the Engineering Services Agreement, the Government Related Subcontract Agreement, the Buyer Parent Guarantees, the Hybrid Co-Branding Agreement and each other agreement or document executed by the Parties pursuant to this Agreement or any of the foregoing and each certificate and other document to be delivered by the Parties pursuant to ARTICLE VIII.

"Antitrust Laws" has the meaning set forth in SECTION 6.2(C).

"Apportioned Obligations" means any Tax (including any additional Tax determined subsequent to the Closing Date) relating to the Business or any Purchased Asset that is due or becomes due for any Straddle Period.

"Article" means, except as otherwise expressly indicated herein, an article of this Agreement.

"Assigned GSCs" means those GSCs designated as "Assign" in Schedule D of the Transition Services Agreement, but only with respect to the applicable services, as more fully set forth in SECTION 2.2(C).

"Assignment of Copyrights" has the meaning set forth in SECTION 8.2(D).

"Assignment of Trademarks" has the meaning set forth in SECTION 8.2(D).

"Assumed Liabilities" has the meaning set forth in SECTION 2.3(A).

"Baltimore Facility" means the facility located at 10301 Philadelphia Road White Marsh, Maryland.

"Basket" has the meaning set forth in SECTION 9.2(B).

"Benefit Plans" has the meaning set forth in SECTION 4.15(B).

"Bill of Sale and Assignment and Assumption Agreement" has the meaning set forth in SECTION 8.2(D).

"Business" has the meaning set forth in the Recitals.

"Business Assets" means the Purchased Assets and all of the assets, rights and properties of the Transferred Subsidiaries, collectively.

"Business Day" means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by Law to be closed in New York City, New York.

"Business Employee" has the meaning set forth in the Employee Matters Agreement.

"Business Financial Statements" has the meaning set forth in SECTION 4.4(A).

"Business to GM Edge Agreement" has the meaning set forth in SECTION 8.2(D).

"Buyer" has the meaning set forth in the Preamble.

"Buyer Claims" has the meaning set forth in SECTION 9.2(A).

"Buyer Competing Business" has the meaning set forth in SECTION 7.9(B).

"Buyer Cure" has the meaning set forth in SECTION 8.3(E).

"Buyer Indemnified Party" has the meaning set forth in SECTION 9.2(A).

"Buyer Material Adverse Effect" has the meaning set forth in SECTION 5.1.

"Buyer Military Vehicles" means Military Vehicles with a gross vehicle weight rating greater than 3500 kg.

"Buyer Parent Guarantees" means those certain Guarantees made and delivered to GM by the Guarantors as of the date hereof.

"Buyer Proposed Amount" has the meaning set forth in SECTION 3.3(C).

"Buyer Restricted Products" means Automatic Transmissions and Hybrid Propulsion Systems manufactured or sold for use anywhere in the world in (i) Non-vocational Vehicles or (ii) GM Military Vehicles.

"Buyer Service Agent" has the meaning set forth in SECTION 11.13.

"Buyer Termination Fee" has the meaning set forth in SECTION 10.3(A).

"Cap" has the meaning set forth in SECTION 9.2(B).

"Castleton Facility" means the facility located at 7601 East 88th Place, Indianapolis, Indiana.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq.

"Claims" has the meaning set forth in SECTION 9.3(A).

"Closing" has the meaning set forth in SECTION 3.1.

"Closing Date" has the meaning set forth in SECTION 3.1.

"Closing Date Debt" means the aggregate Indebtedness of the Transferred Subsidiaries and, to the extent contained in the Assumed Liabilities, the Sellers as of the close of business on the day immediately preceding the Closing Date, as reflected on the Final Statement.

"Closing Date Net Working Capital" has the meaning set forth in SECTION 3.3(A).

"Closing Payment" has the meaning set forth in SECTION 3.2.

"Code" means the Internal Revenue Code of 1986, as amended (together with all rules and regulations promulgated thereunder).

"Commitment Letters" has the meaning set forth in SECTION 5.5.

"Competing Business" has the meaning set forth in SECTION 7.9(B).

"Confidentiality Agreements" means those certain confidentiality agreements dated February 9, 2007, between GM and each of Carlyle Investment Management, L.L.C. and Onex Partners Advisor LP, in each case as amended.

"Consent Decree" means the consent decree between the Directorate, Office of Defense Trade Controls, Bureau of Political Military Affairs, U.S. Department of State, the U.S. Department of Homeland Security, U.S. Immigration and Customs Enforcement, GM and General Dynamics Corporation dated November 1, 2004.

"Contracts" means any contracts, agreements, arrangements, leases, licenses, obligations, commitments and undertakings that are binding, or purport to be binding by their terms, on the parties thereto, and any outstanding bids or proposals (which bids or proposals if accepted by the recipient thereof would result in a binding contract), in each case, whether written or oral, express or implied.

"Copyrights" means copyright registrations and applications.

"Corrective Action" has the meaning set forth in SECTION 7.7(A).

"COTS License" means any Contract under which any of the Sellers receives a license to use unmodified commercially-available Software or obtains any services related thereto (including maintenance, hosting or consulting service).

"Coverage Period" has the meaning set forth in the definition of "DPIM Extended Special Coverage".

"Covered Claim" means a claim against the Buyer under the DPIM Extended Special Coverage that is covered by the DPIM Extended Special Coverage and made by a "Participating OEM" or an "Allison Transmission Distributor/Dealer" (such terms having the meanings given to them under the DPIM Extended Special Coverage) based on the failure of a DPIM Unit for any reason other than (i) misuse by the end user of the DPIM Unit or other failure to use the DPIM Unit or associated Hybrid Propulsion System for its intended purpose, or (ii) improper installation of such DPIM Unit by the bus OEM or by the servicing distributor of such DPIM Unit.

"Decatur Boulevard Property" has the meaning set forth in SECTION 6.10.

"Deeds" has the meaning set forth in SECTION 8.2(D).

"Derivations" means any modifications and derivations to a product as long as the product retains its powerflow, core engineering and design criteria, including enhancements to the core design or additional features or functions applied to the product's core architecture.

"Dollars" and the sign "\$" each means lawful money of the United States of America.

"DPIM" has the meaning set forth in SECTION 7.18(E).

"DPIM Conversion Date" has the meaning set forth in the definition of "DPIM Unit".

"DPIM Coverage Costs" means an amount, per DPIM Unit replaced by the Buyer in accordance with the DPIM Extended Special Coverage in response to a Covered Claim made in respect of an open repair order opened prior to the expiration of the Coverage Period, equal to (i) the out-of-pocket cost incurred by the Buyer for the replacement DPIM Unit, plus (ii) the out-of-pocket shipping costs incurred by the Buyer in transporting such replacement DPIM Unit to the customer, plus (iii) the out-of-pocket cost paid by the Buyer to the distributor of the replacement DPIM Unit to replace the failed DPIM Unit, plus (iv) a reasonable pro-rata portion of the salary of the special contract logistics manager hired for the purposes of expediting the DPIM Units and avoiding the costs of normal service channel mark-up, plus (v) any payment made by the Buyer to a supplier (including the DPIM Supplier) as reimbursement for such supplier's increased capacity costs associated with DPIM Unit rebuilding or remanufacturing.

"DPIM Design Program" has the meaning set forth in SECTION 7.18(E).

"DPIM Extended Special Coverage" means that certain DPIM standard warranty provided by the Business to certain of its customers in the form attached hereto as Exhibit Q;

provided that (i) the warranty period is two (2) years from the vehicle in service date and the extended special coverage period is in effect from the end of such two-year period through the date that is the twelfth anniversary of the vehicle in service date (such warranty and extended special coverage periods, collectively, the "Coverage Period"), and (ii) during years 8-12 of the Coverage Period, the Business will be responsible to certain of its customers covered by the DPIM Extended Special Coverage for the following portions of the customer claims covered by the DPIM Extended Special Coverage: (A) year 8, 90%, (B) year 9, 80%, (C) year 10, 70%, (D) year 11, 60%, and (E) year 12, 50%.

"DPIM Supplier" means Arens Controls Company, L.L.C.

"DPIM Unit" means a single dual power inverter module (identified by part numbers 29545820 and 29540600 and interim improvements to such parts prior to the DPIM Conversion Date) that was (i) manufactured for use in, and that was actually used in, the Hybrid Propulsion Systems sold by the Business for use in buses that are Vocational Vehicles, and (ii) sold by the Business and shipped to its customers prior to the date (the "DPIM Conversion Date") that is the earlier of (x) July 1, 2009 and (y) the date on which there is a start of regular production for a DPIM block change, as is evidenced by a change in the DPIM part number and/or by such other criteria as is customarily used by the Business prior to the Closing to indicate such action, provided that GM and the Buyer agree (which agreement will not be unreasonably withheld) that the DPIM part bearing such new part number meets the validation requirements of a Global Product Development Process (as such term is commonly understood within the design and engineering organizations of GM Powertrain and the Business), which shall include an Analysis Development Validation (ADV) plan (as such term is commonly understood within the design and engineering organizations of GM Powertrain and the Business), with a stated objective of B5 280,000 miles (the "Required Specification").

"EEA" means the European Economic Area, as its membership may be altered from time to time, and any successor thereto, and which, as of the date hereof, consists of member states of the EU together with Iceland, Norway and Liechtenstein.

"Employee Matters Agreement" has the meaning set forth in SECTION 8.2(D).

"Employee Pension Benefit Plan" has the meaning set forth in Section 3(1) of ERISA, whether or not subject thereto.

"Employee Welfare Benefit Plan" has the meaning set forth in Section 3(2) of ERISA, whether or not subject thereto.

"Engineering Services Agreement" has the meaning set forth in SECTION 8.2(D).

"Environmental Assessments" has the meaning set forth in SECTION 4.16(A).

"Environmental Laws" means any Law with respect to any Hazardous Materials, drinking water, groundwater, wetlands, landfills, open dumps, above ground storage tanks, underground storage tanks, solid waste, waste water, storm water run-off, waste emissions or wells (but not including federal, state, or local Occupational Safety and Health Administration or other occupational health or safety requirements). Without limiting the generality of the foregoing, the term shall encompass each of the following statutes and the regulations promulgated thereunder, as amended: (i) CERCLA; (ii) RCRA; (iii) the Hazardous Materials

Transportation Act; (iv) the Toxic Substances Control Act; (v) the Clean Water Act; (vi) the Clean Air Act; (vii) the Safe Drinking Water Act; (viii) the National Environmental Policy Act of 1969; (ix) the Emergency Planning and Community Right-to-Know Act; (x) any equivalent state and local laws; and (xi) any non-U.S. equivalents of the foregoing if applicable to the Business.

"E(P)40/50 Hybrid Products" means the Hybrid Propulsion System known by GM and the Business as of the date hereof as the "E(P)40/50 Allison Drive System," having a powerflow characterized as a dual mode input and compound split transmission, and a control arrangement including programming to enable operation of such transmission, as exemplified by the powerflow shown in Exhibit 1 of the Patent and Technology License Agreement, and any Derivations thereof intended for use in Vocational Vehicles or Buyer Military Vehicles (other than the X20R Technology (as such term is defined in the Patent and Technology License Agreement) and any Derivations thereof).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Estimated Closing Date Debt" has the meaning set forth in SECTION 3.1.

"Extended Special Coverage Period" has the meaning set forth in SECTION 7.18(A).

"EU" means the European Union, as its membership may be altered from time to time, and any successor thereto, and which, as of the date hereof, consists of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

"Europe" means the countries comprising the EU, the EEA and Switzerland.

"Excluded Assets" has the meaning set forth in SECTION 2.2(B).

"Excluded Liabilities" has the meaning set forth in SECTION 2.3(B).

"Excluded Marks" means any Marks that include or are based on (in each case, in whole or in part) or are likely to be confused with the General Motors Corporation insignia, the terms or Marks "General Motors" or "GM" or any other terms or marks not listed in Schedule 2.2(a)(ix).

"Excluded Shared Contracts" has the meaning set forth in SECTION 7.2(C).

"Exhibit" means, except as otherwise expressly indicated herein, an exhibit to this Agreement that is attached hereto in accordance with the terms hereof.

"FCL" has the meaning set forth in SECTION 6.1.

"Final Statement" has the meaning set forth in SECTION 3.3(C).

"Financing" has the meaning set forth in SECTION 6.8.

"Foreign Jurisdiction Transfer Document" has the meaning set forth in SECTION 8.2(D).

"Former Facility" means any facility previously used in the operation of the Business for which such use was discontinued prior to the date hereof; provided that the term "Former Facility" shall not include any of the Transferred Real Property or Transferred Sub Real Property.

"GAAP" means United States generally accepted accounting principles, as in effect as of the date of this Agreement.

"GM" has the meaning set forth in the Preamble.

"GM Comparable Products" means Automatic Transmissions manufactured by GM or a GM Qualified Subsidiary with power, torque and durability ratings comparable to those ratings of any Automatic Transmission then-manufactured by GM or any GM Qualified Subsidiary for use in Non-vocational Vehicles or GM Military Vehicles; provided that such ratings do not exceed the ratings for GM's 6L90 transmission and Derivations thereof as then-manufactured by GM or its Subsidiaries for use in Non-vocational Vehicles or GM Military Products. For example, Schedule 1.11 sets forth power, torque and durability ratings for GM's 6L90 transmission as of the date of this Agreement.

"GM Cost" means GM's fully-allocated product cost, calculated as the sum of (i) the direct cost of material purchased for system components, (ii) direct and indirect factory costs, (iii) indirect material costs, (iv) direct engineering costs (i.e., per unit amortization of those engineering costs directly related to the specific Hybrid Propulsion System under discussion between the Parties, as documented in project management reporting and/or analysis materials prepared in the course of the development of the specific Hybrid Propulsion System for automotive program(s)) and (v) tooling amortization and depreciation charges related to the manufacturing of the system.

"GM Cure" has the meaning set forth in SECTION 8.2(F).

"GM Information Request" has the meaning set forth in SECTION 7.7(L).

"GM Medium Duty Truck Business" means GM's medium duty truck business as that term is commonly understood within GM.

"GM Military Vehicles" means Military Vehicles with a gross vehicle weight rating less than or equal to 3500 kg.

"GM Non-Restricted Products" means GM Comparable Products manufactured or sold for use (i) outside of North America in any vehicle having a gross vehicle weight rating less than or equal to 4250 kg, or (ii) anywhere in the world in Military Vehicles having a gross vehicle weight rating less than or equal to 4250 kg.

"GM Proposed Amount" has the meaning set forth in SECTION 3.3(C).

"GMPT Germany Supply Contract" has the meaning set forth in SECTION 8.2(D).

"GM Qualified Subsidiary" means a Subsidiary of GM that is wholly-owned by GM or another wholly-owned Subsidiary of GM, except that a party unaffiliated with GM may hold not more than five percent (5%) of the outstanding stock or other equity of such Subsidiary to the

extent necessary to comply with the local requirements of Law of a foreign jurisdiction and so long as such Subsidiary is controlled by GM.

"GM Restricted Products" means (i) Automatic Transmissions and Hybrid Propulsion Systems manufactured or sold for use anywhere in the world in Vocational Vehicles or Buyer Military Vehicles, and (ii) Automatic Transmissions and Hybrid Propulsion Systems manufactured or sold anywhere in the world for use in Off-Road Products but only if (with respect to this item (ii) only) such Automatic Transmissions and Hybrid Propulsion Systems have power, torque and durability ratings equivalent to or higher than those ratings of any Automatic Transmissions or Hybrid Propulsion Systems then-manufactured and sold by the Buyer or its Subsidiaries for use in Vocational Vehicles or Buyer Military Products; provided that this item (ii) does not include Automatic Transmissions and Hybrid Propulsion Systems having power, torque and durability ratings equivalent to those ratings of Automatic Transmissions and Hybrid Propulsion Systems then-manufactured and sold for use in GM's GMT 900 2500 and 3500 van and pickup truck platforms manufactured by GM or its Subsidiaries (or their comparable successor platforms) or competing vehicles of comparable weight.

"GMT 900 4500 Platform" means GM's proposed GMT 900 4500 pickup truck platform (and its comparable successor platforms) manufactured by GM or its Subsidiaries.

"GM Tax Claim" has the meaning set forth in SECTION 7.6(C).

"GM Third Party Licenses" has the meaning set forth in SECTION 4.12(F).

"GMTR" means General Motors Trade Receivables LLC, a Delaware limited liability company.

"Government Contract" has the meaning set forth in SECTION 4.23(A).

"Governmental Entity" means the United States, any state or other political subdivision thereof, and any other foreign or domestic entity exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any government authority, agency, department, corporation, board, commission, court, tribunal or instrumentality of the United States or any foreign entity, any state of the United States or any political subdivision of any of the foregoing.

"Government Prime Contracts" means the Purchased Contracts that are between the U.S. Government and, with respect to the Business, one or more of the Sellers, including such Purchased Contracts set forth on Schedule 2.2(a)(iii).

"Government Related Subcontract Agreement" has the meaning set forth in SECTION 7.11(C).

"GSCs" means the global service contracts entered into by GM and/or its Affiliates with third-party service providers in connection with GM's "Terms and Conditions for Information Technology and Related Services."

"Guarantees" has the meaning set forth in SECTION 7.14.

"Guarantors" means Carlyle Partners IV, L.P., a Delaware limited partnership, and Onex Partners II LP, a Delaware limited partnership.

"Hazardous Materials" means any element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance that is defined or regulated under any applicable Environmental Law, determined or identified as hazardous or toxic under any applicable Environmental Law, or the release of or exposure to which is prohibited under any applicable Environmental Law, including asbestos, asbestos-containing materials, polychlorinated biphenyls, radioactive materials, chlorinated solvents, chromium, lead, petroleum products and petroleum byproducts.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Hungarian Manufacturing Business" has the meaning set forth in the Recitals.

"Hybrid Co-Branding Agreement" has the meaning set forth in SECTION 8.2(D).

"Hybrid JV Agreements" has the meaning set forth in SECTION 7.17.

"Hybrid Product" has the meaning set forth in SECTION 7.9(D).

"Hybrid Propulsion System" means all components of the electric propulsion system of a vehicle or Off-Road Product having both an internal combustion engine and an electric propulsion system, including the drive unit, motor(s), generator(s), onboard and exportable power generation and interface, energy storage device(s), energy conversion device and control modules for the system and its components.

"IDEM" has the meaning set forth in SECTION 7.7(B).

"Indebtedness" means, with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money (including all accrued and unpaid interest and all prepayment penalties or premiums in respect thereof), (ii) all obligations of such Person to pay amounts evidenced by bonds, debentures, notes or similar instruments (including all accrued and unpaid interest and all prepayment penalties or premiums in respect thereof), (iii) all obligations of such Person under or in respect of leases required to be capitalized in accordance with GAAP, to the extent of the obligations so capitalized, (iv) all obligations of others, of the types set forth in clauses (i)-(iii), that are secured by any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, but only to the extent so secured, (v) all unreimbursed reimbursement obligations of such Person under letters of credit issued for the account of such Person, (vi) obligations of such Person under conditional sale, title retention or similar arrangements or other obligations, in each case, to pay the deferred purchase price for property or services, to the extent of the unpaid purchase price (other than ordinary course trade payables and other than customary reservations or retentions of title under agreements with suppliers in the ordinary course of business), (vii) all net monetary obligations of such Person in respect of interest rate and currency swap obligations, and (viii) all guarantees of or by such Person of any of the matters described in clauses (i)-(vii) hereof, to the extent of the maximum amount for which such Person may be liable pursuant to such guarantee; provided that in no event does "Indebtedness" include any current liability included in the calculation of the Closing Date Net Working Capital on the Final Statement.

"Indemnified Party" has the meaning set forth in SECTION 9.4(A).

"Indemnifying Party" has the meaning set forth in SECTION 9.4(A).

"Indianapolis Right of First Refusal" has the meaning set forth in SECTION 6.11.

"Intellectual Property" means any and all of the following in any jurisdiction throughout the world: (i) Patents; (ii) Marks; (iii) Copyrights, mask works and other works of authorship (other than Software); and (iv) Technology.

"International Facilities" means the facilities located at (i) Rua Agostino Togneri 57, Jurubatuba, Santo Amaro, Sao Paulo, Brazil, (ii) Ringerstraat 12 - 18, Slidrecht, Netherlands and (iii) 88 Ri Bin Road, Waigaoqiao Free Trade Zone, Shanghai, China.

"International Facilities Testing" has the meaning set forth in SECTION 6.4.

"ITAR" means the International Traffic in Arms Regulations, 22 CFR 120, et seq.

"Law" means any applicable United States or non-United States federal, provincial, state or local statute, common law, rule, regulation, ordinance, permit, order, writ, injunction, judgment or decree of any Governmental Entity.

"Lease Agreement" has the meaning set forth in SECTION 8.2(D).

"Leased Real Property" has the meaning set forth in SECTION 2.2(A).

"Licensed Intellectual Property" means the Intellectual Property licensed to the Buyer in the Patent and Technology License Agreement or the Engineering Services Agreement.

"Licensed Software" means the Software licensed to the Buyer in the Software License Agreement.

"Lien" means any pledge, security interest, encumbrance or lien.

"Losses" means any claims, causes of action, liabilities, losses, grievances, damages, penalties, fines, amounts paid in settlement, costs and expenses (including reasonable and documented attorneys' fees and disbursements).

"Marketing Period" means the first fifteen (15) consecutive Business Day period after the date hereof throughout which period (i) the Buyer shall have the Required Financial Information that GM is required to provide to the Buyer pursuant to SECTION 6.8, (ii) the conditions set forth in SECTION 8.1 shall have been satisfied (or waived by the Buyer in writing), (iii) the representations and warranties of GM set forth in ARTICLE IV, disregarding qualifications as to materiality and Material Adverse Effect, shall have been true and correct (except to the extent expressly made as of an earlier date, in which case only as of such date), with only such exceptions as, individually or in the aggregate, have not had, or would not be reasonably expected to have, a Material Adverse Effect, (iv) GM and the other Sellers shall have performed and complied with, in all material respects, their material covenants and agreements contained in this Agreement that were required to be performed or complied with prior to and during such period, (v) the conditions set forth in SECTION 8.2(E) and SECTION 8.2(F) shall have been satisfied

and (vi) Deloitte & Touche LLP shall have not withdrawn its audit opinions for any of the audited financial statements included in the Required Financial Information.

"Marks" means any and all trademarks, service marks, certification marks, trade names, corporate names, domain names, logos, trade dress, or other indicia of source or origin, and all registrations of and applications to register the foregoing, in each case in any jurisdiction throughout the world.

"Material Adverse Effect" means any change, event, circumstance, occurrence or development that, individually or in the aggregate with all other such changes, events, circumstances, occurrences or developments, has had, or would reasonably be expected to have, a material adverse effect on or change in (A) the assets, business, results of operations or condition (financial or otherwise) of the Business, taken as a whole; provided, however, that the term "Material Adverse Effect" does not, and shall not be deemed to, include any of the following: (i) changes or effects that generally affect the industry or industries in which the Business operates; (ii) changes in securities markets, interest rates or general economic, regulatory or political conditions, including acts of terrorism or the commencement or escalation of any war, whether declared or undeclared, or other hostilities (excluding in the case of clauses (i) and (ii) any changes that have a substantially disproportionate impact on the Business, relative to other businesses, generally, which businesses operate in the same industries or geographies as the Business); (iii) changes or effects arising out of, or attributable to, the announcement of the execution of this Agreement or the identity of the Buyer, including with respect to the customers and employees of the Business, compliance by the Sellers with their obligations hereunder or the consummation of the transactions contemplated hereby; (iv) changes or effects due to changes (or proposed or prospective changes) in any Laws affecting the Business or the Business Assets; (v) changes in GAAP or other applicable accounting regulations and principles or the interpretation thereof; or (vi) the failure of the Business to meet any internal projections or forecasts (it being understood that the facts or occurrences giving rise or contributing to such failure that are not otherwise excluded from the definition of a "Material Adverse Effect" may be taken into account in determining whether there has been a Material Adverse Effect and it being further understood that any such failure may be taken into account in determining whether the facts or occurrences giving rise or contributing to such failure are materially adverse to the assets, business, results of operations or condition (financial or otherwise) of the Business, taken as a whole) or (B) the ability of the Sellers to consummate the transactions contemplated by, and discharge their obligations under, this Agreement and the Ancillary Documents.

"Material Contracts" has the meaning set forth in SECTION 4.9(A).

"Military Vehicles" means tracked and wheeled combat and tactical vehicles; provided that any such vehicles based on GM's GMT 900 2500 or 3500 van and pickup truck platforms (or their comparable successor platforms) are not considered to be Military Vehicles, and are instead considered to be Non-vocational Vehicles.

"MOU" means a Memorandum of Understanding with the UAW in substantially the form attached hereto as Exhibit S.

"Net Working Capital" means an amount determined in accordance with, and based solely on the items contained in, Schedule 1.1E.

"Neutral Auditor" has the meaning set forth in SECTION 3.3(C).

"Non-Military Vehicles" means vehicles (which, for the avoidance of doubt, shall include motorhomes) other than Military Vehicles.

"Non-vocational Vehicles" means (i) all Non-Military Vehicles (other than Off-Road Products) manufactured or sold for use in North America with a gross vehicle weight rating less than or equal to 5900 kg, (ii) all Non-Military Vehicles (other than Off-Road Products) manufactured or sold for use anywhere else in the world with a gross vehicle weight rating less than or equal to 3500 kg, and (iii) GM's GMT 900 2500 and 3500 van and pickup truck platforms (or their comparable successor platforms) manufactured by GM or its Subsidiaries and competing vehicles of comparable weight.

"North America" means the United States, Canada and Mexico and their respective territories and possessions.

"Novation Agreement" has the meaning set forth in SECTION 7.11(A).

"Objection Notice" has the meaning set forth in SECTION 3.3(B).

"Offering Documents" has the meaning set forth in SECTION 6.8.

"Off-Road Products" means vehicles and non-vehicular equipment designed, manufactured or sold for use anywhere in the world in the construction, agriculture, forestry, mining and energy industries, and other industrial and similar non-on-highway applications.

"Offset Amount" has the meaning set forth in SECTION 9.5(C).

"Outside Date" has the meaning set forth in SECTION 10.1(B).

"Owned Real Property" has the meaning set forth in SECTION 2.2(A).

"Parties" means the Sellers and the Buyer together, and "Party" means any of the Sellers, on the one hand, or the Buyer, on the other hand, as appropriate and as the case may be.

"Patent and Technology License Agreement" has the meaning set forth in SECTION 8.2(D).

"Patents" means any and all patents, patent applications, inventions, invention disclosures and statutory invention registrations.

"Permits" has the meaning set forth in SECTION 2.2(A).

"Permitted Liens" means any: (i) mechanics', materialmen's and similar Liens imposed by Law with respect to amounts not yet due and payable or the validity of which is being contested in good faith; (ii) Liens for Taxes not yet due and payable or the validity of which is being contested in good faith; (iii) pledges or deposits to secure obligations under workers' compensation Laws or similar legislation or to secure public or statutory obligations; (iv) with respect to the Transferred Real Property and Transferred Sub Real Property, easements, rights-of-way, restrictive covenants and servitudes and other similar rights and any subdivision, development, servicing, site plan or other similar agreement and any Liens, matters or exceptions that would be disclosed by a current title commitment and/or current surveys of the applicable Transferred Real Property and/or Transferred Sub Real Property that, in each case, do not materially interfere with the use and enjoyment of the real property in question in the manner

currently used; and (v) Liens imposed by the U.S. Government in connection with Government Prime Contracts.

"Person" means an individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or Governmental Entity.

"Post-Closing Tax Period" has the meaning set forth in SECTION 9.2(A).

"Pre-Closing Tax Period" has the meaning set forth in SECTION 2.3(B).

"Preliminary Statement" has the meaning set forth in SECTION 3.3(A).

"Pro Forma Adjustments" has the meaning set forth in SECTION 4.4(C).

"Pro Forma Financial Statements" has the meaning set forth in SECTION 4.4(C).

"Proposed Use Statement" has the meaning set forth in SECTION 7.7(L).

"Proving Grounds Use Agreements" has the meaning set forth in SECTION 8.2(D).

"Purchased Assets" has the meaning set forth in SECTION 2.2(A).

"Purchased Contracts" has the meaning set forth in SECTION 2.2(A).

"Purchase Price" has the meaning set forth in SECTION 3.2.

"RCRA" means the Resource Conservation and Recovery Act of 1976, 2 U.S.C. Section 6901, et seq.

"Receivables Agreement" means that certain Purchase and Sale Agreement, dated as of July 22, 2004, between GM and GMTR.

"Recent Balance Sheet" has the meaning set forth in SECTION 4.4(A).

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, storing, escaping, leaching, dumping, discarding, burying, abandoning or disposing into the environment of Hazardous Materials that is prohibited under, or reasonably likely to result in a liability in excess of \$1,000,000 under, any applicable Environmental Law.

"Required Antitrust Filings" has the meaning set forth in SECTION 6.2(C).

"Required Financial Information" has the meaning set forth in SECTION 6.8.

"Required Specifications" has the meaning set forth in the definition of "DPIM Unit".

"Resolution Period" has the meaning set forth in SECTION 3.3(B).

"Retained Businesses" has the meaning set forth in the Recitals.

"Retained Facilities" has the meaning set forth in the Recitals.

"Retained Hybrid Business" has the meaning set forth in the Recitals.

"Retained Real Property" means the Retained Facilities, the Shared Retained Facilities and all other real property owned or leased (as lessee) by GM or its Affiliates (other than Transferred Real Property), including the real property set forth on Schedule 1.1F.

"Review Period" has the meaning set forth in SECTION 3.3(B).

"ROFR Waiver" has the meaning set forth in SECTION 6.11.

"Schedule" means, except as otherwise expressly indicated herein, a schedule to this Agreement (including each of the Seller Disclosure Schedules), all of which Schedules are incorporated herein by reference.

"Section" means, except as otherwise expressly indicated herein, a section of this Agreement.

"Securities Act" has the meaning set forth in SECTION 6.8.

"Sellers" has the meaning set forth in the Recitals.

"Seller Claims" has the meaning set forth in SECTION 9.3(A).

"Seller Competing Business" has the meaning set forth in SECTION 7.9(B).

"Seller Disclosure Schedules" means the Schedules pertaining to, and corresponding to the Section references of, ARTICLE IV of this Agreement, initialed by the Parties hereto.

"Seller Indemnified Parties" has the meaning set forth in SECTION 9.3(A).

"Seller's Knowledge" means the actual knowledge of the individuals listed on Schedule 1.1G, as to the matters represented, as of the date the representation is made.

"Shared Retained Facilities" has the meaning set forth in the Recitals.

"Software" means software of any type and in any form, including source code, executable code, databases, data and documentation.

"Software License Agreement" has the meaning set forth in SECTION 8.2(D).

"Soliciting Party" has the meaning set forth in SECTION 7.9(D).

"Specified Consent" has the meaning set forth in SECTION 7.2(B).

"Straddle Period" means any Tax year or period beginning on or before the Closing Date and ending after the Closing Date.

"Sublease Agreement" has the meaning set forth in SECTION 8.2(D).

"Subsidiary" or "Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership or other legal entity of which such Person (either alone or through or together with any other Subsidiary) owns, directly or indirectly, more than 50 percent

of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation, limited liability company, partnership or other legal entity.

"Szentgotthard Facility" means the facility located at Fuzesi utca 15-9971, Szentgotthard, Hungary.

"Target Closing Date Net Working Capital" has the meaning set forth in SECTION 3.3(E).

"Tax" or "Taxes" means a tax or taxes of any kind or nature, or however denominated, and whether disputed or not, including any federal, provincial, state, local or foreign income, gross receipts, franchise, alternative minimum, net worth, transfer, sales, use, transfer, registration, business and occupation, value added, excise, severance, stamp, premium, windfall profit, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll, license, employee tax or other withholding, including any estimated tax, interest, penalties or additions to tax or additional amounts in respect of the foregoing, including any transferee or secondary liability for any such tax, and any tax liability assumed by Contract or arising as a result of being or ceasing to be a member of any affiliated group, or of being included or required to be included in any Tax Return relating thereto.

"Tax Returns" means, with respect to any Tax, any information return for such Tax, and any return, report, statement, declaration, claim for refund or document filed or required to be filed under the Law for such Tax.

"Technology" means unpatented technology, trade secrets, know-how and other confidential and proprietary information.

"Termination Date" has the meaning set forth in SECTION 10.1(B).

"Third Party Claim" has the meaning set forth in SECTION 9.4(A).

"Transaction" has the meaning set forth in SECTION 7.9(D)(II).

"Transfer Tax Forms" has the meaning set forth in SECTION 8.2(D).

"Transferred Employee" means, solely for purposes of this Agreement, a Business Employee to whom the Buyer is obligated to offer employment pursuant to the Employee Matters Agreement.

"Transferred Hybrid Business" has the meaning set forth in the Recitals.

"Transferred Intellectual Property" has the meaning set forth in SECTION 2.2(A)(IX).

"Transferred Real Property" has the meaning set forth in SECTION 2.2(A).

"Transferred Stock" has the meaning set forth in the Recitals.

"Transferred Sub Real Property" means the ownership and leasehold interests of the Transferred Subsidiaries in real property set forth on Schedule 1.1IH.

"Transferred Subsidiaries" has the meaning set forth in the Recitals.

"Transferred Subsidiary Tax Claim" has the meaning set forth in SECTION 7.6(C).

"Transition Services Agreement" has the meaning set forth in SECTION 8.2(D).

"UAW" means the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, including Local 933.

"UAW Agreement" has the meaning set forth in the Employee Matters Agreement.

"UAW Facilities" means the facilities located at 4700 West 10th Street, P.O. Box 0894-46206-0894, Indianapolis, Indiana, 5902 Decatur Boulevard, Indianapolis, Indiana, 2840 Fortune Circle W Suite A, Indianapolis, Indiana and 6040 W. 62nd Street, Indianapolis, Indiana.

"Union Agreements" has the meaning set forth in the Employee Matters Agreement.

"United States" or "U.S." means the United States of America, including its territories and possessions.

"U.S. EPA" has the meaning set forth in SECTION 7.7(A).

"U.S. Government" means the federal government of the United States and any agencies, instrumentalities and departments thereof.

"Vocational Vehicles" means (i) all Non-Military Vehicles (other than Off-Road Products) manufactured or sold for use in North America with a gross vehicle weight rating greater than 5900 kg, and (ii) all Non-Military Vehicles (other than Off-Road Products) manufactured or sold for use anywhere else in the world with a gross vehicle weight rating greater than 3500 kg; provided that GM's GMT 900 2500 and 3500 van and pickup truck platforms (or their comparable successor platforms) manufactured by GM or its Subsidiaries and competing vehicles of comparable weight are not considered to be Vocational Vehicles, and are instead considered to be Non-vocational Vehicles.

"WARN Act" means the United States Worker Adjustment and Retraining Act of 1988, as amended.

"Warranty Period" has the meaning set forth in SECTION 7.18.

ARTICLE II
PURCHASE AND SALE OF ASSETS
AND ASSUMPTION OF LIABILITIES

Section 2.1 Purchase of Assets and Assumption of Liabilities.

On the terms and subject to the conditions set forth in this Agreement, at the Closing:

(a) the Buyer shall purchase from the Sellers, and the Sellers shall, and GM shall cause the other Sellers to, sell, transfer, assign, convey and deliver to the Buyer, the Purchased Assets, free and clear of all Liens (other than Permitted Liens), and the Transferred Stock, free and clear of all Liens; and

(b) the Buyer shall assume and agree to pay, discharge and perform when due all of the Assumed Liabilities.

Section 2.2 Purchased and Excluded Assets.

(a) The "Purchased Assets" are all of the right, title and interest that each of the Sellers possesses in and to the following assets, rights and properties (other than the Excluded Assets), as the same may exist as of the close of business on the Closing Date:

(i) all accounts and notes receivable and other such claims for money due to any Seller from (A) any third parties to the extent arising from the rendering of services or the sale of goods or materials by the Business and (B) any other Seller or any of its Subsidiaries to the extent arising from the sale of Automatic Transmissions to the Sellers by the Business;

(ii) all raw materials, work in process and finished goods inventories, to the extent used or held for use primarily in connection with the Business;

(iii) all Contracts to which any Seller is a party that pertain exclusively to the Business, the Assigned GSCs (subject to SECTION 2.2(C)), all COTS Licenses used exclusively by the Business and those Contracts set forth on Schedule 2.2(a)(iii) (collectively, the "Purchased Contracts");

(iv) all machinery, equipment, hardware, spare parts, tools, dies, test equipment, furniture, fixtures, vehicles and other tangible personal property that are used or held for use primarily in connection with the Business, together with the machinery, equipment, spare parts, tools, dies, test equipment, hardware, furniture, fixtures, vehicles and other tangible personal property set forth on Schedule 2.2(a)(iv);

(v) to the extent legally transferable, all licenses, permits, franchises, certificates of authority or orders, or any waiver of the foregoing, issued by any Governmental Entity exclusively with respect to the conduct of the Business or to any of the Transferred Real Properties (collectively, the "Permits");

(vi) to the extent legally transferable, all rights under or pursuant to warranties, representations and guarantees made by suppliers, manufacturers or contractors in connection with products or services provided to the Sellers from third parties other than GM and/or any of its Affiliates primarily in connection with the Business;

(vii) the (A) real property that is owned by the Sellers (including all buildings, structures and improvements thereon and appurtenances thereto) and is set forth on Schedule 2.2(a)(vii) (the "Owned Real Property") and (B) the leasehold or subleasehold interests of the Sellers, as lessees or sublessees, under the real property leases of the real property set forth on Schedule 2.2(a)(vii) (the "Leased Real Property," and together with the Owned Real Property, the "Transferred Real Property");

(viii) all books, records, ledgers, files, documents, correspondence, lists, plans, specifications, plats, surveys, drawings, advertising and promotional materials, reports and other materials (in whatever form or medium) of the Sellers that pertain primarily to the Business or the Transferred Employees; provided, however, that the Sellers shall be entitled to retain copies of any such materials they deem reasonably necessary;

(ix) the Intellectual Property set forth on Schedule 2.2(a)(ix) (the "Transferred Intellectual Property");

(x) any credits, prepaid expenses, deferred charges, advance payments, prepaid items and claims for refunds or reimbursements (but excluding cash security or other deposits), in each case to the extent pertaining primarily to the Business;

(xi) any rights to credits, refunds, rebates or abatements of Taxes with respect to the Purchased Assets for any period beginning after the Closing Date;

(xii) all other personal property used or held for use exclusively in connection with, or relating exclusively to, the Business (other than any Intellectual Property and Software); and

(xiii) the assets, rights and properties set forth on Schedule 2.2(a)(xiii).

(b) The Purchased Assets shall not include any assets, rights or properties other than those described in SECTION 2.2(A). Without limiting the generality of the foregoing sentence and notwithstanding anything to the contrary contained in SECTION 2.2(A), the Sellers or their Affiliates (other than the Transferred Subsidiaries) shall retain all of their respective right, title and interest in and to, and shall not, and shall not be deemed to, sell, transfer, assign, convey or deliver to the Buyer, and the Purchased Assets shall not, and shall not be deemed to, include, the following (collectively, the "Excluded Assets"):

(i) any cash or cash equivalents, including any marketable securities or certificates of deposit, or any collected funds or accounts or items in the process of collection at the financial institutions of the Sellers through and including the Closing Date, and any cash security or other deposits, together with all accrued but unpaid interest thereon;

(ii) (A) any accounts and notes receivable contributed to GMTR pursuant to the Receivables Agreement and any related rights to payment therefor due to any Seller and (B) any accounts and notes receivable and other such claims for money due to any Seller from any other Seller or any of its Subsidiaries other than those arising from the sale of Automatic Transmissions to the Sellers by the Business;

(iii) (A) any rights of the Sellers or any of their respective Affiliates (other than the Transferred Subsidiaries) to any Tax refunds, credits or abatements with respect to assets that are not Purchased Assets; (B) any rights to credits, refunds, rebates or abatements of Taxes with respect to the Purchased Assets and relating to periods (or portions thereof) ending on or prior to the Closing Date; (C) any Tax Returns or Tax records of the Sellers or any of their Affiliates (other than the Transferred Subsidiaries) that do not relate exclusively to the Purchased Assets; and (D) any rights of the Sellers or any of their respective Affiliates (other than the Transferred Subsidiaries) under any Tax allocation or sharing Contract;

(iv) any credits, prepaid expenses, deferred charges, advance payments, security deposits, prepaid items, deposits and claims for refunds or reimbursements, in each case relating primarily to the other Excluded Assets and/or Excluded Liabilities;

(v) any rights to indemnification, contribution or other reimbursement, or limitations on liability, under the Purchased Contracts, or any warranties and guarantees, in each case, from any third parties with respect to any Excluded Liabilities and/or Losses for which GM has an indemnification obligation under SECTION 9.2(A)(III), (IV) and (V) of this Agreement;

(vi) any property, casualty or other insurance policy held by any Seller or any of its Affiliates (other than the Transferred Subsidiaries) or related insurance services Contract to which any Seller or any of its Affiliates (other than the Transferred Subsidiaries) is a party, and any rights of any Seller or any of its Affiliates (other than the Transferred Subsidiaries) under any such policy or Contract;

(vii) any rights of any Seller or the Seller Indemnified Parties under this Agreement, any Ancillary Document or any other Contract between any Seller and the Buyer;

(viii) any right, title or interest in the Retained Real Property and any assets, rights and properties of the Sellers relating primarily to the Retained Real Property, other than (A) machinery, equipment, hardware, spare parts, tools, dies, test equipment, furniture, fixtures, vehicles and other tangible personal property used or held for use exclusively in connection with the Business at the Shared Retained Facilities or the Szentgotthard Facility and (B) raw materials, work in process and finished goods inventories to the extent used or held for use primarily in connection with the Business;

(ix) any machinery, equipment, spare parts, tools, dies, test equipment, furniture, fixtures, vehicles and other tangible personal property that is located at the Shared Retained Facilities and/or Retained Facilities and that is not or are not used or held for use exclusively in connection with the Business;

(x) the corporate charter, qualification to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, corporate seal, minute books, stock transfer books, blank stock certificates, books and records relating to Taxes, and any other documents relating to the governance, organization, maintenance and existence of the Sellers or to the proposed sale of the Business;

(xi) any of the Benefit Plans and underlying assets or any rights of any Seller or any of its Affiliates under the Benefit Plans, unless otherwise set forth in the Employee Matters Agreement;

(xii) any Patents;

(xiii) the Excluded Marks;

(xiv) any Technology, except for rights to Technology under Purchased Contracts;

(xv) any Software, except for rights to Software under Purchased Contracts;

(xvi) the Intellectual Property set forth on Schedule 2.2(b)(xvi);

(xvii) except for licenses or rights granted under a Purchased Contract, any licenses or other rights to use Intellectual Property or Software owned by Persons other than the Sellers;

(xviii) any COTS Licenses not used exclusively in the Business and not listed on Schedule 2.2(a)(iii);

(xix) any GSCs (other than the Assigned GSCs);

(xx) the Retained Facilities and the Shared Retained Facilities; and

(xxi) any other assets, rights and properties that are set forth on Schedule 2.2(b)(xxi).

(c) Notwithstanding anything to the contrary, the sale, transfer, assignment, conveyance and delivery of the Assigned GSCs pursuant to SECTION 2.1 consists only of a partial assignment of the Assigned GSCs with respect to the services provided thereunder to the Business as of the date hereof, to the extent permitted by sections 27.2 and 31.1 of GM's "Terms and Conditions for Information Technology and Related Services" (as incorporated into such Assigned GSCs). GM shall retain any and all rights under the Assigned GSCs that relate to any other services provided to GM or its Affiliates thereunder. GM shall use reasonable efforts to enter into a Contract with the applicable third-party service providers prior to Closing (on terms reasonably acceptable to the Buyer) to document the scope of such partial assignments, including by identifying the scope of services and corresponding pricing terms that are contained in such partial assignment (which Contract may be in the form of an amendment to the applicable Assigned GSC), and any such Contract shall, upon execution by the parties thereto, be deemed to be a Purchased Contract hereunder. If GM has not entered into such a Contract with respect to an Assigned GSC on or before the Closing, then, at the request of either GM or the Buyer, GM and the Buyer shall cooperate in good faith to document the scope of the partial assignment thereunder.

Section 2.3 Assumed and Excluded Liabilities.

(a) The "Assumed Liabilities" mean the following liabilities and obligations of the Sellers, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, and whether due or to become due (except to the extent such liabilities or obligations are Excluded Liabilities):

(i) all liabilities and obligations to the extent arising from the conduct of the Business, including all accounts payable and other current liabilities to the extent arising from the conduct of the Business, reflected or reserved for on the Recent Balance Sheet or identified in the notes thereto, and any liabilities and obligations to the extent arising from the conduct of the Business incurred in the ordinary course of business since the date of the Recent Balance Sheet, except to the extent paid or discharged in the ordinary course of business since the date thereof and except as set forth on Schedule 2.3(b)(iii);

(ii) all liabilities and obligations arising under or relating to the Purchased Contracts;

(iii) all liabilities and obligations arising out of or relating to services provided or products sold in connection with the Business, whether prior to or after the Closing (and, with respect to such products, regardless of when designed or manufactured), including all product return, exchange, rebate (including rebate liabilities and obligations in connection with the sales referred to in SECTION 2.2(A)(I)(B)), credit and warranty obligations and all product liabilities and infringement liabilities relating thereto, whether in tort, strict liability or otherwise;

(iv) all liabilities and obligations arising out of or relating to the generation, use, handling, presence, treatment, storage, transportation, disposal or Release of any Hazardous Materials (A) by the Buyer or its Affiliates on or after the Closing Date, or (B) at, on, under, about, or migrating to or from, the Transferred Real Property before or after the Closing, except as set forth on Schedule 2.3(b)(ii), in each case, including any such liabilities or obligations resulting from violations of applicable Environmental Laws;

(v) all liabilities and obligations arising out of or relating to the current and former employees of the Business (including all Transferred Employees) to the extent provided in the Employee Matters Agreement;

(vi) all liabilities and obligations with respect to current and former employees of the Business (including all Transferred Employees) under any Benefit Plan, except to the extent expressly excluded in the Employee Matters Agreement;

(vii) all liabilities and obligations of the Sellers arising out of or in connection with the Actions set forth on Schedule 2.3(a)(vii), and any other Actions related to the Business initiated between the date hereof and the Closing against the Sellers (or any of them); and

(viii) all liabilities and obligations incurred, accrued or arising on or after the Closing Date in connection with the conduct or operation of the Business or the use or ownership of the Purchased Assets.

(b) The Buyer shall not assume or become responsible for, and shall not be deemed to have assumed or to have become responsible for, and GM shall assume from the Transferred Subsidiaries, the following liabilities and obligations (collectively, the "Excluded Liabilities"):

(i) any liabilities or obligations of the Sellers or the Transferred Subsidiaries pertaining primarily to any Excluded Asset;

(ii) any liabilities and obligations of the Sellers or the Transferred Subsidiaries arising out of or relating to the generation, use, handling, presence, treatment, storage, transportation, disposal or Release of any Hazardous Materials at, on, under, about, or migrating to or from, (A) the Retained Real Property, whether before or after Closing, (B) the Transferred Real Property only to the extent set forth on Schedule 2.3(b)(ii) or (C) any Former Facility;

(iii) all liabilities and obligations that (A) are reflected or reserved for on the Recent Balance Sheet or identified in the notes thereto and (B) are identified on Schedule 2.3(b)(iii);

(iv) any liabilities and obligations of the Sellers or the Transferred Subsidiaries arising out of or relating to the disposal of any Hazardous Materials from the Transferred Real Property before Closing to a third party offsite location for disposal, which disposal results in a violation of, or liability under, CERCLA or any similar state law;

(v) any liabilities or obligations of the Sellers with respect to Taxes arising in connection with the Business or the Purchased Assets for any taxable period or ratable portion thereof ending on or prior to the Closing Date (a "Pre-Closing Tax Period");

(vi) those liabilities or obligations of the Sellers arising out of or relating primarily to the Business that are expressly set forth on Schedule 2.3(b)(vi);

(vii) any liabilities or obligations in respect of, or that constitute, Indebtedness (other than such liabilities and obligations of the type set forth in clauses (iii) and/or (vi) of the definition of "Indebtedness" and any Indebtedness of the Transferred Subsidiaries);

(viii) all liabilities and obligations allocated to GM and/or the other Sellers pursuant to the Employee Matters Agreement;

(ix) all liabilities and obligations of the Transferred Subsidiaries to the extent arising primarily from any business of GM or its past or present Affiliates, divisions or business units, in each case, other than the Business; and

(x) all liabilities and obligations of the Sellers or the Transferred Subsidiaries in respect of the factoring or securitization of any accounts or notes receivable (including any such obligation to repurchase any accounts or notes receivable sold in connection with such factoring or securitization or any such obligation secured by a lien or pledge of any such accounts or notes receivable).

ARTICLE III PURCHASE PRICE AND CLOSING

Section 3.1 Closing.

The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the later of (i) three (3) Business Days following the satisfaction and/or waiver of all conditions to Closing set forth in ARTICLE VIII (other than such conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at or prior to the Closing) and (ii) a date specified by the Buyer on not less than three (3) Business Days' notice to GM, which date shall not be later than the last day of the Marketing Period and shall not be earlier than the date on which all conditions to Closing set forth in ARTICLE VIII (other than such conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at or prior to the Closing) have been satisfied and/or waived, at the offices of Latham & Watkins LLP, 885 Third Avenue, Suite 1200, New York, NY 10022, or at such other place or on such other date as the Parties may

agree in writing. The date on which the Closing actually occurs shall be referred to as the "Closing Date," and except as otherwise expressly provided herein, the Closing shall for all purposes be deemed effective as of 9:00 a.m., New York City time, on the Closing Date. Within ten (10) Business Days prior to the Closing Date, and in no event less than three (3) Business Days prior to the Closing Date, GM shall deliver to the Buyer a certificate signed by an authorized representative of GM setting forth GM's reasonable best estimate of the Closing Date Debt (the "Estimated Closing Date Debt").

Section 3.2 Closing Payment.

On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Buyer shall pay to GM an aggregate amount (such amount, the "Closing Payment") equal to (i) Five Billion Five Hundred Seventy-Five Million Dollars (\$5,575,000,000) less (ii) the Estimated Closing Date Debt, in cash by wire transfer of immediately available funds to the account or accounts designated in writing by GM. The sum of the Closing Payment plus the aggregate amount of the Assumed Liabilities, as such sum may be adjusted in accordance with SECTIONS 3.3 and 9.6, is referred to herein as the "Purchase Price".

Section 3.3 Closing Date Net Working Capital.

(a) Within 30 days after the Closing Date, GM shall deliver to the Buyer a preliminary statement (the "Preliminary Statement") of (i) the Closing Date Debt and (ii) the Net Working Capital of the Business, determined as of the close of business on the day immediately preceding the Closing Date and in accordance with the Agreed Accounting Conventions and exclusive of the Apportioned Obligations (the "Closing Date Net Working Capital"). Any items comprising the Closing Date Debt or the Closing Date Net Working Capital that are denominated in a currency other than Dollars shall be converted to Dollars using an exchange rate equal to the average Dollar exchange rate for such currency during the 15-Business Day period immediately preceding, and including, the Closing Date, as reported by Bloomberg, L.P. on page FXC (or any successor/substitute page thereto) at 9:00 a.m., New York City time on each Business Day during such period. The Buyer and its Affiliates (including the Transferred Subsidiaries) shall provide GM and its representatives with full access at all reasonable times and on reasonable advance notice to such personnel and books, records and other materials of the Business to the extent they are reasonably necessary for the preparation of, or relate to the matters covered by, the Preliminary Statement, Final Statement, Closing Date Debt and Closing Date Net Working Capital.

(b) The Buyer shall have 30 days to review the Preliminary Statement from the date of its receipt thereof (the "Review Period"). Upon commencement of the Review Period, the Buyer shall be provided full access to the books, records and work papers of the Sellers to the extent related to the preparation of, or matters covered by, the Preliminary Statement, Final Statement, Closing Date Debt or Closing Date Net Working Capital. The Review Period shall be extended by one (1) Business Day (up to an aggregate maximum of 60 days) for each day that GM fails to respond in full to any reasonable information request from the Buyer concerning any of the matters covered by the Preliminary Statement, Final Statement, Closing Date Debt or Closing Date Net Working Capital. If the Buyer objects to any aspect of the Preliminary Statement, then the Buyer must deliver a written notice of objection (the "Objection Notice") to GM on or prior to the expiration of the Review Period; provided that the Buyer may so object to the Preliminary Statement based only on the existence of mathematical errors therein or on the failure of the Preliminary Statement to be prepared in accordance with the Agreed Accounting Conventions and the definitions of the Closing Date Debt or the Net Working Capital, as applicable, and the other requirements of this SECTION 3.3. The Objection

Notice shall specify in reasonable detail any adjustment to the Preliminary Statement proposed by the Buyer and the basis therefor, including the specific items proposed to be adjusted and the specific Dollar amount of each such proposed adjustment and an explanation of how such proposed adjustment was calculated. If the Buyer delivers an Objection Notice to GM prior to the expiration of the Review Period in accordance with this SECTION 3.3(B), the Buyer and GM shall, for a period of 15 days thereafter (the "Resolution Period"), attempt in good faith to resolve the matters properly contained therein, and any written resolution, signed by each of the Buyer and GM, as to any such matter shall be final, binding, conclusive and non-appealable for all purposes hereunder. Except to the extent properly challenged in an Objection Notice as provided in this SECTION 3.3(B), or in the event the Buyer does not deliver an Objection Notice to GM in accordance with this SECTION 3.3(B) prior to the expiration of the Review Period, the Buyer shall be deemed to have agreed to the Preliminary Statement in its entirety, which Preliminary Statement or undisputed portions thereof (as the case may be) shall be final, binding, conclusive and non-appealable for all purposes hereunder.

(c) If, at the conclusion of the Resolution Period, the Buyer and GM have not reached an agreement with respect to all disputed matters properly contained in the Objection Notice, then within 10 days thereafter, the Buyer and GM shall submit for resolution such matters remaining in dispute to Ernst & Young LLP, or if such firm is unavailable or unwilling to so serve, to a mutually acceptable nationally recognized independent accounting firm (the "Neutral Auditor"). Each of GM and the Buyer agrees to execute, if requested by the Neutral Auditor, an engagement letter reasonably satisfactory to such Party. The Neutral Auditor shall act as an arbitrator to resolve (based solely on the written submissions of the Buyer and GM and not by independent review) only those matters properly included in the Objection Notice and still in dispute at the end of the Resolution Period. In resolving such disputed matters, the Neutral Auditor shall (i) limit its review to determining whether, considering all such disputed matters (other than with respect to the Closing Date Debt) together as a whole, the aggregate amount for such matters set forth in the Preliminary Statement (the "GM Proposed Amount") or the aggregate amount for such matters proposed by the Buyer in the Objection Notice (the "Buyer Proposed Amount") was calculated more in accordance with the Agreed Accounting Conventions, (ii) resolve all such disputed matters (other than with respect to the Closing Date Debt) by choosing either the GM Proposed Amount or the Buyer Proposed Amount, whichever was calculated more in accordance with the Agreed Accounting Conventions with respect to such disputed matters, and (iii) determine whether and to what extent (if any) the calculation of the Closing Date Debt set forth in the Preliminary Statement requires adjustment. The Buyer and GM shall direct the Neutral Auditor to render a resolution of all such disputed matters, in accordance with the foregoing, within 30 days after its engagement or such other period agreed upon by the Buyer and GM. The resolution of the Neutral Auditor shall be set forth in a written statement delivered to each of the Buyer and GM and shall be final, binding, conclusive and non-appealable for all purposes hereunder. The Preliminary Statement, once modified and/or agreed to in accordance with SECTION 3.3(B) or this SECTION 3.3(C), shall become the "Final Statement."

(d) All fees and expenses of the Neutral Auditor shall be borne equally by GM and the Buyer, and each of them shall promptly advance to the Neutral Auditor, upon its request, such Party's share of such fees and expenses. Except as provided in the preceding sentence, all other costs and expenses incurred by the Parties in connection with resolving any dispute hereunder before the Neutral Auditor shall be borne by the Party incurring such cost and expense.

(e) If the Closing Date Net Working Capital as stated on the Final Statement exceeds One Hundred Fifty-One Million Dollars (\$151,000,000) (the "Target Closing Date Net Working Capital"), then the Buyer shall pay to GM an amount equal to such excess, by wire transfer of immediately available funds to the account or accounts designated in writing by GM, within five Business Days after the date on which the Preliminary Statement becomes the Final Statement. If the Target Closing Date Net Working Capital exceeds the Closing Date Net Working Capital as stated on the Final Statement, then GM shall pay to the Buyer an amount equal to such excess, by wire transfer of immediately available funds to the account designated in writing by the Buyer, within five Business Days after the date on which the Preliminary Statement becomes the Final Statement. If the Estimated Closing Date Debt exceeds the Closing Date Debt, as finally determined pursuant to SECTION 3.3(C), then the Buyer shall pay to GM an amount equal to such excess, by wire transfer of immediately available funds to the account or accounts designated in writing by GM, within five Business Days after the date on which the Preliminary Statement becomes the Final Statement. If the Closing Date Debt, as finally determined pursuant to SECTION 3.3(C), exceeds the Estimated Closing Date Debt, then GM shall pay to the Buyer an amount equal to such excess, by wire transfer of immediately available funds to the account designated in writing by the Buyer, within five Business Days after the date on which the Preliminary Statement becomes the Final Statement. Any payment pursuant to this SECTION 3.3(E) will be treated by the Parties as an adjustment to the Purchase Price.

Section 3.4 Allocation of Purchase Price.

On or before ninety (90) days following the Closing Date, the Buyer shall prepare and deliver to GM the allocation of the Purchase Price and other consideration paid in exchange for the Purchased Assets, the Transferred Stock, the non-competition agreement set forth in SECTION 7.9 and rights under the Patent and Technology License Agreement prepared in accordance with Section 1060 of the Code and the rules and regulations promulgated thereunder (the "Allocation"). GM shall have thirty (30) days after the delivery of the Allocation to review and consent to the Allocation, which consent shall not be unreasonably withheld, conditioned or delayed. GM and the Buyer each agree to use such Allocation to prepare and file in a timely manner all appropriate Tax filings including, if applicable, the preparation and filing of Form 8594 under Section 1060 of the Code (or any successor form or successor provision of any future Tax Law), with their respective Tax Returns for the taxable year that includes the Closing Date and to take no position in any Tax Return that is inconsistent with such Allocation; provided, however, that nothing contained herein shall prevent GM and the Buyer from settling any proposed deficiency or adjustment by any Governmental Entity based upon or arising out of the purchase price allocation, and neither GM nor the Buyer shall be required to litigate before any court, any proposed deficiency or adjustment by any taxing authority challenging such allocation. GM shall provide the Buyer and the Buyer shall provide GM with a copy of any information required to be furnished to the Secretary of the Treasury under Section 1060 of the Code.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF GM

Except as set forth in, and in all cases subject to, the Seller Disclosure Schedules, GM represents and warrants to the Buyer as follows:

Section 4.1 Organization.

Each of the Sellers and the Transferred Subsidiaries is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each of the Sellers and the Transferred Subsidiaries is duly qualified or licensed to do business as a foreign entity and is in good standing in each jurisdiction in which the

ownership or lease of the Business Assets or the conduct of the Business requires such qualification or license, except where the failure to be so qualified or be so licensed would not have a Material Adverse Effect. Each of the Sellers and the Transferred Subsidiaries has all requisite corporate or other organizational power and authority to carry on the Business as currently conducted and to own, lease or use, as the case may be, its Business Assets (to the extent used or currently expected to be used in the Business). GM has made available to the Buyer true and complete copies of the currently effective articles of incorporation and bylaws (and/or other governing and organizational documents) of each Transferred Subsidiary.

Section 4.2 Authorization of Transaction.

GM has all requisite corporate power and authority to execute, deliver, and perform this Agreement, and each of the Sellers will have as of the Closing all requisite corporate or other organizational power and authority to execute, deliver and perform the Ancillary Documents to which it is a party. This Agreement has been duly authorized, executed and delivered by GM and constitutes, and each Ancillary Document when executed and delivered by any Seller or the Sellers, as the case may be, shall be duly authorized and shall constitute, a valid and legally binding obligation of the respective Seller or Sellers (assuming that this Agreement and such Ancillary Documents constitute valid and legally binding obligations of the Buyer and its permitted assignees), enforceable in accordance with its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights, or by general equity principles, including principles of commercial reasonableness, good faith and fair dealing.

Section 4.3 Noncontravention; Consents.

(a) Except with respect to required filings or other actions under any applicable Antitrust Laws and the expiration of any applicable waiting or review periods thereunder, the execution and delivery by GM of this Agreement, and by the Sellers of the Ancillary Documents to which they are a party, and the consummation by the Sellers of the transactions contemplated hereby and thereby, do not: (i) violate, contravene or conflict with, in any material respect, or result in a material breach of, any Law to which the Sellers, the Transferred Subsidiaries, the Business or the Business Assets is subject; (ii) violate, contravene or conflict with, or result in a breach of, any provision of the certificates of incorporation, bylaws or other organizational documents of the Sellers or the Transferred Subsidiaries; (iii) result in a material breach of, constitute a material default under, create in any party the right to accelerate, terminate, adversely modify or cancel, or result in the acceleration of, any material obligation of the Sellers or the Transferred Subsidiaries under any Material Contracts; or (iv) result in the creation or imposition of any Lien, other than any Permitted Liens, upon the Business Assets.

(b) Except with respect to required filings or other actions under any applicable Antitrust Laws and the expiration of any applicable waiting or review periods thereunder, no material notices, Permits, consents, approvals, authorizations, qualifications or orders of Governmental Entities are required for the consummation by the Sellers of the transactions contemplated hereby or by the Ancillary Documents to which they are parties.

Section 4.4 Business Financial Statements; Absence of Undisclosed Liabilities.

(a) Set forth on Schedule 4.4(a) is a copy of (i) the audited combined balance sheet for the Business as of the end of the fiscal year of each of 2005 and 2006, and audited combined statement of operations, combined statement of cash flows and combined statement of

equity for each of the fiscal years ended 2004, 2005 and 2006, and (ii) an unaudited combined balance sheet of the Business as of March 31, 2007 (the "Recent Balance Sheet"), and the related unaudited combined statement of operations for the three-month period then ended (collectively, the foregoing, the "Business Financial Statements"). The Business Financial Statements (including the notes thereto) were prepared in accordance with GAAP applied consistently with past practices and present fairly in all material respects the financial condition and the results of operations and cash flows of the Business as of the dates and for the periods indicated therein. The audited and unaudited Business Financial Statements have been derived from the consolidated financial statements and accounting records of GM using the historical results of operations and the historical basis of assets and liabilities of the Business and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Business had been operated as an unaffiliated company. The Business Financial Statements include allocations of certain expenses for services and other costs of GM attributable to the Business that are considered to be reasonable. The unaudited Business Financial Statements are subject to normal year-end adjustments (including Tax adjustments) and do not include footnotes.

(b) The Business does not have any material liabilities or obligations of any nature that would be Assumed Liabilities and would be required to be disclosed, reflected or reserved on an audited balance sheet of the Business prepared in accordance with GAAP applied consistently with past practices (or disclosed in the notes thereto), whether known or unknown, fixed, absolute, accrued, contingent or otherwise, other than liabilities and obligations (i) that are disclosed, reflected or reserved against on the Recent Balance Sheet, (ii) incurred in the ordinary course of business since the date of the Recent Balance Sheet, (iii) expressly disclosed in or contemplated by this Agreement, the Seller Disclosure Schedules or any Ancillary Document, or (iv) arising under the Purchased Contracts.

(c) The pro forma financial statements set forth on Schedule 4.4(c) (the "Pro Forma Financial Statements") reflect the pro forma adjustments to the audited financial statements contained in the Business Financial Statements for the items described in Schedule 4.4(c) (the "Pro Forma Adjustments") and not any other adjustments. The Pro Forma Adjustments are in all material respects accurately described in Schedule 4.4(c) and represent GM's best estimate of the material adjustments that are required to be made to such audited financial statements in order to present fairly in all material respects the financial condition and the results of operations and cash flows of the Business.

Section 4.5 Capitalization.

At Closing, the Transferred Stock collectively will constitute all of the issued and outstanding capital stock or other equity interests of the Transferred Subsidiaries. Schedule 1.1C sets forth, for each Transferred Subsidiary, (i) all of the authorized capital stock or other equity interests of such Transferred Subsidiary, (ii) all issued and outstanding shares of such capital stock or such other equity interests and (iii) all holders of all such shares of capital stock or such other equity interests. All of the Transferred Stock is duly authorized, validly issued, fully paid and non-assessable. None of the Transferred Stock has been issued in violation of any securities laws, preemptive rights or rights of first refusal or first offer. There are (x) no outstanding securities convertible into or exchangeable for shares of Transferred Stock, (y) no outstanding options, rights or warrants to purchase or subscribe for any such shares and (z) no voting trust, proxy or other agreement or understanding with respect to the voting of Transferred Stock.

Section 4.6 Title to Transferred Stock.

Each of the Sellers identified on Schedule 1.1C is the record and beneficial owner of, and has good and valid title to, the shares of the Transferred Stock set forth on Schedule 1.1C, free and clear of any and all Liens other than Permitted Liens, and there are no limitations or restrictions on such Seller's right to transfer such shares to the Buyer pursuant to this Agreement, other than those that may be imposed by applicable securities Laws. Assuming the Buyer has requisite power and authority to be the lawful owner of the Transferred Stock, upon delivery of the Transferred Stock to the Buyer at Closing, good and valid title to the Transferred Stock (free and clear of all Liens) will pass to the Buyer.

Section 4.7 Absence of Certain Changes.

Since December 31, 2006, (a) there has not occurred any Material Adverse Effect, (b) except as expressly required or contemplated by this Agreement or any Ancillary Documents, the Sellers and the Transferred Subsidiaries have conducted the operations of the Business in the ordinary course of business consistent with past practices in all material respects and (c) none of the Transferred Subsidiaries or, with respect to the Business, the Sellers has taken or agreed to take any action that would be prohibited by SECTION 6.3 if taken after the date hereof.

Section 4.8 Title and Sufficiency of Assets.

As of the Closing, the Sellers and the Transferred Subsidiaries will have good title to, a valid license to or leasehold interest in, or other legal rights to possess and use all of the material personal property contained in the Business Assets, free and clear of all Liens, except for Permitted Liens. The Business Assets and Transferred Stock, together with the rights granted to the Buyer under the Ancillary Documents, constitute all of the material assets, rights and properties necessary to conduct the Business in substantially the same manner as presently conducted by the Sellers and the Transferred Subsidiaries as of the date hereof; provided that this SECTION 4.8 does not apply to, and GM does not make any representation or warranty in this SECTION 4.8 with respect to, any Intellectual Property or Software.

Section 4.9 Contracts.

(a) Schedule 4.9 lists all Contracts contained in the Business Assets, in each case as of the date of this Agreement, (i) the performance of which is reasonably expected to involve payment or receipt by the Business of aggregate consideration in excess of \$50,000,000 in the 12-month period immediately following the date hereof, (ii) pursuant to which the Business is committed to make a capital expenditure or to purchase a capital asset in excess of \$5,000,000 that is not contemplated by the fiscal year 2007 capital expenditure budget for the Business, (iii) between the Business or a Transferred Subsidiary, on the one hand, and a Seller or an Affiliate of another Seller, on the other hand, (iv) that contain a non-compete provision or similar covenant restricting the Business or any Transferred Subsidiary from competing with another Person or engaging in any line of business or (v) of the type described in the enumerated list below in this SECTION 4.9(A) (collectively, the "Material Contracts"). The Sellers have made available to the Buyer a correct and complete copy of each Material Contract. Schedule 4.9 lists the following Contracts to which any Transferred Subsidiary is a party or that is, as of the date hereof, contained in the Business Assets:

(i) any Contract relating to Indebtedness of any Transferred Subsidiary or any guarantee by any Transferred Subsidiary or, with respect to the Business, any Seller of any Indebtedness of any other Person;

(ii) any joint development or collaboration agreement and any other Contract pursuant to which the Business licenses (as licensee or licensor) any material Intellectual Property or Software;

(iii) any joint venture contract, partnership agreement, limited liability company agreement or other similar Contract;

(iv) any Contract relating to the purchase or sale of any business, business unit, division, facility or subsidiary of any Person or any equity interest of, or all or any substantial portion of, the assets of, any business, corporation or other Person (whether by merger, sale of stock, sale of assets or otherwise) in each case either (i) for consideration in excess of \$10,000,000 or (ii) under which any Transferred Subsidiary has any obligation or liability (contingent or otherwise) after the date of this Agreement that is reasonably expected to exceed \$10,000,000;

(v) any Contract with "take or pay" provisions, or "requirements" provisions obligating a Person to provide the quantity of goods or services required by another Person;

(vi) any collective bargaining agreement; and

(vii) any lease of real property providing for annual rents in excess of \$2,000,000.

(b) Each Material Contract is a valid, binding and enforceable obligation of the applicable Seller (or a Transferred Subsidiary) party thereto and, to the Seller's Knowledge, of the other party or parties thereto, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights, or by general equity principles, including principles of commercial reasonableness, good faith and fair dealing and to the Seller's Knowledge, each Material Contract is in full force and effect.

(c) None of the Sellers or the Transferred Subsidiaries or, to the Seller's Knowledge, any other party thereto is in material breach of or material default under any term of any Material Contract or has repudiated any material term of any Material Contract.

(d) None of the Sellers or the Transferred Subsidiaries has received any written or, to the Seller's Knowledge, oral notice of termination, cancellation or non-renewal with respect to any Material Contract.

(e) Except as specifically set forth on Schedule 6.2(a), no consent, approval or authorization of any party to any Material Contract is required for the consummation by the Sellers of the transactions contemplated hereby or by the Ancillary Documents to which they are parties.

Section 4.10 Real Property.

(a) With respect to the Sellers:

(i) As of Closing, (A) the Sellers own good and valid fee simple title to the Owned Real Property, free and clear of any Lien, except for Permitted Liens; (B)

no third party has any option or right of first refusal to acquire the Owned Real Property; and (C) there are no Persons (other than the Sellers or their Affiliates) in possession of the Owned Real Property.

(ii) As to each respective lease underlying the Leased Real Property: (A) such lease is in full force and effect and constitutes the entire agreement to which the applicable Seller is a party with respect to the Leased Real Property leased thereunder; (B) the Seller that is a party to such lease has not assigned, sublet, transferred or conveyed any interest in the leasehold; and (C) the Seller that is a party to such lease is not in receipt of any written or, to the Seller's Knowledge, oral notice of default with respect to such lease.

(iii) To the Seller's Knowledge, no parcel of Owned Real Property or Leased Real Property is subject to any pending or threatened condemnation Action.

(b) With respect to the Transferred Subsidiaries:

(i) The Transferred Subsidiaries do not own any real property.

(ii) As to each respective lease underlying the Transferred Sub Real Property: (A) such lease is in full force and effect and constitutes the entire agreement to which the applicable Transferred Subsidiary is a party with respect to the Transferred Sub Real Property leased thereunder; (B) the Transferred Subsidiary that is a party to such lease has not assigned, sublet, transferred or conveyed any interest in the leasehold; and (C) the Transferred Subsidiary that is a party to such lease is not in receipt of any written or, to the Seller's Knowledge, oral notice of default with respect to such lease.

(iii) To the Seller's Knowledge, no parcel of Transferred Sub Real Property is subject to any pending or threatened condemnation Action.

Section 4.11 Permits.

The Sellers and the Transferred Subsidiaries hold, and have during the past three (3) years complied in all material respects with, all material Permits that are required by any Governmental Entity to conduct the Business as presently conducted or to own or use the Business Assets. Each such Permit is valid, binding and in full force and effect and no holder thereof is in default (or with giving of notice or lapse of time or both, would be in default) under such Permit in any material respect and no proceeding is pending or, to the Seller's Knowledge, threatened, to revoke, suspend, withdraw, terminate or limit such Permit.

Section 4.12 Intellectual Property.

(a) Schedule 4.12(a) identifies (i) each registered Mark and application to register the same that is owned by any of the Transferred Subsidiaries or the Sellers and used exclusively in connection with the Business and (ii) each registered Copyright and application to register the same that is owned by any of the Transferred Subsidiaries or the Sellers and used primarily in connection with the Business and in each case, the respective application or registration numbers and dates thereof. With respect to each item of registered Intellectual Property that is listed on Schedule 2.2(a)(ix), and each item of registered Intellectual Property contained in the Licensed Intellectual Property, (i) to the Seller's Knowledge, all necessary registration, maintenance and other filing fees through the date hereof have been timely paid and all necessary documents have been timely filed with the relevant Governmental Entities, (ii) to

the Seller's Knowledge, there are no actions to be taken by any Seller or any Transferred Subsidiary within 120 days of the date hereof that if not taken would have a material impact on the Buyer's right to use such item and (iii) one or more of the Transferred Subsidiaries or the Sellers has good title to each such item of registered Intellectual Property listed on Schedule 2.2(a)(ix), free and clear of any Liens other than Permitted Liens.

(b) The Business Assets, the Licensed Intellectual Property and the Licensed Software contain all of the Intellectual Property and Software owned by or, to the Seller's Knowledge, validly licensed by, the Sellers and/or Transferred Subsidiaries that is necessary to conduct the Business in substantially the same manner as presently conducted by the Sellers and the Transferred Subsidiaries as of the date hereof.

(c) To the Seller's Knowledge, (i) the operation of the Business as it is presently conducted by the Sellers and the Transferred Subsidiaries does not infringe or misappropriate any Intellectual Property of third parties or any rights of third parties in Software, (ii) the Transferred Subsidiaries and, with respect to the Business, the Sellers have not infringed or misappropriated any Intellectual Property of third parties or any rights of third parties in Software, and (iii) the Sellers and the Transferred Subsidiaries have not received, within the past three (3) years, any written charge, complaint, claim, demand or notice alleging any such infringement or misappropriation.

(d) To the Seller's Knowledge, (i) no third party is currently in any material respect infringing or misappropriating any of the material Transferred Intellectual Property or the material Licensed Intellectual Property, (ii) none of such Intellectual Property is invalid or unenforceable and (iii) no third-party has challenged in writing the validity or enforceability of any such Intellectual Property.

(e) The Sellers and the Transferred Subsidiaries have a policy of requiring employees who develop Intellectual Property for the Sellers or the Transferred Subsidiaries, as applicable, to enter into written agreements to assign such Intellectual Property to the Sellers or the Transferred Subsidiaries, as applicable. Each of the Sellers and the Transferred Subsidiaries has taken reasonable steps to enforce such policy and to protect and preserve the confidentiality of all material Technology contained in the Business Assets and Licensed Intellectual Property.

(f) Schedule 4.12(f) lists all licenses and similar agreements entered into by GM or any of its Affiliates in connection with or in respect of the Licensed Intellectual Property or the Licensed Software that would reasonably be expected to restrict the Buyer's rights to use, exploit or sublicense to others the Licensed Intellectual Property or the Licensed Software with respect to the Exclusively Licensed Products (as such term is defined in the Patent and Technology License Agreement) under the Ancillary Documents, including the Hybrid JV Agreements (all such licenses and similar agreements being referred to as the "GM Third Party Licenses"). GM has made available to the Buyer a true and complete copy of each GM Third Party License.

(g) Subject to Section 4.7 of the Patent and Technology License Agreement, with respect to the Licensed IP (as defined in the Patent and Technology License Agreement) other than Third-Party IP (as defined in the Patent and Technology License Agreement), Licensor (as defined in the Patent and Technology License Agreement) is the sole owner of such Licensed IP or otherwise has the right to grant the Buyer the licenses granted under the Patent and Technology License Agreement with respect to such Licensed IP; provided

that this SECTION 4.12(G) is not a representation or warranty regarding infringement, misappropriation or other unauthorized use or a representation or warranty that no other Persons have the right to use any Technology. Without limiting the foregoing, subject to Section 4.7 of the Patent and Technology License Agreement, Licensor has not granted any license that conflicts with those granted under the Patent and Technology License Agreement with respect to Exclusively Licensed Products (as defined in the Patent and Technology License Agreement).

(h) Notwithstanding anything to the contrary in this Agreement, SECTIONS 4.3 (with respect to Material Contracts relating to Intellectual Property), 4.7, 4.9 (with respect to Material Contracts relating to Intellectual Property), 4.14 and 4.20 and this SECTION 4.12 contain the sole and exclusive representations and warranties of GM hereunder with respect to Intellectual Property or Software (or rights therein), including any arising under any Laws regarding infringement, misappropriation or other unauthorized use of Intellectual Property.

Section 4.13 Legal Compliance.

Since January 1, 2005, (a) the conduct of the Business and the operation of the Business Assets by the Sellers and the Transferred Subsidiaries have complied in all material respects with all applicable Laws, (b) no Action has been filed or commenced or, to the Seller's Knowledge, threatened, against the Sellers or the Transferred Subsidiaries alleging any failure to so comply, and (c) no Seller or Transferred Subsidiary has (i) received any written notice alleging any failure to so comply or (ii) conducted any internal investigation in connection with which outside legal counsel was retained for the purpose of conducting or assisting with such investigation with respect to any actual, potential or alleged failure to so comply, except with respect to the Actions set forth on Schedule 2.3(a)(vii) and for any of the foregoing of this SECTION 4.13 that would not be (with respect to Actions against the Sellers only) an Assumed Liability. GM and its Affiliates are, and at all times have been, in material compliance with the terms of the Consent Decree.

Section 4.14 Litigation.

There are no Actions pending or, to the Seller's Knowledge, threatened, (a) against or affecting the Sellers or the Transferred Subsidiaries relating to the Business or the Business Assets that, if adversely determined, would reasonably be expected to result in the imposition on the Buyer, the Business or the Transferred Subsidiaries of damages in an amount in excess of \$5,000,000 individually or \$20,000,000 in the aggregate, that would be an Assumed Liability, or result in the imposition of any equitable relief that would be materially adverse to the Business or the Transferred Subsidiaries, or (b) that question the validity of this Agreement or any of the Ancillary Documents, or any action taken or to be taken by the Sellers in connection with this Agreement or any of the Ancillary Documents. None of the Transferred Subsidiaries or, with respect to the Business, the Sellers is subject to any outstanding material injunction, judgment or judicial order, decree or ruling that would be adverse to the Business or the Transferred Subsidiaries from and after the Closing.

Section 4.15 Employees and Employee Benefits.

(a) Schedule 4.15(a) sets forth a list of all currently effective collective bargaining agreements, memoranda of understanding or other labor agreements with any union or labor organization representing the Transferred Employees. With respect to the conduct of the Business: (i) there are no, and have been no within the last three (3) years, strikes, work stoppages or material labor disputes pending, or to the Seller's Knowledge, threatened, that involve any of the current or former employees of the Business; and (ii) to the Seller's Knowledge, no union organization campaign is in progress, or was in progress within the last

three (3) years, with respect to Transferred Employees who are nonunion employees, and no question concerning representation exists respecting such nonunion employees.

(b) Schedule 4.15(b) lists, by country, all material Benefit Plans, and specifically identifies any Benefit Plan solely sponsored or maintained by a Transferred Subsidiary. As soon as reasonably practicable following the date hereof, the Sellers shall update Schedule 4.15(b) to list all Benefit Plans. "Benefit Plans" means all employee benefit plans, programs, policies, agreements or other arrangements, including any Employee Welfare Benefit Plan, any Employee Pension Benefit Plan, and any bonus, incentive, deferred compensation, vacation, severance, change in control, employment or fringe benefit plan, program or agreement, in each case that are sponsored, maintained or contributed to by the Sellers or the Transferred Subsidiaries for the benefit of current or former employees of the Business.

(c) All Benefit Plans comply and have been administered in form and in operation, in all material respects in accordance with their terms, the terms of any applicable collective bargaining agreement and with all applicable requirements of Law (including ERISA and the Code).

(d) Each Benefit Plan that is intended to meet the requirements of a "qualified plan" under section 401(a) of the Code has received a determination from the Internal Revenue Service that such Benefit Plan is so qualified, and nothing has occurred since the date of such determination that could reasonably be expected to materially adversely affect the qualified status of any such Benefit Plan.

(e) No Benefit Plan exists that would reasonably be expected to result in (i) the payment to any current employee of the Business or the Transferred Subsidiaries of any money or other property, or accelerate or provide any other rights or benefits, in each case, that is or would be an Assumed Liability or a liability of any Transferred Subsidiary that is not an Excluded Liability, or (ii) the forgiveness of any Indebtedness of such employee that is or would be a Business Asset, in the case of both clauses (i) and (ii), as a result of the consummation of the transactions contemplated by this Agreement (whether alone or in connection with any other event).

Section 4.16 Environmental Matters.

(a) Environmental consultants retained by the Sellers conducted environmental assessments of certain of the Transferred Real Property and the Transferred Sub Real Property and prepared final environmental assessment reports, including all related environmental sampling and analytical data ("Environmental Assessments"). Schedule 4.16(a) sets forth a list of Environmental Assessments. The Environmental Assessments listed on Schedule 4.16(a) have been delivered to the Buyer. In addition, to the Seller's Knowledge, GM has provided correct and complete copies of all Phase I and Phase II environmental reports, including a discussion of all soil and groundwater sampling, completed in the last five years, in their control or possession relating to the Business, the Transferred Real Property and the Transferred Sub Real Property.

(b) The Business is, and for the past two (2) years has been, in material compliance with all applicable Environmental Laws, which includes obtaining, maintaining and complying with all Permits issued under Environmental Laws. No Seller or any Transferred Subsidiary has received any written notice regarding any unresolved actual or alleged material

violation of Environmental Laws, and no Actions arising under Environmental Laws or with respect to Hazardous Materials are pending or, to the Seller's Knowledge, threatened, in each case, that is or would be an Assumed Liability or a liability of any Transferred Subsidiary that is not an Excluded Liability with respect to the Business, the Transferred Real Property or the Transferred Sub Real Property.

(c) Neither the Sellers nor any Transferred Subsidiary has received any written request for information, or been notified in writing that it is a potentially responsible party, under CERCLA or equivalent state laws with respect to any Transferred Real Property or Transferred Sub Real Property, or that any Transferred Real Property or Transferred Sub Real Property is listed or proposed for listing on the "National Priority List" under CERCLA or any similar list maintained by any state or other Governmental Entity, except in each case to the extent such matters are Excluded Liabilities. Neither the Sellers nor any Transferred Subsidiary has received any written notice that it is subject to potential liability or corrective action under RCRA or equivalent state laws with respect to the Business, any Transferred Real Property, or any Transferred Sub Real Property.

(d) To the Seller's Knowledge, there have been no Releases of any Hazardous Materials at any Transferred Real Property or Transferred Sub Real Property, except as permitted pursuant to Environmental Laws or except in an amount, concentration or of a nature which would not reasonably be expected to result in a material liability to the Buyer.

(e) Notwithstanding anything to the contrary in this Agreement, this SECTION 4.16 contains the sole and exclusive representations and warranties of GM with respect to compliance with any Environmental Laws.

Section 4.17 Tax Matters.

(a) The Transferred Subsidiaries have timely filed with the appropriate Governmental Entities all Tax Returns required to be filed. The Sellers have timely filed with the appropriate Governmental Entities all Tax Returns required to be filed with respect to the Purchased Assets and the income and operations of the Business. All such Tax Returns of the Transferred Subsidiaries and the Sellers are true, complete, and correct in all material respects.

(b) The Transferred Subsidiaries have paid or will pay prior to the Closing all Taxes that have accrued or are due and payable, in each case in respect of a Pre-Closing Tax Period, other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income. The Sellers have paid or discharged or will pay in full or will discharge all Taxes the nonpayment of which would result in a Lien on the Purchased Assets or the Transferred Stock in the hands of the Buyer.

(c) There are no Liens for Taxes upon the Business Assets, other than Permitted Liens.

(d) The transactions contemplated by this Agreement are not subject to Tax withholding pursuant to the provisions of section 3406 or subchapter A of chapter 3 of the Code, or to the Tax withholding provisions of any other applicable Law.

(e) None of the Transferred Subsidiaries (or the Sellers insofar as any such matter pertains to the Purchased Assets or the income and operations of the Business) has waived

any statute of limitations with respect to Taxes, or agreed to any extension of time with respect to an assessment or deficiency of Taxes, except to the extent that the foregoing does not or would not relate or give rise to an Assumed Liability or liability of any Transferred Subsidiary that is not an Excluded Liability.

(f) Schedule 4.17(f) sets forth each of the Sellers that is not a United States Person within the meaning of the Code.

(g) There is no audit or, to the Seller's Knowledge, other matter in controversy, with respect to any Taxes due and owing by any of the Transferred Subsidiaries (or the Sellers insofar as any such matter pertains to the Purchased Assets or the income and operations of the Business), and there is no Tax deficiency or claim assessed or, to the Seller's Knowledge, proposed or threatened (whether orally or in writing) against any of the Transferred Subsidiaries (or the Sellers insofar as any such deficiency or claim pertains to the Purchased Assets or the income and operations of the Business), in each case other than in respect of any such audits, controversies, deficiencies, assessments, or proposed assessments that are being contested in good faith.

(h) The Transferred Subsidiaries have withheld all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and such withheld Taxes have either been duly paid to the proper Governmental Entity or set aside in accounts for such purpose.

(i) The Transferred Subsidiaries have no liability for the Taxes of any other person under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee, successor or by contract or otherwise.

(j) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where any of the Transferred Subsidiaries does not file Tax Returns that such Transferred Subsidiary is or may be subject to taxation by that jurisdiction.

(k) No Transferred Subsidiary has any obligation under any Tax allocation or sharing agreement, and after the Closing Date, no Transferred Subsidiary shall be a party to, bound by or have any obligation under any such Tax allocation or sharing agreement or have any liability thereunder for amounts due in respect of Pre-Closing Tax Periods.

(l) No Transferred Subsidiary will be required to recognize income in a Tax period or portion thereof ending after the Closing Date that is attributable to any transaction occurring in, or a change of accounting method made for, a Tax period ending on or prior to the Closing Date that resulted in deferred reporting of income from such transaction or change in accounting method.

Section 4.18 Customers and Suppliers.

Schedule 4.18 sets forth a complete and correct list of the ten largest customers and the ten largest suppliers (each measured by Dollar volume of sales and purchases as the case may be) of the Business as of and for each of the last two fiscal years, and the amount of such business done (by Dollar volume of sales and purchases as the case may be) with each such customer or supplier as of and for each such year. To the Seller's Knowledge, since January 1, 2007, no Transferred Subsidiary or Seller has received any written notice from any such customer or supplier that such customer or supplier has ceased, or will cease, to purchase or sell, as applicable, any material amount of products or services to or

from the Transferred Subsidiaries or, with respect to the Business, the Sellers or will or intends to substantially reduce such purchases or sales, as applicable.

Section 4.19 Accounts Receivable.

The accounts receivable contained in the Business Assets (i) arise from bona fide transactions and (ii) to the Seller's Knowledge, the Sellers and the Transferred Subsidiaries have not received written notice of any valid claims or set offs or other defense or counterclaims with respect to such accounts receivable.

Section 4.20 Related Party Transactions.

None of GM or its Affiliates (including the Sellers and the Transferred Subsidiaries) is a party to any material Contract that is primarily related to the Business and that is not contained in the Business Assets, and neither GM nor any Affiliate of GM is a counterparty to any Material Contract that is contained in the Business Assets.

Section 4.21 Product Liability; Product Warranties.

To the Seller's Knowledge, since January 1, 2006, (i) the products sold by the Business and the services provided by the Business have complied in all material respects with applicable Laws and (ii) there have not been any defects or deficiencies in any such products or services that would result in a claim or claims against the Business that would have a Material Adverse Effect. Schedule 4.21 sets forth copies of the standard written warranties of the Business with respect to its products and services. To the Seller's Knowledge, neither any Seller, in respect of the Business, nor any Transferred Subsidiary (or any predecessor thereto) has manufactured, sold or distributed any products containing asbestos or asbestos-containing materials.

Section 4.22 Brokers' Fees.

None of the Sellers nor any of their Affiliates has engaged or has any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement or the Ancillary Documents for which the Buyer would become liable.

Section 4.23 Government Contracts.

(a) (i) To the Seller's Knowledge, none of the Transferred Subsidiaries, Transferred Employees or, with respect to the Business, the Sellers, is or during the last three (3) years has been (except as to routine security investigations) under administrative, civil or criminal investigation, indictment or information by any Governmental Entity and (ii) during the last three (3) years, none of the Transferred Subsidiaries or, with respect to the Business, the Sellers, has made a voluntary disclosure with respect to any material irregularity, misstatement or omission arising under or relating to a Government Contract or any other material violation of Law by any of the Transferred Subsidiaries or, with respect to the Business, the Sellers. For purposes of this Agreement, "Government Contract" means any Contract that is (x) between any Transferred Subsidiary or, with respect to the Business, any Seller and a Governmental Entity or (y) entered into by any Transferred Subsidiary or, with respect to the Business, any Seller as a subcontractor (at any tier) in connection with a Contract between another Person and a Governmental Entity.

(b) There are (i) no outstanding material claims against any Transferred Subsidiary or, with respect to the Business, any Seller, by a Governmental Entity or by any prime contractor, subcontractor or vendor or other Person arising under any Government Contract and (ii) no material disputes presently existing between any Transferred Subsidiary or, with respect to the Business, any Seller, and the U.S. Government under the Contract Disputes Act or any other

federal statute or between any Transferred Subsidiary or, with respect to the Business, any Seller, and any prime contractor, subcontractor or vendor arising under or relating to any such Government Contract.

(c) None of the Transferred Subsidiaries or the Sellers nor any of the Transferred Employees is (or during the last ten (10) years has been) (i) suspended or debarred from doing business with a Governmental Entity or (ii) the subject of a finding of non-responsibility or ineligibility for U.S. Government or non-U.S. Government contracting. During the past five (5) years, no Government Contract has been terminated for default on the part of any Transferred Subsidiary or, with respect to the Business, any Seller. No termination for convenience, cure notice or show cause notice is currently in effect with respect to any Government Contract.

(d) Final indirect cost rates with respect to the Government Contracts have been established for all years prior to 2005.

Section 4.24 Business Relationships.

To Seller's Knowledge, no Transferred Subsidiary or, with respect to the Business, any Seller or Seller Affiliate has a customer, supplier or other business relationship with, or is a party to any contract with, any Person (a) organized or domiciled in or that is a citizen of, Balkans, Bahrain, Burma (Myanmar), Cuba, Iran, Liberia, North Korea, Sudan, Syria or Zimbabwe (including any Governmental Entity within any such country) or (b) that appears on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Controls in the United States Department of the Treasury or in the Annexes to the United States Executive Order 13224 - Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism.

Section 4.25 LIMITATIONS ON REPRESENTATIONS AND WARRANTIES.

EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE IV OR ANY ANCILLARY DOCUMENT, NEITHER GM NOR ANY OF THE OTHER SELLERS MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN CONNECTION WITH OR WITH RESPECT TO ANY OF THE BUSINESS ASSETS, THE ASSUMED LIABILITIES, THE TRANSFERRED STOCK, THE BUSINESS OR OTHERWISE, OR WITH RESPECT TO ANY INFORMATION PROVIDED TO THE BUYER, INCLUDING WITH RESPECT TO ANY REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR USE, TITLE, NON-INFRINGEMENT, OR ENVIRONMENTAL MATTERS. ALL OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY DISCLAIMED. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE IV OR ANY ANCILLARY DOCUMENT, GM AND THE SELLERS ARE SELLING, ASSIGNING AND TRANSFERRING THE PURCHASED ASSETS AND TRANSFERRED STOCK TO THE BUYER ON AN "AS-IS, WHERE-IS" BASIS.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers as follows:

Section 5.1 Organization.

The Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Buyer is duly qualified or licensed to do business as a foreign entity and is in good standing in each

jurisdiction where such qualification or license is required, except where the failure to be so qualified or be so licensed would not have a material adverse effect on the Buyer's ability to consummate the transactions contemplated by, and discharge its obligations under, this Agreement and the Ancillary Documents (a "Buyer Material Adverse Effect"). The Buyer has all requisite corporate power and authority to carry on its business as currently conducted and as proposed to be conducted after the Closing.

Section 5.2 Authorization of Transaction.

The Buyer has all requisite corporate power and authority to execute, deliver and perform this Agreement and each of the Ancillary Documents to which it is a party. This Agreement constitutes, and each of the Ancillary Documents when executed and delivered by the Buyer shall constitute, a valid and legally binding obligation of the Buyer (assuming that this Agreement and such Ancillary Documents constitute valid and legally binding obligations of the other parties thereto), enforceable in accordance with its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles, including principles of commercial reasonableness, good faith and fair dealing.

Section 5.3 Noncontravention; Consents.

(a) Except with respect to required filings or other actions under any applicable Antitrust Laws and the expiration of any applicable waiting or review periods thereunder and except as set forth on Schedule 4.3(a), the execution and delivery by the Buyer of this Agreement and the Ancillary Documents to which it is a party, and the consummation by the Buyer of the transactions contemplated hereby and thereby, do not: (i) violate any Law to which the Buyer or its assets is subject; (ii) conflict with or result in a breach of any provision of the organizational documents of the Buyer; or (iii) create a breach, default, termination, cancellation or acceleration of any obligation under any Contract to which the Buyer is a party or by which the Buyer or any of its assets or properties are bound or subject, except for any of the foregoing in the case of clauses (i) and (iii) that would not have a Buyer Material Adverse Effect.

(b) Except with respect to required filings or other actions under any applicable Antitrust Laws and the expiration of any applicable waiting or review periods thereunder and except as set forth on Schedule 4.3(b), no notices, permits, consents, approvals, authorizations, qualifications or orders of Governmental Entities are required for the consummation by the Buyer of the transactions contemplated hereby or by the Ancillary Documents to which it is a party, other than such of the foregoing that, if not given or obtained, would not have a Buyer Material Adverse Effect.

Section 5.4 Litigation.

As of the date of this Agreement, there are no Actions pending or, to the knowledge of the Buyer, threatened, that question the validity of this Agreement or any of the Ancillary Documents, or any action taken or to be taken by the Buyer in connection with this Agreement or any of the Ancillary Documents, other than such of the foregoing that would not have a Buyer Material Adverse Effect.

Section 5.5 Availability of Funds.

Upon consummation of the financing transactions contemplated by the equity commitment letters furnished by Carlyle Partners IV, L.P. and Onex Partners II LP and the commitment letters attached hereto as Schedule 5.5 (the "Commitment Letters"), the Buyer will have access to immediately available funds in a quantity sufficient to pay the Closing Payment and to perform all of its obligations pursuant to, and to

consummate the transactions contemplated by, this Agreement and each of the Ancillary Documents to which it is a party.

Section 5.6 Brokers' Fees.

Neither the Buyer nor any of its Affiliates has engaged or has any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which any of the Sellers or their Affiliates would become liable.

Section 5.7 LIMITATIONS ON GM'S REPRESENTATIONS AND WARRANTIES.

THE BUYER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE IV OR ANY ANCILLARY DOCUMENT, NEITHER GM NOR ANY OF THE OTHER SELLERS MAKES, AND THE BUYER IS NOT RELYING ON, ANY REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN CONNECTION WITH OR WITH RESPECT TO ANY OF THE BUSINESS ASSETS, THE ASSUMED LIABILITIES, THE TRANSFERRED STOCK, THE BUSINESS OR OTHERWISE, OR WITH RESPECT TO ANY INFORMATION PROVIDED TO THE BUYER, INCLUDING WITH RESPECT TO ANY REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR USE, TITLE, NON-INFRINGEMENT OR ENVIRONMENTAL MATTERS, AND THAT ALL OTHER REPRESENTATIONS AND WARRANTIES ARE DISCLAIMED BY GM AND THE OTHER SELLERS. THE BUYER FURTHER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE IV OR ANY ANCILLARY DOCUMENT, THE BUYER IS PURCHASING THE PURCHASED ASSETS AND TRANSFERRED STOCK ON AN "AS-IS, WHERE-IS" BASIS.

ARTICLE VI
PRE-CLOSING COVENANTS

The Buyer and GM agree to the following with respect to the period prior to the Closing:

Section 6.1 General.

(a) Each of the Parties shall, and GM shall cause the Sellers and the Transferred Subsidiaries to, use commercially reasonable efforts to take or cause to be taken all actions and to do or cause to be done, as soon as reasonably practicable, all things necessary, proper or advisable (subject to any Laws) to consummate the Closing and the other transactions contemplated by this Agreement, including the negotiation, execution and delivery of any additional instruments necessary to consummate the transactions contemplated by this Agreement or the Ancillary Documents. None of the Parties shall, without prior written consent of the other Parties, take or fail to use reasonable efforts to take, or permit their respective Affiliates to take or fail to use reasonable efforts to take, any action, that would reasonably be expected to prevent or materially impede, interfere with or delay the consummation, as soon as reasonably possible, of the transactions contemplated by this Agreement or the Ancillary Documents; provided that nothing in this SECTION 6.1 shall require a Party to cure any breach or inaccuracy with respect to any representation or warranty contained in this Agreement or any Ancillary Documents.

(b) Between the date hereof and the Closing, each Party hereby agrees to take any action that would be required to be taken by such Party under the provisions of the

Employee Matters Agreement set forth in Schedule 6.1(b) as if the Employee Matters Agreement was in effect as of the date hereof.

(c) GM shall cooperate with the Buyer, as necessary and at the Buyer's expense, to enable the Buyer to obtain a facility security clearance ("FCL") at the level required to perform certain classified Government Prime Contracts and to effect transfer of personnel security clearances from GM's FCL to the Buyer's FCL as and when required.

(d) As promptly as practicable following the date hereof, GM and the Buyer shall each use its commercially reasonable efforts to obtain a domestic non-availability determination from the U.S. Secretary of Defense that compliant specialty metal of satisfactory quality and sufficient quantity, and in the required form, cannot be procured as and when needed by the Business.

(e) In the event that the UAW executes the MOU, but with modifications that constitute either an Adverse Buyer Modification or an Adverse GM Modification, the Parties will work together in good faith, and exercise commercially reasonable efforts, in order to identify an appropriate GM Cure or Buyer Cure, as applicable; provided that the foregoing shall in no way obligate GM to effect a GM Cure or the Buyer to effect a Buyer Cure.

Section 6.2 Notices and Consents.

(a) Prior to the Closing Date and subject to SECTION 6.2(D) below, GM shall use commercially reasonable efforts to give, or to cause the other Sellers to give, all notices directed to be given by the Buyer and to obtain, or to cause the other Sellers to obtain, those consents, approvals or authorizations of third parties, in each case, under the Material Contracts that are set forth on Schedule 6.2(a).

(b) Prior to the Closing Date, GM and the Buyer shall, and GM shall cause the other Sellers to, use commercially reasonable efforts to obtain all material consents, approvals or authorizations of all Governmental Entities that are, or will become, necessary for the consummation of the transactions contemplated by this Agreement, including any material consents, approvals or authorizations required by any of the Permits, and the Parties shall cooperate with each other in seeking any such consents, approvals or authorizations and making any filings or notifications with any Governmental Entity required in connection with the transactions contemplated hereby or otherwise as reasonably requested by any of the Parties, but in each case, excluding any consents, approvals and authorizations under any Antitrust Laws other than the HSR Act and any Required Antitrust Filings.

(c) Each of the Buyer and GM, or the relevant Affiliate of either such Party, shall (i) within ten (10) Business Days following the execution and delivery of this Agreement, file all notifications and related materials that are required under (A) the HSR Act and (B) those non-U.S. antitrust or competition Laws (the "Antitrust Laws") set forth on Schedule 6.2(b) (the "Required Antitrust Filings"), it being understood that the commencement of the European Union Merger Review Process and the filing of a preliminary Form CO with the European Union Commission shall constitute the making of the antitrust filing required in the European Union for the purpose of meeting the ten (10) Business Day filing requirement, (ii) use commercially reasonable efforts to obtain early termination of the applicable waiting period or expedited review, as applicable, of such notifications and related materials and (iii) take further actions and

make all further filings pursuant thereto. In connection with the foregoing, each Party shall (x) promptly notify the other Party of any written communication to that Party or its Affiliates from any Governmental Entity and, subject to applicable Law, provide the other Party with a copy of any written communication to any of the foregoing and (y) not participate in any substantive meeting or discussion with any Governmental Entity in respect of any filing, investigation or inquiry concerning the transactions contemplated by this Agreement or the Ancillary Documents unless it consults with the other Party in advance and, to the extent permitted by such Governmental Entity, gives the other Party the opportunity to attend and participate in such meeting or discussion.

(d) In connection with and without limiting the generality of the foregoing, for purposes of this SECTION 6.2, commercially reasonable efforts of the Parties shall be deemed to include (i) offering to enter into, and entering into, any settlement, undertaking, consent decree, stipulation or agreement or agreeing to any order regarding antitrust matters in connection with any objections of any Governmental Entity to the transactions contemplated hereby and (ii) offering to divest to others and/or hold separate, and divesting or otherwise holding separate (including by establishing a trust or otherwise), or taking any other action (or otherwise agreeing to do any of the foregoing) with respect to, any portion of its and/or the business, assets or properties of its Subsidiaries, other than any such action pursuant to clause(s) (i) and/or (ii) that would require any divestiture, holding separate or sale (by whatever means) of (or any agreement to do any of the foregoing) any material assets of GM and the Buyer.

(e) The Buyer shall be responsible for the payment of 100 percent of the amount of any fees required in connection with the filing of any notifications and related materials that are required under the HSR Act or in connection with the Required Antitrust Filings.

(f) Notwithstanding anything to the contrary contained herein, (i) neither the Sellers nor any Transferred Subsidiary shall be required to make any expenditure or incur any liability in connection with such efforts and (ii) the Buyer acknowledges and agrees that, except with respect to the HSR Act and the Required Antitrust Filings as provided in SECTION 8.1(A) and except as provided in SECTION 8.2(E) and SECTION 8.2(F), the successful procurement of any consent, approval or authorization of any third party is not a condition to the Buyer's obligation to effect the Closing. Notwithstanding anything to the contrary contained herein, and except as otherwise provided under any Ancillary Document, the Buyer further agrees that, so long as the Sellers have complied with their obligations under this SECTION 6.2, no representation, warranty, covenant or agreement of the Sellers contained herein shall be breached or deemed breached, and no condition of the Buyer (other than SECTION 8.1(A), SECTION 8.1(B), SECTION 8.2(E) and SECTION 8.2(F)) shall be deemed not to be satisfied, solely as a result of the failure to obtain any consent, approval or authorization.

Section 6.3 Conduct of the Business.

Except as set forth on Schedule 6.3, as otherwise required or contemplated hereby or with the written consent of the Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), the Sellers and the Transferred Subsidiaries shall: (a) maintain and operate the tangible Purchased Assets in good operating condition and repair, ordinary wear and tear excepted; (b) operate the Business in the ordinary course of business, in substantially the same manner as conducted prior to the date hereof, including with respect to managing current assets and current liabilities in a manner consistent with past practice; (c) use commercially reasonable efforts to preserve and maintain the goodwill associated with the Business and its relationships with the Transferred Employees

and the material customers suppliers and distributors of, and others doing business with, the Business; (d) use commercially reasonable efforts to maintain in effect all material Permits; and (e) use commercially reasonable efforts to keep available the services of present officers and management employees (as a group) of the Business. Without limiting the generality of the foregoing, without the prior written consent of the Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), and except as set forth on Schedule 6.3, none of the Transferred Subsidiaries or, with respect to the Business, the Sellers will:

(i) make any amendment or change in the articles of incorporation, bylaws or comparable organizational or governing documents of the Transferred Subsidiaries or effect any merger, consolidation, reorganization or recapitalization;

(ii) sell, lease, transfer or assign any material assets, tangible or intangible, outside of the ordinary course of business or pursuant to a Contract in existence as of the date hereof (or entered into in compliance with this SECTION 6.3), or permit any material asset to become subject to a Lien, other than Permitted Liens;

(iii) make any capital expenditures in excess of \$5,000,000 in the aggregate in excess of amounts contemplated by the fiscal year 2007 capital expenditure budget for the Business (a true and correct copy of which has been made available to the Buyer);

(iv) issue, sell or otherwise dispose of any of the capital stock or other equity interests of the Transferred Subsidiaries, or grant any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of such capital stock or other equity interests;

(v) declare, set aside, or pay any dividend or make any distribution with respect to the capital stock or other equity interests of the Transferred Subsidiaries or redeem, purchase or otherwise acquire or reclassify, combine, split or subdivide any of such capital stock or other equity interests;

(vi) waive any material rights other than in the ordinary course of business;

(vii) (A) except for normal periodic increases in the ordinary course of business and consistent with past practices, increase the compensation or benefits payable or to become payable to any Transferred Employee or officer, director or employee of a Transferred Subsidiary; (B) other than as required by a plan or Contract in existence as of the date hereof (or entered into in compliance with this SECTION 6.3), grant or make, contingently or otherwise, any bonus, incentive compensation, service award or other benefit for or to the credit of any Transferred Employee or officer, director or employee of a Transferred Subsidiary; or (C) enter into any new employment, severance, termination pay or change of control agreement to which any of the Transferred Subsidiaries or, with respect to the Transferred Employees, the Sellers is a party, which provides for payments exceeding \$250,000 per year per individual;

(viii) change any accounting methods, practices, principles or policies, other than as required by applicable Law or GAAP or make any Tax election, settle or compromise any Tax liability, amend any material Tax Return or, with respect to any of

the Transferred Subsidiaries, enter into any material agreement with respect to Taxes, including any agreement to extend the statute of limitations with respect to material Taxes;

(ix) revalue any of its respective assets, including writing off notes or accounts receivable or revaluing inventory, except as required by GAAP;

(x) make any acquisitions or effect any disposition of any Person (other than an individual) or any division, business or business unit of any Person or any equity security of or equity interest in any Person;

(xi) settle or compromise any material claim or Action (whether or not commenced prior to the date of this Agreement);

(xii) adopt, amend, terminate or enter into any Material Contract (other than the entry into customer contracts in the ordinary course of business); or

(xiii) commit or agree to any of the foregoing;

provided that nothing in this SECTION 6.3 shall prohibit (x) the Sellers from using cash and cash equivalents to pay Indebtedness or from removing any and all cash and cash equivalents from the Transferred Subsidiaries at any time, and from time to time, prior to the Closing with prior notice to, and consent of, the Buyer, which consent will not be unreasonably withheld, conditioned or delayed, except that (i) the Buyer may not withhold, condition or delay such consent unless there would be an adverse Tax consequence to the Buyer or the respective Transferred Subsidiary caused by such payment or removal or such payment or removal would violate Law and (ii) for this purpose, the use, for United States federal income Tax purposes, of foreign Tax credits attributable to the operations of the Transferred Subsidiaries during any Pre-Closing Tax Periods shall not be deemed to impose any adverse Tax consequence on the Buyer or the Transferred Subsidiaries, (y) the Sellers from terminating or permitting to expire the leases pursuant to which the Allison New Lease Facilities are being leased as of the date hereof or (z) the assignment of any Intellectual Property and Software contemplated by the form attached hereto as Exhibit O.

Section 6.4 Access to Business.

Except as may be prohibited by Law, by the terms of any Contract or under any confidentiality agreement, or as may be required to preserve legal privilege, the Sellers and the Transferred Subsidiaries shall, upon reasonable notice, permit representatives of the Buyer to have reasonable access during normal business hours and under reasonable circumstances to personnel, premises, properties, assets, books and records, contracts and documents pertaining to the Business or the Business Assets; provided that such personnel, premises, properties, assets, books and records, contracts and documents are reasonably required by the Buyer to timely consummate the transactions contemplated hereunder; provided, further that the Buyer may not conduct or cause to be conducted any intrusive or invasive environmental testing at any of the properties of the Sellers, including any of the Transferred Real Property or the Transferred Sub Real Property, unless and until prior written authorization for such testing is obtained from GM. If any requested disclosure would cause any loss of a legal privilege or require consent under any agreement, the Parties shall use commercially reasonable efforts to make appropriate alternative disclosure arrangements (e.g., the entry into an appropriate joint defense agreement in connection with affording access to such information) or to obtain any required consent. Notwithstanding the foregoing, prior to the Closing, the Sellers shall grant to the Buyer full access to the International Facilities for the purpose of permitting the Buyer to

continue its environmental due diligence of such facilities, including permitting the Buyer to conduct, subject to any restrictions under Law or the provisions of the leases underlying such leased facilities, such Phase II or other similar environmental testing as it may reasonably request (the "International Facilities Testing"); provided, however, that the Buyer shall provide notice to GM prior to conducting any testing, that such testing shall be conducted in a manner so as not to unreasonably interfere with the conduct of the Business at such facilities, and that any testing shall be performed in accordance with applicable Law.

Section 6.5 Notice of Developments.

Each Party shall give prompt written notice to the other Party of (a) any statement or information contained in such other Party's representations and warranties (or Schedules thereto) that is incomplete or inaccurate or (b) the occurrence of any Material Adverse Effect or Buyer Material Adverse Effect, as applicable.

Section 6.6 Ancillary Documents.

On the Closing Date, the Buyer shall (or, in accordance with SECTION 11.5, shall cause one or more of its Affiliates to, and GM shall (or shall cause one or more of its Affiliates to), execute and deliver each of the Ancillary Documents to which such Person or Affiliate is to be a party as contemplated by this Agreement.

Section 6.7 Union Matters.

Subject to the restrictions placed on the Buyer pursuant to this SECTION 6.7, the Buyer and GM shall use commercially reasonable efforts to obtain the consent of the UAW to the consummation of the transactions contemplated by this Agreement as they relate to the UAW Facilities, including the sale of the UAW Facilities. The Buyer shall not, directly or indirectly, have any communications with the UAW, or otherwise engage in any activities relating to the UAW, in either case that would reasonably be expected to have an adverse effect on the ability of GM and the Buyer to obtain such consent of the UAW. With respect to its communications, the Buyer shall not advise the UAW that it will not assume and honor the Union Agreements covering Transferred Employees or that its offer to purchase the Business is dependent upon it obtaining amendments or modifications to such Union Agreements. Notwithstanding any other provision in this Agreement or the Employee Matters Agreement, neither GM nor the Buyer shall be obligated to take any action or make concessions to obtain such UAW consent, other than the Buyer's commitment to assume the UAW Agreement at the Closing.

Section 6.8 Financing.

As promptly as practicable, between the date hereof and the Closing, the Buyer shall use its commercially reasonable efforts to obtain the financing contemplated by the Commitment Letters or, if such financing becomes unavailable, alternative financing on terms acceptable to the Buyer (the "Financing"). GM agrees to provide, and shall cause the Sellers and the Transferred Subsidiaries and their respective employees (including all management employees of Allison), accountants, consultants, agents and other representatives, to provide all reasonable cooperation (including with respect to timeliness) in connection with the arrangement of the Financing as may be reasonably requested by the Buyer (provided that the Buyer uses its commercially reasonable efforts at all times to obtain the Financing and that such requested cooperation does not unreasonably interfere with the ongoing operations of GM or the Business), including, subject to the foregoing proviso, (i) reasonable participation in meetings, drafting sessions, road shows, bank meetings and due diligence sessions, (ii) using commercially reasonable efforts to furnish the Buyer and its financing sources with financial and other pertinent information regarding the Transferred Subsidiaries and the Business as may be reasonably requested by the Buyer, including all financial statements and financial data of the type required by Regulation S-X and Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act"), and of type and form, and for the periods, customarily included

in private placements under Rule 144A of the Securities Act to consummate the offering of debt securities contemplated by the Commitment Letters at the time during the Business' fiscal year such offering will be made (together with any consents necessary to include such information in any bank book, Rule 144A offering memorandum or other presentation to financing sources, the "Required Financial Information"), (iii) reasonably assisting the Buyer and its financing sources in the preparation of (A) offering, information or syndication documents for the Financing (the "Offering Documents") and (B) materials for rating agency presentations, (iv) reasonably cooperating with the marketing efforts of the Buyer and its financing sources in connection with the Financing, (v) providing and executing documents as may be reasonably requested by the Buyer, and using commercially reasonable efforts to obtain consents of accountants for use of their reports in any materials relating to the Financing, (vi) reasonably facilitating the pledging by the Buyer of collateral as of the Closing and (vii) using commercially reasonable efforts to obtain accountants' comfort letters, surveys and title insurance as reasonably requested by the Buyer; provided that none of the Transferred Subsidiaries or any Seller shall be required to pay any commitment or other similar fee or incur any other liability in connection with the Financing. The Buyer shall, (i) promptly upon request by any Seller, reimburse such Seller for all reasonable out-of-pocket costs incurred by any Transferred Subsidiary or Seller in connection with any such cooperation, including the fees and expenses of any advisor retained by management of the Business at the request of the Buyer prior to the date hereof incurred in connection with services specifically authorized by the Buyer and (ii) indemnify and hold harmless GM, the Sellers and the Transferred Subsidiaries and their respective directors, officers, employees, agents and representatives from and against any and all Losses suffered or incurred by them in connection with the Financing and any information utilized in connection therewith (other than written information specifically provided by GM, the Sellers or the Transferred Subsidiaries for inclusion in the Offering Documents). In the event that the Buyer becomes aware of any event or circumstances that makes procurement of any portion of the Financing unlikely to occur, the Buyer shall promptly notify GM and shall use its commercially reasonable efforts to arrange the alternative financing described above.

Section 6.9 Termination of Intercompany Agreements.

Except for the Ancillary Documents, any assignments of Intellectual Property and Software as contemplated by SECTION 6.3, the Assumed Liabilities that constitute rebate liabilities and obligations in connection with the sale referred to in SECTION 2.2(A)(I)(B) and the Contracts listed on Schedule 6.9, all Contracts between GM or any of its Subsidiaries (other than the Transferred Subsidiaries), on the one hand, and any of the Transferred Subsidiaries, on the other hand, shall be terminated and of no further force and effect after the Closing, with no liabilities on the part of any party thereto. Notwithstanding the foregoing, all intercompany trade accounts, whether payables or receivables, arising in the ordinary course of business between GM or any of its Subsidiaries (other than the Transferred Subsidiaries), on the one hand, and any of the Transferred Subsidiaries, on the other hand, as of the Closing shall continue in full force and effect from and after the Closing and shall be paid in accordance with the terms thereof, or, if no such terms are specified, then in accordance with GM's MNS-2 system which provides, on average, for payment on the second day of the second month following the date of the invoice, and all other intercompany accounts between GM or any of its Subsidiaries (other than the Transferred Subsidiaries), on the one hand, and any of the Transferred Subsidiaries, on the other hand, shall be extinguished by payment on or prior to the Closing Date of the full balance payable.

Section 6.10 Treatment of Synthetic Lease.

GM shall terminate that certain lease effective as of April 5, 2002 by and between GM and Auto Facilities Real Estate Trust 2001-1 and the financing related thereto as it relates to the property located at 5902 Decatur Boulevard, Indianapolis, Indiana (the "Decatur Boulevard Property") and shall take all other action necessary (i) for GM to own prior to the Closing, good and valid fee simple title to the Decatur Boulevard Property, free and clear of any Liens, except for Permitted Liens, or (ii) to cause the lessor under the above referenced lease to convey directly to the Buyer, at the Closing, good and valid fee simple title to the Decatur Boulevard Property, free and clear of any Liens, except for Permitted Liens.

Section 6.11 Waiver of Right of First Refusal.

Between the date hereof and the Closing Date, GM shall use commercially reasonable efforts to obtain prior to the Closing a written waiver with respect to the consummation of the transactions contemplated by this Agreement from the Board of Park Commissioners of the City of Indianapolis of its right of first refusal to purchase three (3) parcels of land located at 4700 West 10th Street, Indianapolis, Indiana, as more fully described in that certain Special Ordinance No. 6, 1967 passed by the City of Indianapolis on February 6, 1967 (the "Indianapolis Right of First Refusal"), which written waiver shall be in a form reasonably acceptable to the Buyer (such waiver, the "ROFR Waiver").

ARTICLE VII
POST-CLOSING COVENANTS

The Buyer and GM agree to the following with respect to the period following the Closing:

Section 7.1 General.

In the event that at any time after the Closing Date any further action is reasonably necessary to carry out the purposes of this Agreement, each of the Parties shall, and GM shall cause the Sellers to, take such further action (including the execution and delivery of such further instruments and documents) as the other Party may reasonably request, at the sole cost and expense of the requesting Party (unless otherwise specified herein).

Section 7.2 Post-Closing Consents; Nonassignable Contracts.

Subject to SECTION 7.11 with respect to Government Prime Contracts:

(a) The Sellers and the Buyer each shall use commercially reasonable efforts after the Closing Date to obtain any consents, approvals or authorizations of any third parties (other than for COTS Licenses) that are not obtained prior to the Closing Date and that are required in connection with the transactions contemplated by this Agreement; provided that none of the Sellers or the Buyer shall be required to make any expenditure or incur any liability in connection with such efforts.

(b) Notwithstanding anything to the contrary contained in this Agreement, to the extent that any Purchased Contract is not capable of being transferred by the Sellers to the Buyer pursuant to this Agreement without the consent, approval or authorization of a third party, and such consent, approval or authorization is not obtained prior to the Closing, or if such transfer or attempted transfer would constitute a breach or a violation of the Purchased Contract or any Law (each a "Specified Consent"), nothing in this Agreement shall constitute an assignment or transfer or an attempted assignment or transfer thereof.

(c) In the event that (i) any such Specified Consent is not obtained on or prior to the Closing Date or (ii) as of the Closing, the Business has not entered into Contracts replacing the Contracts to which a Seller is a party and that pertain primarily to the Business but are not contained in the Purchased Assets (the Contracts referred to in this clause (ii), the "Excluded Shared Contracts"), the Sellers shall use commercially reasonable efforts to, or to cause one of their Affiliates to use commercially reasonable efforts to: (i) provide to the Buyer all of the benefits of the applicable Purchased Contract or Excluded Shared Contract; (ii) cooperate in any reasonable and lawful arrangement designed to provide such benefits to the Buyer, including accepting such reasonable direction as the Buyer shall request of such Seller or Affiliate; and (iii) enforce at the request and expense of the Buyer and for the account of the Buyer, any rights of the Sellers arising from any such Purchased Contract or Excluded Shared Contract; provided that no Seller shall be required to make any expenditure or incur any liability in connection with any such activities described in clauses (i) through (iii) above, unless reimbursed by the Buyer for the full amount of any such expenditure or liability; provided that this SECTION 7.2(C) shall not apply to COTS Licenses.

(d) If the Buyer is provided all of the benefits received by the Sellers under any Purchased Contract or Excluded Shared Contract pursuant to SECTION 7.2(C), the Buyer shall perform and discharge when due the obligations, and assume the liabilities, of the Sellers under such Purchased Contract or Excluded Shared Contract to the extent arising out of or relating to the Business, for the benefit of the Sellers and the other party or parties thereto.

(e) Once a Specified Consent is obtained, the applicable Purchased Contract shall be deemed to have been automatically assigned and/or transferred to the Buyer on the terms set forth in this Agreement with respect to the other Purchased Contracts transferred and assumed at the Closing, and without limiting the generality of the foregoing, the obligations and liabilities of the Sellers under such Purchased Contracts shall be deemed to be Assumed Liabilities, and the rights of the Sellers under such Purchased Contracts shall be deemed to be Purchased Assets. Once the Buyer has entered into a Contract replacing an Excluded Shared Contract, the rights and obligations of the Parties under this SECTION 7.2 shall cease with respect to such Excluded Shared Contract. Notwithstanding anything to the contrary, all of the obligations of the Sellers and the Buyer under this SECTION 7.2 shall cease with respect to all Excluded Shared Contracts 120 days after the Closing Date.

(f) The Buyer agrees that, so long as the Sellers have complied with their obligations under ARTICLES IV AND VI and, after the Closing, this SECTION 7.2, none of the Sellers shall have any liability whatsoever to the Buyer arising out of or relating to the failure to obtain any consents, approvals or authorizations that may have been or may be required in connection with the transactions contemplated by this Agreement or because of the breach, violation, acceleration or termination of any Contract as a result thereof.

(g) Without limiting the generality of the foregoing, with respect to any Purchased Contract for which a Specified Consent is not obtained on or prior to the Closing Date and that is a lease of Leased Real Property, the Buyer shall enter into a sublease containing the same terms and conditions as such lease (unless the lease by its terms prohibits such subleasing arrangement), and entry into and compliance with such sublease shall satisfy the obligations of the Parties under SECTION 7.2(C) until the Specified Consent is obtained and the Purchased Contract assigned and/or transferred in accordance with SECTION 7.2(E).

Section 7.3 Litigation Support.

In the event and for so long as either Party is actively contesting or defending against any actual or potential Action brought by a third party in connection with any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction involving the Business, the other Party shall reasonably cooperate with the contesting or defending Party and its counsel in the contest or defense, make available its personnel and provide such access to its non-privileged books and records as may be reasonably requested in connection with the contest or defense, at the sole cost and expense of the contesting or defending Party (unless such contesting or defending Party is entitled to indemnification therefor under ARTICLE IX, in which case, the costs and expense shall be borne by the Parties in accordance with ARTICLE IX). Notwithstanding the foregoing, this SECTION 7.3 shall not apply to Actions with respect to which the Parties are in dispute as to whether one of the Parties has an obligation to provide indemnification under ARTICLE IX.

Section 7.4 Compliance with the WARN Act.

The Buyer shall have full responsibility under the WARN Act and any other similar statutes or regulations of any jurisdiction relating to any plant closing or mass layoff for all obligations to the Transferred Employees who are terminated or laid off by the Buyer. For the avoidance of doubt, the Buyer's obligations under this SECTION 7.4 include (i) all obligations triggered under the WARN Act and such other U.S., state, local and non-U.S. statutes and regulations requiring prior notice of a plant closing or mass layoff, which are triggered, in whole or in part, by the Buyer's actions or omissions, including the failure to employ or continue to employ from and after the Closing Date some or all of the Transferred Employees who accept employment with the Buyer on or prior to the Closing Date and become employees of the Buyer and (ii) all liabilities to Business Employees under the WARN Act incurred by any Sellers as a result, in whole or in part, of the Buyer's failure to provide the Sellers with reasonable advance notice of the termination or lay off of Transferred Employees by the Buyer.

Section 7.5 Apportioned Obligations.

The Parties agree that any Apportioned Obligations, and any refund, rebate or similar payment received by the Sellers or the Buyer for any Taxes that are Apportioned Obligations, will be apportioned between the Sellers and the Buyer as follows:

(a) For Apportioned Obligations not described in SECTION 7.5(B), GM agrees to indemnify the Buyer for the amount of such Apportioned Obligations that would be payable if the relevant year or period ended on the Closing Date.

(b) For all Apportioned Obligations relating to ad valorem or property Taxes, GM agrees to indemnify the Buyer for the amount of such Apportioned Obligations that are determined by multiplying (i) the amount of such Apportioned Obligations for the entire Straddle Period, by (ii) a fraction, the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period.

(c) GM will pay Apportioned Obligations that are due and payable on or prior to the Closing Date, and invoice the Buyer for any part of that amount apportioned to the Buyer. The Buyer will pay Apportioned Obligations that are due and payable after the Closing Date and invoice GM for any part of that amount apportioned to GM.

(d) GM and the Buyer shall share the costs of any inquiry, examination or proceeding by a Governmental Entity in proportion to the fraction determined in this SECTION 7.5 with respect to the nature of the obligation in dispute.

Section 7.6 Agreements Regarding Tax Matters.

(a) The Sellers (or an Affiliate of the Sellers other than the Transferred Subsidiaries) shall prepare and timely file all Tax Returns in respect of the Purchased Assets or the Transferred Subsidiaries for all Pre-Closing Tax Periods. The Buyer shall prepare and timely file all Tax Returns that are required to be filed in respect of the Purchased Assets or the Transferred Subsidiaries for all Straddle Periods.

(b) GM and the Buyer shall provide each other with such assistance and non-privileged information relating to the Purchased Assets as may reasonably be requested in connection with the preparation of any Tax Return or the performance of any audit, examination or any other proceeding by any taxing authority relating to any Tax Return, whether conducted in a judicial or administrative forum. GM and the Buyer shall retain and provide to the other Party all non-privileged records and other information which may be relevant to any such Tax Return, audit, examination or any other proceeding.

(c) Except as provided below, GM, together with the other Sellers, shall exercise exclusive control over the handling, disposition and settlement of any inquiry, examination or proceeding by a Governmental Entity (or that portion of any inquiry, examination or proceeding by a Governmental Entity) that could result in a determination with respect to Taxes due or payable by GM or any other Seller, or the Transferred Subsidiaries for any taxable period ending on or before the Closing Date (a "GM Tax Claim"). The Buyer shall notify GM in writing promptly upon learning of any such inquiry, examination or proceeding; provided, however, no failure or delay by the Buyer to provide notice of such inquiry, examination or proceeding shall reduce or otherwise affect the obligation of GM or any Seller hereunder except to the extent such person is actually prejudiced thereby. The Buyer and its Affiliates shall cooperate with GM, as GM may reasonably request and at GM's expense, in any GM Tax Claim. Neither the Buyer nor any of its Affiliates shall extend, without GM's prior written consent, the statute of limitations for any Tax of the Transferred Subsidiaries for any Pre-Closing Tax Period. Notwithstanding the foregoing, (i) GM shall keep the Buyer informed regarding the progress and substantive aspects of any GM Tax Claim that involves a Pre-Closing Tax Period of a Transferred Subsidiary (a "Transferred Subsidiary Tax Claim"), including providing the Buyer with all written materials relating to such Tax proceeding received from the relevant Governmental Entity and all written materials submitted to such Governmental Entity by GM or any Seller and (ii) the Buyer shall be entitled to participate in any Transferred Subsidiary Tax Claim, including having an opportunity to comment on any written materials prepared in connection with any Transferred Subsidiary Tax Claim and attending any conferences relating to any Transferred Subsidiary Tax Claim.

(d) Neither Party (nor any Affiliate of such Party) shall agree to settle any Tax liability or compromise any claim with respect to Taxes, which settlement or compromise may affect the liability for Taxes hereunder (or right to Tax benefit) of the other Party, without the other Party's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

(e) If the Buyer or an Affiliate of the Buyer receives a refund with respect to Taxes for which the Sellers or any of their Affiliates are wholly or partially responsible under SECTION 2.3(B)(V) or SECTION 7.5 hereof (other than any refund reflected as an asset in the calculation of Closing Date Net Working Capital), the Buyer or such Affiliate shall pay, within 30 days following the receipt of such refund, the amount of such refund attributable to GM. If the Sellers or an Affiliate of the Sellers receives a refund with respect to Taxes relating to the Business or the Purchased Assets in a Post-Closing Tax Period or for which the Buyer is wholly or partially responsible under SECTION 7.5 hereof, the Sellers or such Affiliate shall pay, within 30 days following the receipt of such refund, the amount of such refund attributable to the Buyer.

(f) Notwithstanding anything else contained herein, GM and the Buyer shall (i) each pay one-half of all amounts that are required to be paid in respect of any transfer, sales, use, recording, value-added or similar Taxes (including any registration and/or stamp Taxes, levies and duties) that may be imposed by reason of the sale, assignment, transfer and delivery of the Purchased Assets; and (ii) timely file all Tax Returns required to be filed in connection with the payment of such Taxes (and GM and the Buyer, as applicable, shall be responsible for all penalties and interest related to a late filing or error in filing related to such Tax Returns).

Section 7.7 Agreements Regarding Environmental Matters.

(a) GM will, and will cause the Sellers to, comply with their obligations with respect to the Allison Indy Transmission Facilities under the Performance Based Corrective Action Agreement between the United States Environmental Protection Agency ("U.S. EPA") and GM for the Allison Transmission Facility, dated April 22, 2005 (the "Corrective Action") until such time as GM receives written acknowledgment in the form of a "No Further Action" or equivalent determination from the U.S. EPA that GM's corrective action obligations are complete, subject to controls, with respect to the entire site; provided that, without limiting the generality of SECTION 2.3(B), the Buyer will be liable for any Losses to the extent relating to any Release caused by Buyer after the Closing.

(b) The Buyer agrees that the Allison Indy Transmission Facilities shall be subject to the following deed restrictions on use:

(i) the Buyer shall prohibit all uses of the Allison Indy Transmission Facilities that are not compatible with the land use restrictions placed on the property in accordance with the Corrective Action with the consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), otherwise subject to this SECTION 7.7;

(ii) the Buyer shall manage, at its own cost, all soils, media and/or debris that are excavated or disturbed on the Allison Indy Transmission Facilities by the Buyer in accordance with all applicable state and federal Environmental Laws;

(iii) except as provided in SECTION 7.7(B)(IV), the Buyer shall prohibit any construction of wells or other devices to extract groundwater for consumption, irrigation, or any other use, except for wells and devices that are part of or consistent with the Corrective Action or for purposes of monitoring groundwater quality;

(iv) dewatering wells or other devices for maintenance or construction purposes are permitted, provided the dewatering, including management and disposal of the groundwater, is conducted in accordance with all applicable local, state, and federal Environmental Laws and does not result in a material violation of Environmental Laws

(it being understood that the Buyer will use commercially reasonable efforts to complete construction and maintenance projects without constructing wells or other devices to extract groundwater and, to the extent construction of wells and similar devices is necessary in connection with any such construction or maintenance activity (notwithstanding the Buyer's exercise of such efforts), the Buyer will cooperate with GM to complete the construction of such wells and similar devices in a manner consistent with the Corrective Action);

(v) the Buyer shall use commercially reasonable efforts not to unreasonably interfere with the operation of any technology, treatment or other activities engaged in by GM or its Affiliates in accordance with their obligations under the Corrective Action;

(vi) if the Buyer contemplates actions which will materially interfere with the operation of any technology, treatment or other activities engaged in by GM or its Affiliates in accordance with their obligations under the Corrective Action, the Buyer shall provide prior notice to GM of its intent to take such action; and

(vii) if the Buyer intends to transfer any interest in the Allison Indy Transmission Facilities, the Buyer shall provide notice thereof to the U.S. EPA Region 5 and the Indiana Department of Environmental Management ("IDEM") at least twenty-one (21) days prior to consummating any such transfer. The Buyer shall not transfer any interest in the Allison Indy Transmission Facilities unless the transferee agrees in writing to comply with the terms and conditions of this SECTION 7.7 that are applicable to the Buyer and GM is provided the right thereunder to enforce such written agreement against such transferee.

(c) The Buyer agrees that the Owned Real Property shall be subject to the deed restrictions on use set forth in Schedule 7.7.

(d) GM and its Affiliates shall have the right to undertake response activities that they have determined in their discretion and judgment should or must be conducted under the Corrective Action or otherwise under applicable Environmental Laws to comply with the Corrective Action so long as such activities do not unreasonably interfere with the current or proposed conduct of the Business at the time the response activity is undertaken, consistent with SECTION 7.7(L). GM agrees to reimburse the Buyer for reasonable and documented out-of-pocket expenses incurred by the Buyer in connection with response activities requested by GM. In no event will GM or its Affiliates be obligated to conduct any response activities pursuant to this SECTION 7.7 to address contamination at the Allison Indy Transmission Facilities in order to achieve levels of cleanup more stringent than those required under the Corrective Action and consistent with the industrial usage of the Allison Indy Transmission Facilities.

(e) GM reserves its right to challenge any U.S. EPA or IDEM decisions in connection with the Corrective Action process.

(f) Upon request, GM shall provide the Buyer with copies of all final reports, data, sampling results and written communications with Governmental Entities created following the Closing Date in connection with the Corrective Action. To the extent that GM is proposing or considering accepting deed or land use restrictions on the Allison Indy Transmission Facilities with respect to such Corrective Action (other than those set forth in SECTION 7.7(B)(I) through

SECTION 7.7(B)(VII)), GM shall consult with the Buyer prior to proposing or accepting such restrictions. GM shall not agree to any deed or land use restrictions that unreasonably limit the Buyer's use of the Allison Indy Transmission Facilities for commercial or industrial purposes, and any proposed deed restrictions shall be subject to the Buyer's reasonable approval. The Buyer shall have a right to be present in person or by phone in any substantive discussions or negotiations that GM or its Affiliates is having with any Governmental Entities regarding the Corrective Action (provided that such participation shall be limited to providing information requested in such negotiations and listening to such negotiations) and the Buyer shall not independently engage in any discussions or negotiations with such Governmental Entities regarding the response activities of GM or its Affiliates under the Corrective Action, except to the extent that GM has not satisfied its obligations pursuant to this SECTION 7.7 following notice to GM of any deficiency and an opportunity to cure such deficiency. The Buyer agrees that it will promptly notify GM of any material contact by or with any Governmental Entity or any other Person relating to the Corrective Action.

(g) The Buyer agrees to cooperate with GM and its representatives, if such cooperation is required or reasonably requested, in obtaining after Closing any requisite governmental approvals, consents, waivers, permits or deed notifications/restrictions at GM's expense, in connection with all such activities undertaken by GM and its Affiliates in accordance with the Corrective Action.

(h) At any time after the Closing, upon reasonable notice to the Buyer and at reasonable times, GM and its representatives shall have reasonable access to the Allison Indy Transmission Facilities to undertake and complete activities required under the Corrective Action, so long as such activities do not unreasonably interfere with the current or proposed conduct of the Business at such facilities at the time the activities are undertaken, consistent with SECTION 7.7(L). All such response activities shall be performed in a good and workmanlike manner and in accordance with applicable Laws governing work safety and construction. GM shall not permit any construction Liens to be filed against such property in connection therewith. The Deed transferring the Allison Indy Transmission Facilities to the Buyer as part of the Purchased Assets will provide GM with an easement for GM to access the Allison Indy Transmission Facilities at reasonable times and upon reasonable prior notice for all such activities to be conducted by GM and its representatives, which easement will be subject to the limitations described in this SECTION 7.7(H).

(i) In undertaking activities in furtherance of its obligations under the Corrective Action, GM agrees to exercise commercially reasonable efforts to avoid interfering with the Buyer's development of and operations at the Allison Indy Transmission Facilities; provided that, due to the nature of GM's obligations under the Corrective Action, the Buyer acknowledges that some interference may occur in a manner that does not unreasonably interfere with the conduct of the Business at such facilities. The Buyer acknowledges that in any event GM must comply with the Corrective Action, and the Buyer will exercise its reasonable efforts to avoid interfering with the activities of the Sellers in furtherance of their obligations under the Corrective Action. In the event the U.S. EPA or any other Governmental Entity is proposing or requiring that GM take actions that would materially adversely interfere with the Buyer's ability to conduct operations at the Allison Indy Transmission Facilities, or to undertake construction or development at the Allison Indy Transmission Facilities as described in its development plans (to the extent that they have been prepared at the time of such proposed or required action and are otherwise in conformance with the provisions of this SECTION 7.7), GM will notify the Buyer

promptly, and the Buyer shall have the right to participate in such discussions/negotiations with U.S. EPA or other Governmental Entity. If the proposed remedial options materially interfere with the Buyer's ability to undertake construction or development planned for the Allison Indy Transmission Facilities, the Buyer shall promptly notify GM thereof with reasonably detailed information describing such planned activities. In no event shall any remedial options proposed by GM pursuant to the Corrective Action materially interfere with the Buyer's ability to conduct operations at the Allison Indy Transmission Facilities, or to undertake such construction or development at the Allison Indy Transmission Facilities that is planned or reasonably anticipated at the time the remedial option is proposed, consistent with SECTION 7.7(L). In no event, however, will GM or any of its Affiliates be liable or responsible for any consequential, incidental, exemplary, special or punitive damages or Losses, including loss of profits, loss of business opportunity or Losses related to construction/development delay or interference with operations, in connection with its activities in furtherance of its obligations under the Corrective Action, if any.

(j) In addition to the use restrictions set forth in SECTION 7.7(B) hereof, the Buyer acknowledges that the activities of the Sellers in furtherance of their obligations under the Corrective Action may result in temporary restrictions on the Buyer's use of certain areas of the Allison Indy Transmission Facilities in a manner that does not unreasonably interfere with the conduct of the Business at such facilities. The Buyer further acknowledges that these activities may also require certain equipment, such as investigation, construction and remediation equipment to be temporarily located in areas of the Allison Indy Transmission Facilities. Upon completion of their activities, Sellers shall promptly remove any equipment brought on-site to conduct these activities and restore any areas of the Allison Indy Transmission Facilities impacted by their activities in furtherance of their obligations under the Corrective Action to a condition substantially similar to that existing prior to such activities, unless otherwise agreed in writing by the Parties.

(k) The parties agree that GM shall be responsible for all fees, costs and expenses incurred by the Buyer and its Subsidiaries as a result of any injury to persons or damage or destruction of property caused by GM or its agents or independent contractors in connection with GM's conduct of the Corrective Action and any of the activities contemplated by SECTION 7.7(M); provided that, GM shall be provided with notice of any claim for fees, costs or expenses within thirty (30) days of the Buyer's discovery of the injury, damage or destruction.

(l) At the time of GM's proposal of any material remedial option with respect to the Allison Indy Transmission Facilities, GM will provide the Buyer with a reasonably detailed description of the proposed remedial option and may request (a "GM Information Request") that the Buyer, within 30 days of receipt of any GM Information Request, provide GM with a written statement (the "Proposed Use Statement") (i) setting forth the anticipated expansion, construction, development and maintenance activities and other changes to the manner in which the Buyer conducts its business at the facilities subject to the Corrective Action reasonably anticipated by the Buyer at such time for the five (5) year period commencing on the date of the GM Information Request and (ii) identifying any material interference with the conduct of the Buyer's business at such facilities (as proposed to be modified in the Proposed Use Statement) that the Buyer believes would be caused by the remedial option proposed by GM. For the purpose of this SECTION 7.7, the "proposed conduct" of the Buyer's business at the facilities subject to the Corrective Action as of the date of any Proposed Use Statement will be deemed to include only (x) the conduct of the Business at such facilities as conducted on such

date and as described in such Proposed Use Statement, (ii) the construction and maintenance activities described in such Proposed Use Statement and (iii) other ordinary course maintenance activities.

(m) At any time after the Closing, upon reasonable notice to the Buyer and at reasonable times, GM and its representatives shall have reasonable access to the Eagle Creek Technology Center, 6040 W. 62nd Street, Indianapolis, Indiana, to undertake and complete activities required under LUST Incident # 200310504, so long as such activities do not unreasonably interfere with the current or proposed conduct of the Business at such facility at the time the activities are undertaken. All such response activities shall be performed in a good and workmanlike manner and in accordance with applicable Laws governing work safety and construction. GM shall not permit any construction Liens to be filed against such property in connection therewith.

Section 7.8 Use of Excluded Marks.

As promptly as practicable following the Closing, but in no event later than 90 days after the Closing Date, the Buyer shall cease, and shall cause its Affiliates (including the Transferred Subsidiaries) to cease, using the Excluded Marks in any form, whether by removing, permanently obliterating, covering or otherwise eliminating all Excluded Marks that appear on any Business Asset, including all signs, promotional or advertising literature, labels, stationery, business cards, office forms and packaging materials. During such time period, the Buyer may exhaust its inventory of such Business Assets in existence as of immediately prior to the Closing; provided that the Buyer shall not, and shall cause its Affiliates (including the Transferred Subsidiaries) not to, take any action that could detract from or impair the goodwill associated with such Excluded Marks. Neither the Buyer nor any of its Affiliates (including the Transferred Subsidiaries) shall, following such 90-day period, use any Excluded Mark or other Mark that is likely to cause confusion with any of the Excluded Marks or be associated with GM, any other Sellers or any of their Affiliates after the Closing Date.

Section 7.9 Non-Competition.

(a) Without limiting and subject to the provisions below, GM, with respect to its transmission business (other than the Business), on the one hand, and the Business, on the other hand, each expect that for the foreseeable future they will continue and grow their respective existing transmission businesses, which in the case of GM (other than with respect to the Business) is currently focused on manufacturing transmissions for use in vehicles sold by GM, in substantially the same manner as in the past and, in accordance with SECTION 7.9(D), will work together to ensure that customers may choose the best transmissions available for the customers' applications. Schedule 7.9(a) sets forth in summary form examples of how this SECTION 7.9 addresses certain applications, but is not intended to be comprehensive. In the event of any conflict or inconsistency between this SECTION 7.9 and Schedule 7.9(a), this SECTION 7.9 shall control.

(b) For a period of 10 years from and after the Closing Date, except as otherwise set forth in SECTION 7.9(C):

(i) the Buyer shall not, and shall cause its Subsidiaries not to, use the Purchased Assets, the Transferred Employees, the Licensed Intellectual Property or the Licensed Software to design, manufacture, re-manufacture, sell or attempt to sell, or license or otherwise authorize others to design, manufacture, re-manufacture, sell or

knowingly attempt to sell, Buyer Restricted Products for use anywhere in the world or manufacture, distribute or sell replacement parts or support equipment therefor (collectively, the activities described in this clause (i), a "Buyer Competing Business"); and

(ii) the Sellers shall not, and shall cause their Subsidiaries not to, design, manufacture, re-manufacture, sell or attempt to sell, or license or otherwise authorize others to design, manufacture, re-manufacture, sell or knowingly attempt to sell, GM Restricted Products for use anywhere in the world or manufacture, distribute or sell replacement parts or support equipment therefor (collectively, the activities described in this clause (ii), a "Seller Competing Business," and together with a Buyer Competing Business, a "Competing Business");

(iii) provided that with respect to any products manufactured or sold for use in Europe, the obligations of the Buyer and the Sellers pursuant to this SECTION 7.9(B) shall apply only for a period of 5 years from and after the Closing Date and such activities under clauses (i) and (ii) will cease to be Competing Businesses at such time; and

(iv) provided, further, that for purposes of this SECTION 7.9, the term "design" means to have a formal design program that has been approved by management and funded.

(c) Notwithstanding anything to the contrary in SECTION 7.9(B):

(i) the Sellers may manufacture, re-manufacture or sell GM Non-Restricted Products for use anywhere in the world; provided that no license or sublicense may be granted by the Sellers or any GM Qualified Subsidiary with respect to Licensed Intellectual Property or Licensed Software for use in manufacturing, selling or distributing any GM Non-Restricted Products having a gross vehicle weight rating of more than 3500 kg, other than licenses and sublicenses (with no right to further sublicense) by GM to any GM Qualified Subsidiary; provided, further, that no stockholder or other equityholder of any Qualified GM Subsidiary (other than GM or any wholly-owned Subsidiary of GM) shall be provided access to any Licensed Intellectual Property or Licensed Software;

(ii) each Party and its Subsidiaries may manufacture, re-manufacture or sell, or license or otherwise authorize others to manufacture, re-manufacture or sell, any products for use by the other Party and its Subsidiaries;

(iii) subject to the terms of the Business to GM Edge Agreement, the Sellers and their Subsidiaries may use Automatic Transmissions designed and manufactured by other transmission suppliers in any vehicle sold by the Sellers or their Subsidiaries;

(iv) the Buyer and its Subsidiaries may re-sell Automatic Transmissions designed and manufactured by other transmission suppliers if re-sold for use in Vocational Vehicles, Buyer Military Vehicles and Off-Road Products;

(v) the Parties and their respective Subsidiaries may manufacture or sell Automatic Transmissions for use in GMT 900 4500 Platforms as permitted by SECTION 7.9(J); and

(vi) the Parties and their respective Subsidiaries may manufacture, distribute or sell replacement parts or support equipment for any products that they are permitted to manufacture or sell under this SECTION 7.9.

(d) (i) The Parties may consult and use commercially reasonable efforts to reach agreement on appropriate modifications or exceptions to this SECTION 7.9 and, if applicable, the scope of the licenses granted under the Patent and Technology License Agreement (including with respect to exclusivity), if a situation arises where a customer would not accept one Party's transmission for a particular vehicle application but would accept the other Party's transmission for that application, and such other Party is prohibited by this SECTION 7.9 from selling such transmission to that customer; provided, however, that neither Party will solicit customers during the term of this SECTION 7.9 for the sale of products by such Party if such sale would be prohibited by this SECTION 7.9 but for the provisions of this SECTION 7.9(D)(I) for the purpose or intent of circumventing this SECTION 7.9(D), implicating or invoking this SECTION 7.9(D)(I) or giving rise to a customer inquiry that would implicate this SECTION 7.9(D)(I). Neither GM and/or its Subsidiaries, on the one hand, nor the Buyer and/or its Subsidiaries, on the other hand, (each, a "Soliciting Party") will be considered to be in violation of the non-solicitation restrictions set forth in the proviso contained in the immediately preceding sentence as a result of an inquiry from a customer concerning the purchase or sale of products that such Soliciting Party is prohibited from selling that arise from otherwise permitted solicitations if, in response to such inquiry, the Soliciting Party refers the customer in question to the other Party with respect to such inquiry, rather than soliciting such customer to purchase the Soliciting Party's products in response to such inquiry. Toward that end, lead sales representatives from each Party will meet periodically to discuss such situations and provide recommendations to their respective management personnel concerning appropriate modifications or exceptions to this SECTION 7.9 and the Parties will use reasonable efforts to coordinate and communicate concerning the result of any opportunity referred by a Soliciting Party to the other Party pursuant to the immediately preceding sentence.

(ii) During the applicable period described in SECTION 7.9(B), GM will provide the Buyer with a right of "first offer" (as set forth in this SECTION 7.9(D)(II)) for Hybrid Propulsion Systems that the Sellers or their Subsidiaries desire to sell for use in Vocational Vehicles so that the Buyer could instead purchase such systems from the Sellers or their Subsidiaries for the Buyer to re-sell. GM will notify the Buyer of the Sellers' or their Subsidiaries' desire to commence marketing a specific product which is a Hybrid Propulsion System (a "Hybrid Product") for use in Vocational Vehicles or to enter into a particular sales transaction for Hybrid Propulsion Systems for use in Vocational Vehicles (a "Transaction"), and the Buyer will have 60 days from the date of such notice to offer GM a commercially-reasonable proposal under which the Buyer would purchase such systems for the Buyer to re-sell in connection with the Transaction or otherwise. If the Buyer makes such an offer, then GM and the Buyer will negotiate in good faith to reach a commercially-reasonable agreement based on the Buyer's proposal; provided that the pricing for such systems will be at GM Cost plus eight percent (8%). When evaluating the reasonableness of the Buyer's proposal and such agreement, GM and the Buyer will take into account the commercial terms (other than price), if any, that GM and the Buyer have offered to other OEMs for similar Hybrid Propulsion Systems. If the

Buyer does not make any such offer or if GM and the Buyer are unable to reach agreement within 120 days after the date of GM's notice, then the Sellers and their Subsidiaries shall be free to enter into the Transaction with a third party or market such Hybrid Product, as applicable, and shall have no further obligation to the Buyer under this SECTION 7.9(D)(II) with respect to the particular product in question, and the restrictions in SECTION 7.9(B) shall no longer apply to such Transaction. Notwithstanding anything to the contrary, this SECTION 7.9(D)(II) does not apply to E(P)40/50 Hybrid Products.

(e) In furtherance of the non-compete restrictions set forth in SECTION 7.9(B), (i) the Buyer agrees that, during the applicable period described in SECTION 7.9(B), neither the Buyer nor any of its Subsidiaries will knowingly sell any Buyer Restricted Products or replacement parts or support equipment therefor to any distributor or dealer that, to the knowledge of the Buyer or such Subsidiaries, primarily distributes such products for use in Non-vocational Vehicles or GM Military Vehicles (except as the Buyer and its Subsidiaries would be permitted under SECTION 7.9(C)) and (ii) GM agrees that, during the applicable period described in SECTION 7.9(B), neither GM nor any of its Subsidiaries will knowingly sell any GM Restricted Products or replacement parts or support equipment therefor to any distributor or dealer that, to the knowledge of GM or such Subsidiaries, primarily distributes such products for use in Vocational Vehicles, Buyer Military Vehicles or Off-Road Products (except as the Sellers and their Subsidiaries would be permitted under SECTION 7.9(C)).

(f) Notwithstanding SECTION 7.9(B), neither Party nor their respective Subsidiaries shall be prohibited from (i) engaging in any business other than, with respect to the Buyer, a Buyer Competing Business, and, with respect to the Sellers, a Seller Competing Business (i.e., an "applicable Competing Business") or (ii) owning less than five percent (5%) of the outstanding voting power in any Person engaged in an applicable Competing Business; provided that, in each case, such ownership is passive other than solely with respect to the exercise of rights as a shareholder and does not involve the exercise of control over the management or policies of such Person.

(g) Notwithstanding SECTION 7.9(B), the acquisition (by asset purchase, stock purchase, merger, consolidation or otherwise) by either Party or their respective Subsidiaries of the stock, business or assets of any Person that at the time of such acquisition is engaged in an applicable Competing Business, and the continuation of such applicable Competing Business following such acquisition shall not be prohibited hereunder if such Person was not substantially engaged in such Competing Business prior to such acquisition; provided that such Competing Business is not permitted to use and is not provided access to any Intellectual Property or Software that is licensed by any Seller to the Buyer, or by the Buyer to any Seller, pursuant to the Ancillary Documents. For the purpose of this Agreement, a Person shall be deemed to be "substantially engaged" in a Competing Business if the gross operating revenues of such Person for the 12 month period preceding the date of such acquisition that are attributable to the Competing Business account for more than 20 percent (20%) of the total gross operating revenues of such Person for such period. In the event either Party or their respective Subsidiaries acquire the stock, business or assets of any Person that at the time of such acquisition is substantially engaged in an applicable Competing Business, neither such Party nor any of its Subsidiaries shall be deemed to be engaged in the Competing Business as a result of such acquisition if such Party or its Subsidiaries divests the Competing Business within 18 months after such acquisition; provided that such Competing Business is not permitted to use and is not provided access to any Intellectual Property that is licensed by any Seller to the Buyer, or by the

Buyer to any Seller, pursuant to the Ancillary Documents. In addition, if GM or any of its Subsidiaries acquires (by asset purchase, stock purchase, merger, consolidation or otherwise) the stock, business or assets of any of the following Persons or the commercial transmission business owned by such Persons (or any successor to that business), then it shall divest the Competing Business of such Person within 18 months after such acquisition (regardless of whether such Person is considered to be "substantially engaged" in such Competing Business as set forth above) and it will not permit such Person to use, and shall not provide such Person access to, the Licensed Intellectual Property or the Licensed Software: Voith AG, ZF Friedrichshafen AG, ArvinMeritor, Inc., Caterpillar, Inc., Aisin Seiki Co., Ltd. and Eaton Corporation. If the Buyer or any of its Subsidiaries acquires (by asset purchase, stock purchase, merger, consolidation or otherwise) the stock, business or assets of any of the following Persons, then it shall divest the Competing Business of such Person within 18 months after such acquisition (regardless of whether such Person is considered to be "substantially engaged" in such Competing Business as set forth above): Ford Motor Company and DaimlerChrysler AG.

(h) The Buyer and the Sellers acknowledge that the restrictions contained in this SECTION 7.9 are reasonable in scope and duration in light of the nature, size and location of the Business and the Retained Businesses. The Buyer and the Sellers further acknowledge that the restrictions contained in this SECTION 7.9 are necessary to protect the Buyer's significant investment in the Business, including its goodwill, and also to protect the Sellers' significant investment in the Retained Businesses, including their goodwill. The Buyer and the Sellers are of equal bargaining power. It is the desire and intent of the Parties that the provisions of this SECTION 7.9 be enforced to the fullest extent permissible under applicable Law. If all or part of this SECTION 7.9 is held invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect. If any part of this SECTION 7.9 is held to be excessively broad as to duration, scope, activity or subject, such part will be construed by limiting and reducing it so as to be enforceable to the maximum extent permissible under applicable Law.

(i) Successors.

(i) In the event the Buyer sells, leases, transfers, conveys or otherwise transfers, in one or more transactions, all or substantially all of the Purchased Assets or all or substantially all of any line of business within the Business, by way of asset sale or sale (by merger or otherwise) of any equity interests of any Subsidiary prior to the tenth (10th) anniversary of the Closing Date, the Buyer shall require the assignee to agree to be bound by all of the terms of this SECTION 7.9, such agreement to be embodied in a written instrument signed by the Buyer and such assignee, and delivered to GM prior to the consummation thereof, which instrument shall be substantially in a form attached as Exhibit R.

(ii) In the event GM sells, leases, transfers, conveys or otherwise transfers, in one or more transactions, all or substantially all of its business of manufacturing and selling (A) A1000 Products or any Derivation of such products or (B) GM's 6L90 transmissions or any Derivation of such transmissions, by way of asset sale or otherwise prior to the tenth (10th) anniversary of the Closing Date, GM shall require the assignee to agree to be bound by all of the terms of this SECTION 7.9, such agreement to be embodied in a written instrument signed by GM and such assignee, and delivered to the Buyer prior to the consummation thereof, which instrument shall be substantially in a form attached as Exhibit R.

(iii) If, during the applicable period set forth in SECTION 7.9(B), GM approves production of the GMT 900 4500 Platform, then the terms and conditions set forth in Schedule 7.9(j) shall apply during the remainder of such time period following such approval.

Section 7.10 Preservation of Records.

The Parties shall preserve and keep all books and records that they own immediately after the Closing relating to the Business, the Purchased Assets or the Assumed Liabilities for a period of six years following the Closing Date or for such longer period as may be required by applicable Law, unless disposed of in the ordinary course or pursuant to a document retention policy. During such retention period, duly authorized representatives of a Party shall, upon reasonable notice, have reasonable access during normal business hours to examine, inspect and copy such books and records held by the other Party for any proper purpose, except as may be prohibited by Law, including ITAR, by the terms of any Contract or under any confidentiality agreement; provided that to the extent that disclosing any such information would reasonably be expected to constitute a waiver of attorney-client, work product or other legal privilege with respect thereto, the Parties shall take all commercially reasonable action to permit such disclosure without the waiver of any such privilege, including entering into an appropriate joint defense agreement in connection with affording access to such information. The access provided pursuant to this SECTION 7.10 shall be subject to such additional confidentiality provisions as the disclosing Party may reasonably deem necessary. The Sellers shall cooperate, and shall use commercially reasonable efforts to cause their accountants to cooperate, with the Buyer in connection with the preparation of an audited combined balance sheet of the Business as of the Closing Date and the related audited combined statement of operations, combined statement of cash flows and combined statement of equity of the Business for the period from January 1, 2007 through the Closing Date; provided that the Buyer shall reimburse the Sellers, promptly upon request, for all reasonable out-of-pocket costs incurred by the Sellers in connection with any such cooperation.

Section 7.11 Novation of Government Prime Contracts.

Notwithstanding SECTION 7.2 above:

(a) Following the Closing, the Parties will, in accordance with, and to the extent required by, the Federal Acquisition Regulation Part 42, Subpart 42.12 and Defense Federal Acquisition Regulation Supplement (48 C.F.R. 242.12), promptly submit in writing to each responsible contracting officer with respect to the Government Prime Contracts a request that the U.S. Government (i) recognize the Buyer as the successor in interest to all of the Government Prime Contracts and (ii) if required to effectuate such recognition, enter into a novation agreement (a "Novation Agreement") in substantially the form contemplated by such regulations with respect to each such contract. The Parties will use commercially reasonable efforts to promptly obtain all consents, approvals and waivers required for the purpose of processing, entering into and completing a Novation Agreement with regard to each Government Prime Contract, including responding to requests for information by the U.S. Government with regard to such Novation Agreement. The Parties will use commercially reasonable efforts to provide all reasonable information and take all other actions reasonably necessary to execute and consummate such Novation Agreement.

(b) If the U.S. Government declines to enter into a Novation Agreement in accordance with, and to the extent required by, Federal Acquisition Regulation Part 42, Subpart 42.12 and Defense Federal Acquisition Regulation Supplement (48 C.F.R. 242.12) that recognizes the transfer of the Government Prime Contracts to the Buyer, or until such time as the

U.S. Government recognizes such transfer by entering into a Novation Agreement, nothing in this Agreement will constitute a transfer, assignment, attempted transfer or an attempted assignment thereof.

(c) Effective upon the Closing and until such time as the U.S. Government recognizes the transfer of the Government Prime Contracts to the Buyer, in accordance with the Federal Acquisition Regulation Part 42, Subpart 42.12 and Defense Federal Acquisition Regulation Supplement (48 C.F.R. 242.12), one or more of the Sellers shall subcontract with the Buyer, pursuant to a subcontract agreement in substantially the form attached hereto as Exhibit P (the "Government Related Subcontract Agreement"), for the Buyer to perform for and in the place of the Sellers any and all obligations and provide any and all services and other performance obligations under the Government Prime Contracts as of the Closing, including any and all amendments, options, modifications, and purchase orders issued thereunder and such other terms and conditions as may have been duly incorporated in the Government Prime Contracts; provided that the Sellers shall not be so obligated to subcontract to the Buyer any Government Prime Contract for which novation is not required. Any Seller that is a party to a Government Related Subcontract Agreement shall maintain its existence until the Government Prime Contracts underlying such Subcontract Agreement have been completed or duly terminated, or duly transferred to the Buyer pursuant to one or more Novation Agreements. Upon the U.S. Government recognizing the transfer or assignment of any Government Prime Contract to the Buyer, the Sellers will execute such agreement as may be in form and substance reasonably acceptable to GM and the Buyer to effect and evidence such transfer or assignment.

Section 7.12 Compliance with Consent Decree.

The Buyer shall operate the Business, and GM and its Subsidiaries will operate their businesses, in material compliance with all terms of the Consent Decree (other than, in the case of the Buyer, those terms of the Consent Decree dealing with monetary penalties assessed to GM, which shall be the responsibility of GM), and the Buyer agrees to be subject to all compliance remedies established in the Consent Decree with respect to the Business, and, if requested by either the U.S. Department of State or U.S. Immigration and Customs Enforcement, the Buyer shall execute a consent decree similar in all material respects to the Consent Decree (other than those terms of the Consent Decree dealing with monetary penalties assessed to GM).

Section 7.13 Assumption of Union Agreements.

To the extent required by the terms of any Union Agreement to which GM is a party, the Buyer shall assume the Union Agreement covering Transferred Employees on the Closing Date.

Section 7.14 Guarantees.

The Buyer shall use its commercially reasonable efforts (which shall not require any modifications of the terms of the underlying obligations) to cause itself or one or more of its Subsidiaries to be substituted in all respects for the Sellers and their Affiliates (i) effective as of the Closing Date, in respect of all obligations of the Sellers and their Affiliates under each of the guarantees, indemnities, surety bonds, letters of credit and letters of comfort made or provided by the Sellers and their Affiliates (or any of them) for the benefit of the Business and (ii) effective as of the date of such Novation Agreement, in respect of all obligations of the Sellers and their Affiliates under each of the guarantees, indemnities, surety bonds, letters of credit and letters of comfort made or provided by the Sellers and their Affiliates (or any of them) in connection with any Novation Agreement (collectively, clauses (i) and (ii), the "Guarantees"). If the Buyer is unable to effect such a substitution with respect to any such Guarantee after using its commercially reasonable efforts to do so, then the Buyer shall (x) obtain letters of credit, on terms and from financial institutions reasonably satisfactory to GM,

with respect to the obligations covered by each of the Guarantees for which the Buyer does not effect such substitution in an amount equal to the amount of each such Guarantee identified by GM to the Buyer in writing prior to the Closing; provided, however, that the Buyer shall have no obligation to obtain letters of credit pursuant to this SECTION 7.14 with aggregate face amounts in excess of \$10,000,000) and (y) until the Buyer obtains such letters of credit referred to in the foregoing clause (x), not, and not permit the Business or any of the Buyer's Affiliates (including the Transferred Subsidiaries) to renew or extend the term of, or increase its obligations under, or transfer to another third party, any Contract underlying such Guarantee (including any Novation Agreement and/or Government Prime Contract). Notwithstanding the foregoing, but without limiting the rights of Seller Indemnified Parties under SECTION 9.3(A)(V), the Buyer shall have no obligation to use commercially reasonable efforts to cause itself or its Subsidiaries to be substituted for the Sellers and their Affiliates under any Guarantee if GM does not provide written notice of such Guarantee to the Buyer prior to the Closing.

Section 7.15 Insurance.

GM shall provide commercially reasonable cooperation to the Buyer in order to afford the Buyer and its Subsidiaries, and shall use all commercially reasonable efforts to ensure that the Buyer and its Subsidiaries are provided, the right to receive payment, after the Closing Date, under any insurance policies of GM and its Subsidiaries that covered the Business prior to the Closing Date with respect to any claim or loss that is covered by such policies and arises out of, results from or relates to any of the Business Assets, Assumed Liabilities or operations of the Business, including claims currently being processed under such insurance policies, which efforts shall include tendering claims under existing insurance policies of GM and its Subsidiaries on the Buyer's behalf and remitting any payment in respect of such claims from insurers to the Buyer; provided that the Buyer shall have delivered reasonable written notice of any such claim or loss to GM prior to the date that is two (2) years from the Closing Date; provided, further, that GM and its Subsidiaries shall not be required to maintain, extend or renew any of the insurance policies that covered the Business prior to the Closing Date, or any other insurance policies. Any such rights of the Buyer to receive payment on any such insurance claim shall be subject to any deductibles, self-insured retentions, retained amounts, retentions or exclusions as well as pro rata allocation thereof as between GM and the Buyer based on the aggregate claims asserted by each under the respective policy, and the Buyer shall reimburse GM for any actual out-of-pocket expenses incurred by GM pursuant to this SECTION 7.15. Notwithstanding the foregoing, to the extent any such claims or losses are included as a current liability on the Final Statement in the calculation of the Closing Date Net Working Capital, then GM shall retain all rights to seek and receive payment of the insurance proceeds related thereto. From and after the Closing Date until the date that is two (2) years from the Closing Date, upon reasonable written notice, GM and the Sellers shall furnish the Buyer with recently valued insurance claim data for all lines of insurance and access to engineering and safety surveys completed prior to the Closing and exclusively related the Business.

Section 7.16 Confidentiality.

For a period of thirty (30) months from the Closing Date, the Sellers and their Affiliates shall treat all information relating to the Buyer, the Transferred Subsidiaries and the Business as confidential, preserve the confidentiality thereof, not use or disclose to any Person such information and instruct their directors, officers, employees, representatives or other agents who have had access to such information to keep confidential and not to use any such information, unless such information is (i) now or is hereafter disclosed, through no act or omission of the Sellers or any of their Affiliates or any of their directors, officers, employees, representatives or other agents, in a manner making it

available to the general public or (ii) required by Law to be disclosed. Notwithstanding anything to the contrary, nothing in THIS SECTION 7.16 shall be deemed to limit in any way the use or disclosure by the Sellers or their Affiliates of any Technology or other Intellectual Property or Software, subject to any applicable restrictions in the Ancillary Documents. The Buyer and the Transferred Subsidiaries shall be entitled to injunctive relief to enforce this SECTION 7.16.

Section 7.17 Hybrid JV Agreements.

From and after the Closing, GM will not (i) amend either the First Amended and Restated General Cooperation Agreement or the Second Amended and Restated Proprietary Rights Agreement, in each case by and among GM, DaimlerChrysler Corporation and BMW Hybrid Technology Corporation (collectively, the "Hybrid JV Agreements") in a manner that conflicts or interferes with or restricts the Buyer's rights to the Licensed Intellectual Property under the Ancillary Documents or (ii) grant its consent under any of the Hybrid JV Agreements to any party to license any Intellectual Property subject thereto for use in Vocational Vehicles, Military Vehicles or Off-Road Products, except to the extent that doing so would not conflict with the license granted to the Buyer under the Ancillary Documents, disregarding for the foregoing purpose the fact that such licenses to the Buyer were made or are subject to the Hybrid JV Agreements.

Section 7.18 DPIM Warranty Matters.

(a) GM shall reimburse the Buyer, promptly upon request, for all DPIM Coverage Costs incurred by the Buyer and its Subsidiaries for Covered Claims after, and then only to the extent that, the aggregate DPIM Coverage Costs incurred by the Buyer during the period from the Closing until the date that is the thirteenth (13th) anniversary of the date on which the last DPIM Unit sold by the Business is first placed into service (such period, the "Extended Special Coverage Period") exceed \$12,000,000 and are less than or equal to \$46,000,000. To the extent the aggregate DPIM Extended Special Coverage Costs incurred by the Buyer for Covered Claims during the Extended Special Coverage Period exceed \$46,000,000, GM shall reimburse the Buyer, promptly upon request, for two-thirds of such DPIM Coverage Costs.

(b) The Buyer will provide GM a Claim Header Summary Report, in the form attached hereto as Exhibit T, in respect of each Covered Claim. Each Claim Header Summary Report will have an electronic file name as a reference number. From and after the date when the aggregate DPIM Coverage Costs incurred by the Buyer during the Coverage Period exceed \$12,000,000, the Buyer will issue an invoice to GM for the DPIM Coverage Costs that correspond with the Covered Claims set forth on the Claim Header Summary Reports. GM will pay the Buyer in accordance with its MNS-2 system which provides, on average, for payment on the second day of the second month following the date of the invoice or, if such MNS-2 system is not operated, within 40 days after receipt of the invoice. GM may contest invoice amounts in good faith; provided, however, that GM will pay the full invoice amount in accordance with such MNS-2 system, including any contested amounts. If GM contests any invoiced amounts, GM and the Buyer shall confer regarding such contested amounts. If the Buyer agrees with GM's position, it may either adjust the invoice at issue, or reduce the invoice for the following month appropriately, and if GM disagrees with the Buyer's position with respect to such matter or does not receive prompt notice of the Buyer's position with respect to such matter, it may bring a Seller Claim under ARTICLE IX in its discretion. Disputes between GM and the Buyer that relate to invoices that are issued to GM by the Buyer should be submitted in writing to the Buyer's Chief Financial Officer for resolution. Notwithstanding anything to the contrary, nothing in this

SECTION 7.18(B) shall limit in any way the rights or obligations of the Parties under ARTICLE IX, including with respect to the right to bring Claims thereunder.

(c) At no time during the Extended Special Coverage Period shall the Buyer amend, revise or otherwise modify the DPIM Extended Special Coverage in a manner that would or would reasonably be expected to increase or expand in any respect the obligations of GM under this SECTION 7.18, without GM's consent, not to be unreasonably withheld.

(d) In no event shall GM have any obligation under this SECTION 7.18 for Covered Claims received by, or DPIM Coverage Costs incurred by, the Buyer (i) for repair orders after the expiration of the Extended Special Coverage Period, (ii) to the extent of any increase in the failure rate resulting from the failure of DPIM Units manufactured for the Business by any supplier other than the DPIM Supplier, but only to the extent that, from and after the first anniversary of the date on which such DPIM Units were first sold by such new supplier, the failure rate with the new supplier (as measured from the date on which such DPIM Units were first sold by such new supplier) is greater than the failure rate for DPIM Units manufactured by the DPIM Supplier and sold by the Business after the Closing Date, (iii) to the extent any DPIM Units manufactured for the Business have determined by in-depth root cause analysis with participation of the appropriate skill set of the Product Engineering and current Product Improvement Team of GM and the Business to be the responsibility of the supplier resulting from a loss of manufacturing, assembly, or process control by such supplier or any of its sub-contractors, and/or (iv) for any failure of DPIM Units manufactured for the Business by any supplier that are due to shipping or mishandling by OEMs, distributors, service channel participants or customers. Notwithstanding the foregoing, the preceding clause (ii) shall not apply with respect to increases in failure rates of DPIM Units caused by the failure of a component thereof that, after the Closing Date, was subject to a design change approved by GM and the Buyer. In the event of a dispute under clause (iii) above, the Parties agree to have such dispute promptly resolved by a neutral arbitrator, who is reasonably acceptable to each Party and who has professional expertise as to the matter in dispute.

(e) Between the date hereof and the DPIM Conversion Date, GM and the Buyer shall work together in good faith, each using commercially reasonable efforts, to design a single dual power inverter module product (the "DPIM") that meets the Required Specifications and that can be placed into salable production (the "DPIM Design Program"). The DPIM Design Program will involve quarterly program reviews which will be attended by at least one representative of management of GM Powertrain and at least one representative of management of the Buyer. Such program reviews will include (i) review of program scope and timing and in-depth discussion of cross functional scope and timing, (ii) review of deliverables as appropriate for program status, (iii) review of program quality metrics (status to goals such as projected B-life, incidents per thousand vehicles and cost per vehicle), (iv) identification of resource and budget issues and review of budget status, (v) review of status of Design Failure Modes and Effect Analysis, Design Review, Design Release, Software/Calibration and Analysis Development Validation, (vi) review of status of design for manufacturability and serviceability and identification of risk areas, (vii) review of purchasing, Advanced Product Quality Planning (as defined in AIAG standards) and supplier quality and identification of risk areas, (viii) analysis of reliability growth, plan review, status to plan and results date and identification of issues based on results, (ix) review of OEM integration and OEM final test status and issues, (x) review of plan to manage identified risks or plan to develop plan to manage risks, (xi) review of all program disconnects to achieving program timing and program deliverables via planned

processes and (xii) review and identification of cross-functional issues. Specific engineering or design nomenclature used in this SECTION 7.18(E) and in the definition of "DPIM Unit" shall be interpreted as commonly understood within the design and engineering organizations of GM Powertrain and the Business.

ARTICLE VIII
CLOSING CONDITIONS

Section 8.1 General Conditions of the Parties.

The obligations of each Party to effect the Closing and to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) (i) any waiting period (and any extension thereof) under the HSR Act applicable to the transactions contemplated by this Agreement shall have expired or shall have been terminated, and (ii) all waiting periods shall have expired or shall have been terminated and all required approvals shall have been received under or in respect of the Required Antitrust Filings;

(b) the UAW shall have consented to the sale of the UAW Facilities to the Buyer in a form reasonably satisfactory to GM; and

(c) there shall not be any judgment, order, decree, stipulation, injunction or charge issued by any court of competent jurisdiction or any other Governmental Entity in effect preventing consummation of the transactions contemplated by this Agreement.

Section 8.2 Conditions to Obligations of the Buyer.

The obligation of the Buyer to effect the Closing and consummate the transactions contemplated by this Agreement is subject to satisfaction or waiver as of the Closing Date of the following conditions:

(a) the representations and warranties of GM set forth in ARTICLE IV, disregarding qualifications as to materiality and Material Adverse Effect, shall be true and correct as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), with only such exceptions as, individually and in the aggregate, have not had, and would not reasonably be expected to have, a Material Adverse Effect;

(b) GM and the other Sellers shall have performed and complied with, in all material respects, their covenants and agreements contained in this Agreement that are required to be performed or complied with on or prior to the Closing Date;

(c) GM shall have delivered to the Buyer a certificate executed as of the Closing Date by an authorized representative of GM to the effect that the conditions set forth in SECTIONS 8.2(A) and (B) are satisfied;

(d) GM, on behalf of itself and the other Sellers (as applicable), shall have delivered to the Buyer and, as applicable, executed on behalf of the Sellers:

(i) a duly executed counterpart of a employee matters agreement in substantially the form attached hereto as Exhibit A (the "Employee Matters Agreement");

(ii) a duly executed counterpart of a transition services agreement in substantially the form attached hereto as Exhibit B (the "Transition Services Agreement");

(iii) one or more duly executed quitclaim deeds, in customary form, subject only to the Permitted Liens, conveying the Owned Real Property to the Buyer (the "Deeds");

(iv) duly executed counterparts to any transfer Tax or sales disclosures forms relating to the Owned Real Property, to the extent required, including an Indiana Sales Disclosure form for any Owned Real Property located in Indiana (the "Transfer Tax Forms");

(v) duly executed counterparts of such instruments of sale, transfer, assignment and assumption as are necessary to convey to the Buyer or its permitted assignees certain Purchased Assets held in, or held by the Sellers organized in, jurisdictions within and outside of the United States, in substantially the form attached hereto as Exhibit C (the "Bill of Sale and Assignment and Assumption Agreement");

(vi) a duly executed counterpart of an assignment of the copyrights contained in the Purchased Assets in substantially the form attached hereto as Exhibit D-1 (the "Assignment of Copyrights");

(vii) a duly executed counterpart of an assignment of the trademarks contained in the Purchased Assets in substantially the form attached hereto as Exhibit D-2 (the "Assignment of Trademarks");

(viii) a duly executed counterpart of a patent and technology license agreement in substantially the form attached hereto as Exhibit E (the "Patent and Technology License Agreement");

(ix) a duly executed counterpart of a copyright and trademark license agreement in substantially the form attached hereto as Exhibit F (the "A1000 IP License Agreement");

(x) a duly executed counterpart of a software license agreement in substantially the form attached hereto as Exhibit G (the "Software License Agreement");

(xi) duly executed counterparts of the proving grounds use agreements in substantially the form attached hereto as Exhibit H-1 (the "DPG Proving Grounds Use Agreement") and Exhibit H-2 (the "MK Proving Grounds Use Agreement" and, together with the DPG Proving Grounds Use Agreement, the "Proving Grounds Use Agreements");

(xii) a duly executed counterpart of a participation agreement in substantially the form attached hereto as Exhibit I (the "Business to GM Edge Agreement"); provided that if GM sells or transfers the GM Medium Duty Truck Business prior to the Closing Date, the delivery of a duly executed counterpart of such Business to GM Edge Agreement shall cease to be a condition to Closing;

(xiii) a duly executed counterpart of a supply agreement in substantially the form attached hereto as Exhibit J (the "GMPT Germany Supply Contract");

(xiv) a duly executed counterpart of a contract agreement on GMODC leasing of premises in substantially the form attached hereto as Exhibit K (the "Sublease Agreement");

(xv) a duly executed counterpart of a private instrument of non residential lease agreement in substantially the form attached hereto as Exhibit L (the "Lease Agreement");

(xvi) a duly executed counterpart of an engineering services agreement in substantially the form attached hereto as Exhibit M (the "Engineering Services Agreement");

(xvii) a duly executed counterpart of a hybrid co-branding agreement in substantially the form attached hereto as Exhibit N (the "Hybrid Co-Branding Agreement");

(xviii) duly executed counterparts of such instruments of sale, transfer, assignment and assumption as are necessary to convey to the Buyer or its permitted assignees certain Purchased Assets held in, or held by the Sellers organized in, jurisdictions outside of the United States (the "Foreign Jurisdiction Transfer Documents"), in a form reasonably satisfactory to the Buyer (provided that in no event shall any Foreign Jurisdiction Transfer Documents expand or limit any rights or obligations of the Buyer, the Sellers or their respective Affiliates hereunder);

(xix) stock certificates (or the local legal equivalent) evidencing the Transferred Stock, duly endorsed in blank or accompanied by stock powers duly endorsed in blank, in proper form for transfer, including any required stamps affixed thereto; and

(xx) statements that satisfy the Buyer's obligations under Treasury Regulation Section 1.1445-2(b)(2) or 1.1445-2(c)(3), as applicable;

(e) the Buyer shall have been provided evidence reasonably acceptable to the Buyer that the third party consents set forth in Schedule 8.2(e) have been obtained; and

(f) the UAW shall have executed the MOU, with only such modifications as do not constitute an Adverse Buyer Modification; provided, however, that in the event that the UAW shall have executed the MOU, but with modifications that constitute an Adverse Buyer Modification, the condition set forth in this SECTION 8.2(F) shall be deemed to be satisfied if GM cures (a "GM Cure") the adverse effect of such Adverse Buyer Modification by taking actions that place the Buyer in the substantially equivalent economic position as if the MOU had been executed without such Adverse Buyer Modification.

Section 8.3 Conditions to Obligations of GM.

The obligation of GM to effect the Closing and consummate the transactions contemplated by this Agreement is subject to satisfaction or waiver as of the Closing Date of the following conditions:

(a) the representations and warranties of the Buyer set forth in ARTICLE V of this Agreement, disregarding qualifications as to materiality and Buyer Material Adverse Effect, shall be true and correct in all material respects as of the Closing Date (except to the extent expressly made as of an earlier date, in which case as of such date), with only such exceptions as, individually and in the aggregate, have not had, and would not reasonably be expected to have, a Buyer Material Adverse Effect;

(b) the Buyer shall have performed and complied with, in all material respects, all of its covenants and agreements contained in this Agreement that are required to be performed or complied with on or prior to the Closing Date;

(c) the Buyer shall have delivered to GM a certificate executed as of the Closing Date by an authorized representative of the Buyer to the effect that each of the conditions specified in SECTIONS 8.3(A) and (B) are satisfied;

(d) the Buyer shall have delivered to GM:

(i) the Closing Payment in cash by wire transfer of immediately available funds to the account or accounts designated in writing by GM;

(ii) a duly executed counterpart of the Employee Matters Agreement;

(iii) a duly executed counterpart of the Transition Services Agreement;

(iv) a duly executed counterpart of the Bill of Sale and Assignment and Assumption Agreement;

(v) a duly executed counterpart of the Assignment of Copyrights;

(vi) a duly executed counterpart of the Assignment of Trademarks;

(vii) a duly executed counterpart of the Patent and Technology License Agreement;

(viii) a duly executed counterpart of the A1000 IP License Agreement;

(ix) a duly executed counterpart of the Software License Agreement;

(x) duly executed counterparts to the Transfer Tax Forms, to the extent required;

(xi) duly executed counterparts of the Proving Grounds Use Agreements;

(xii) a duly executed counterpart of the Business to GM Edge Agreement; provided that if GM sells or transfers the GM Medium Duty Truck Business prior to the Closing Date, the delivery of a duly executed counterpart of such Business to GM Edge Agreement shall cease to be a condition to Closing;

(xiii) a duly executed counterpart of the GMPT Germany Supply Contract;

- (xiv) a duly executed counterpart of the Sublease Agreement;
- (xv) a duly executed counterpart of the Lease Agreement;
- (xvi) a duly executed counterpart of the Engineering Services Agreement; and
- (xvii) a duly executed counterpart of the Hybrid Co-Branding Agreement; and

(e) the UAW shall have executed the MOU, with only such modifications as do not constitute an Adverse GM Modification; provided, however, that in the event that the UAW shall have executed the MOU, but with modifications that constitute an Adverse GM Modification, the condition set forth in this SECTION 8.3(E) shall be deemed to be satisfied if the Buyer cures (a "Buyer Cure") the adverse effect of such Adverse GM Modification by taking actions that place GM in the substantially equivalent economic position as if the MOU had been executed without such Adverse GM Modification.

ARTICLE IX REMEDIES

Section 9.1 Survival.

The representations and warranties of the Parties contained in this Agreement shall survive until the first anniversary of the Closing Date, except for the representations and warranties in SECTIONS 4.2, 4.5, 4.6, 4.8 (but only the first sentence thereof), 4.22, 4.25, 5.2, 5.6 and 5.7, which shall survive indefinitely, and in SECTION 4.17, which shall survive until ninety (90) days after the expiration of the applicable statute of limitations. The covenants or agreements of the Parties contained in this Agreement and the Ancillary Documents shall survive the Closing indefinitely, except that those covenants and agreements that by their terms are to be performed or complied with for a shorter period of time shall survive only until the expiration of such shorter time period. Notwithstanding anything to the contrary, no claim may be made with respect to any representations or warranties under this Agreement after the expiration of the applicable survival period set forth in this SECTION 9.1.

Section 9.2 Indemnification by GM.

(a) Subject to the terms and conditions of this ARTICLE IX, from and after the Closing, GM agrees to reimburse, indemnify and hold harmless the Buyer, its directors, officers, representatives, employees, stockholders, Affiliates and Subsidiaries (including, following the Closing, the Transferred Subsidiaries) (each, a "Buyer Indemnified Party") from, against and in respect of any and all Losses incurred by any Buyer Indemnified Party resulting from, arising out of, or that exist or arise due to, any of the following (collectively, "Buyer Claims"):

- (i) prior to its expiration in accordance with SECTION 9.1, any inaccuracy of any representation or warranty as of the Closing Date or the breach of any representation or warranty made by the Sellers in this Agreement as of the Closing Date;
- (ii) prior to its expiration in accordance with SECTION 9.1, the breach by the Sellers of any covenant or agreement under this Agreement (subject to any express limitations therein);
- (iii) the Excluded Liabilities;

(iv) any (x) Taxes of the Transferred Subsidiaries for any Pre-Closing Tax Period, (y) Taxes of the Sellers and (z) Taxes of any other Person imposed on the Transferred Subsidiaries for any Pre-Closing Tax Period, whether imposed as a result of Treasury Regulation Section 1.1502-6 or any provision of any foreign, state or local Tax Law having similar effect, as transferee, successor, by contract or otherwise; provided that references to any Losses shall be deemed to include amounts that would have constituted a Loss but for the set off or other utilization of any loss, deduction or credit realized in, or attributable to, a taxable period or portion thereof beginning after the Closing Date (a "Post-Closing Tax Period");

(v) any failure of GM to obtain the ROFR Waiver or, if the ROFR Waiver is not obtained prior to Closing, the exercise of the Indianapolis ROFR;

(vi) any material violation of any Environmental Law or any material Release or presence of any Hazardous Materials that would reasonably be expected to give rise to any material liability under any Environmental Law, in each case with respect to the International Facilities, to the extent such violation, Release or presence is identified in connection with the International Facilities Testing but was not previously disclosed in writing to the Buyer; provided that the Buyer notifies GM of such violation, Release or presence prior to the Closing and that the obligations of GM pursuant to this SECTION 9.2(A)(VI) shall (A) not apply to any Buyer Claims under this SECTION 9.2(A)(VI) until, and then only to the extent that, the aggregate Losses incurred by all Buyer Indemnified Parties exceeds \$5,000,000, (B) be limited to, and shall not exceed when aggregated with all other Losses indemnified by GM under SECTION 9.2(A)(I) and under this SECTION 9.2(A)(VI), the Cap (as defined below), and (C) not apply to any Buyer Claims made after the one-year anniversary of the Closing Date; and

(vii) the matters set forth on Schedule 9.2(a)(vii).

(b) Notwithstanding anything contained herein to the contrary, the obligations of GM pursuant to SECTION 9.2(A)(I), shall: (i) not apply to any Buyer Claims until, and then only to the extent that, the aggregate Losses incurred by all Buyer Indemnified Parties exceeds \$55,000,000 (the "Basket"); (ii) be limited to, and shall not exceed, the aggregate amount of \$550,000,000 (the "Cap"); (iii) not apply to any individual Buyer Claim or series of related Buyer Claims with respect to which the Losses incurred by the Buyer Indemnified Party are less than \$500,000 and/or (iv) not apply to any Losses arising out of, relating to or resulting from any facts, events, circumstances or other matters that are raised by the Buyer in connection with an objection to the Preliminary Statement under SECTION 3.3 hereof, and/or taken into account by both the Buyer and GM, or by the Neutral Auditor, as the case may be, in the calculation of the Closing Date Net Working Capital set forth on the Final Statement (whether or not any such facts, events, circumstances or other matters result or resulted in an adjustment to the Purchase Price); provided, however, that the foregoing limitations shall not apply to any Buyer Claim brought under SECTION 9.2(A)(I) for any breach of, or inaccuracy in, any representation or warranty set forth in SECTION 4.2, SECTION 4.5, SECTION 4.6, SECTION 4.17 or SECTION 4.22 of this Agreement.

Section 9.3 Indemnification by the Buyer.

(a) Subject to the terms and conditions of this ARTICLE IX, from and after the Closing, the Buyer agrees to reimburse, indemnify and hold harmless GM, the other Sellers, and

their respective directors, officers, representatives, employees, stockholders, Affiliates and Subsidiaries (collectively, the "Seller Indemnified Parties") from, against and in respect of any and all Losses incurred by any Seller Indemnified Party resulting from, arising out of, or that exist or arise due to, any of the following (collectively, "Seller Claims," and together with Buyer Claims, "Claims"):

(i) prior to its expiration in accordance with SECTION 9.1, any inaccuracy of any representation or the breach of any warranty made by the Buyer in this Agreement;

(ii) prior to its expiration in accordance with SECTION 9.1, the breach by the Buyer of any covenant or agreement under this Agreement;

(iii) the Assumed Liabilities;

(iv) any failure by the Buyer and/or its Affiliates (including the Transferred Subsidiaries) to employ some or all of the Transferred Employees who accept employment with the Buyer on or prior to the Closing Date and become employees of the Buyer from and after the Closing Date in accordance with the Employee Matters Agreement; and

(v) any claim by or payment to a third party resulting from failure by the Buyer to cause itself and/or its Affiliates (including the Transferred Subsidiaries) to be substituted in all respects for the Sellers and their Affiliates, effective as of the date of such Novation Agreement, in respect of all Guarantees made or provided by the Sellers and their Affiliates (or any of them) in connection with any Novation Agreement.

(b) Notwithstanding SECTION 9.3(A), the obligations of the Buyer pursuant to SECTION 9.3(A)(I) shall: (i) not apply to any Seller Claims until, and then only to the extent that, the aggregate Losses incurred by all Seller Indemnified Parties exceeds the Basket and (ii) be limited to, and shall not exceed, the Cap.

Section 9.4 Procedures for Indemnification of Third Party Claims.

(a) No Party shall be liable for any Claim for indemnification under this ARTICLE IX unless written notice of a Claim for indemnification is delivered by the party seeking indemnification (the "Indemnified Party") to the Party from whom indemnification is sought (the "Indemnifying Party") prior to the expiration of the applicable survival period, if any, set forth in SECTION 9.1. If any third party notifies the Indemnified Party with respect to any matter that may give rise to a Claim for indemnification (a "Third Party Claim") against the Indemnifying Party under this ARTICLE IX, then the Indemnified Party shall notify the Indemnifying Party promptly thereof in writing and in any event within 30 days after receiving notice from a third party; provided that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder except to the extent the Indemnifying Party is prejudiced thereby. All notices given pursuant to this SECTION 9.4 shall describe with reasonable specificity the Third Party Claim and the basis of the Indemnified Party's Claim for indemnification. Upon the Indemnified Party giving notice of the Third Party Claim to the Indemnifying Party, the Indemnifying Party shall be entitled to participate therein and, to the extent desired, to assume the defense thereof with counsel of its choice. If the Indemnifying Party provides the Indemnified Party with notice of its determination to assume the

defense of such Third Party Claim, the Indemnified Party may nevertheless participate in (but not control) such defense, but the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense of the Third Party Claim, other than reasonable costs of investigation, unless the Indemnifying Party does not actually assume the defense thereof following notice of such election. Unless and until the Indemnifying Party notifies the Indemnified Party that it is assuming the defense of such Third Party Claim, the Indemnified Party shall have the right to undertake the defense of such Third Party Claim, by counsel or other representatives of its own choosing, on behalf of and for the account and risk of the Indemnifying Party (subject to the limitations on the Indemnifying Party's obligations to indemnify as set forth in this ARTICLE IX and the right of the Indemnifying Party to assume the defense of or opposition to such Third Party Claim at any time prior to settlement, compromise or final determination thereof).

(b) Neither the Indemnified Party nor the Indemnifying Party shall consent to the entry of any judgment or enter into any settlement of any Third Party Claim that might give rise to liability of the other Party under this ARTICLE IX without such Party's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 9.5 Certain Limitations.

(a) OTHER THAN IN RESPECT OF (I) A "THIRD PARTY CLAIM" (AS DEFINED HEREIN), (II) A CLAIM IN RESPECT OF SECTION 7.9, 7.12, 7.16 AND/OR 7.17 OF THIS AGREEMENT, OR (III) A CLAIM BROUGHT PURSUANT TO SECTION 9.2(A)(I), SECTION 9.2(A)(V) OR SECTION 9.3(A)(I), AN INDEMNIFYING PARTY SHALL NOT BE LIABLE UNDER THIS ARTICLE IX IN RESPECT OF ANY CLAIM FOR DIMINUTION OF VALUE OR INCIDENTAL, EXEMPLARY, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING CONSEQUENTIAL DAMAGES RESULTING FROM BUSINESS INTERRUPTION, LOST TAX OR INCOME TAX BENEFITS, INCREASED INSURANCE PREMIUMS OR LOST PROFITS.

(b) The obligations of the Indemnifying Party to provide indemnification under this ARTICLE IX shall be modified or abated as appropriate to the extent that the underlying Claim is based, in whole or in part, on the bad faith or willful misconduct of the Indemnified Party.

(c) The amount of any indemnification payable under this ARTICLE IX shall be reduced by an amount (the "Offset Amount") equal to the proceeds actually received by the Indemnified Party under any insurance policy or from any third-party in respect of such Claim less all out-of-pocket costs and expenses incurred by such Indemnified Party in connection with obtaining such insurance proceeds or third-party recovery (including reasonable attorneys' fees). An Indemnified Party shall use commercially reasonable efforts to pursue any insurance recovery or third-party recovery available to it with respect to which such Indemnified Party seeks indemnification pursuant to this ARTICLE IX. The amount of Losses for which indemnification is provided under this ARTICLE IX shall be reduced to take account of any net Tax benefit realized by the Indemnified Party arising from the payment of such Losses when and as such Tax cost or benefit is actually realized through a reduction in cash Taxes otherwise due. If an Indemnified Party receives a payment for Losses under any insurance policy or from a third-party, or receives any Tax benefit as described in this SECTION 9.5(C), at any time subsequent to receiving any indemnification payment by the Indemnifying Party pursuant to this ARTICLE IX, then such Indemnified Party shall promptly reimburse the Indemnifying Party for any payment

made by the Indemnifying Party related thereto. For purposes of determining the Tax Benefit realized hereunder, such Losses shall be taken into account after all other losses, deductions, credits or attributes otherwise available to reduce Taxes otherwise due

Section 9.6 Treatment of Indemnity Payments.

All indemnification payments made pursuant to this Agreement shall be treated by the Parties as adjustments to the Purchase Price.

Section 9.7 Exclusive Remedy.

Except as set forth in SECTION 9.9, from and after the Closing, the remedies provided in this ARTICLE IX shall be the sole and exclusive remedies of the Parties (and all Indemnified Parties) for all disputes arising out of or relating to this Agreement, and shall supersede and replace all other rights and remedies that any of the Parties may have under any Law.

Section 9.8 Mitigation.

Each Party agrees to use commercially reasonable efforts to mitigate any Loss that forms the basis of a Claim hereunder. In addition to, and not in limitation of, the foregoing, if the Buyer has any right to indemnification, contribution or other reimbursement, or limitation on liability, under the Purchased Contracts, or any warranties or guarantees, in each case, from any third parties with respect to any Losses for which GM has an indemnification obligation under SECTION 9.2(A)(I), SECTION 9.2(A)(II) and/or SECTION 9.2(A)(VI), and the Buyer does not exercise such right within a reasonable time after bringing a Claim hereunder, the Buyer shall promptly upon request assign and transfer such right to GM (or its designee) so as to permit GM (or its designee) to exercise such right in a reasonable manner in connection with such Claim.

Section 9.9 Equitable Relief.

Each Party acknowledges and agrees that the other Party may be irreparably damaged if any provision of this Agreement is not performed in accordance with its terms or otherwise is breached. Accordingly, each Party agrees that the other Party may be entitled, subject to a determination by a court of competent jurisdiction, to non-monetary injunctive relief to prevent any such failure of performance or breach and to enforce specifically this Agreement and any of the terms and provisions hereof.

Section 9.10 Informal Dispute Resolution.

In the event of a dispute between the Parties arising out of this Agreement, prior to the institution of any Action, the Parties will use good faith efforts for a reasonable period of time under the circumstances to resolve the dispute informally and will escalate the dispute to their executive officers having overall responsibility for their transmission operations (equivalent to the present Group Vice President for GM's Global Powertrain Operations and the President of the Allison Transmission Operations); provided that this SECTION 9.10 shall not preclude either Party from instituting an Action, regardless of whether it first complies with such procedure, if necessary to avoid the expiration of any statute of limitations or survival period or if such Party reasonably believes that the circumstances so require.

ARTICLE X TERMINATION

Section 10.1 Termination of Agreement.

The Parties may terminate this Agreement as provided below:

(a) GM and the Buyer may terminate this Agreement by mutual written consent at any time prior to the Closing;

(b) the Buyer may terminate this Agreement by giving written notice to GM at any time prior to the Closing if the Closing has not occurred on or before October 31, 2007 (the "Termination Date"); provided that, if the condition set forth in SECTION 8.1(B) has not been satisfied on or prior to the Termination Date, the Termination Date shall be extended to the earlier of (i) 10 Business Days after satisfaction of the condition set forth in SECTION 8.1(B) and (ii) December 31, 2007 (the "Outside Date"); and

(c) GM may terminate this Agreement by giving written notice to the Buyer at any time prior to the Closing if the Closing has not occurred on or before the Termination Date; provided that, if the condition set forth in SECTION 8.1(B) has not been satisfied on or prior to the Termination Date, the Termination Date shall be extended to the earlier of (i) 10 Business Days after satisfaction of the condition set forth in SECTION 8.1(B) and (ii) the Outside Date.

Section 10.2 Effect of Termination.

If any Party terminates this Agreement pursuant to SECTION 10.1, all obligations and liabilities of the Parties under this Agreement shall terminate and become void; provided (a) subject to SECTION 10.3, nothing herein shall relieve any Party from liability for any breach of any representation, warranty, covenant or agreement in this Agreement prior to the date of termination and (b) the Confidentiality Agreements, this ARTICLE X and ARTICLE XI shall remain in full force and effect and survive any termination of this Agreement; provided, however, that, notwithstanding the foregoing, the obligations of the Buyer relating to any breach of this Agreement prior to the Closing shall be limited as provided in SECTION 10.3.

Section 10.3 Termination Fee.

(a) The Buyer agrees that, in the event that (i) this Agreement shall have been terminated pursuant to SECTION 10.1(B) or SECTION 10.1(C) and (ii) prior to such termination of this Agreement, (A) the conditions set forth in SECTION 8.1 shall have been satisfied (or waived by the Buyer in writing), (B) the representations and warranties of GM set forth in ARTICLE IV, disregarding qualifications as to materiality and Material Adverse Effect, shall have been true and correct as of the date of termination (except to the extent expressly made as of an earlier date, in which case only as of such date), with only such exceptions as, individually or in the aggregate, have not had, or would not be reasonably expected to have, a Material Adverse Effect as of the date of termination, (C) GM and the other Sellers shall have performed and complied with, in all material respects, their material covenants and agreements contained in this Agreement that were required to be performed or complied with prior to the date of termination, (D) the Marketing Period shall have expired, (E) the conditions set forth in SECTION 8.2(E) and SECTION 8.2(F) shall have been satisfied and (F) the Buyer shall have failed to consummate the transactions contemplated hereby, then the Buyer shall pay to GM a termination fee of \$165,000,000 (the "Buyer Termination Fee") in cash by wire transfer of immediately available funds to the account or accounts designated in writing by GM no later than two (2) Business Days after the date of such termination of this Agreement.

(b) Each Party acknowledges that the agreements contained in this SECTION 10.3 are an integral part of the transactions contemplated hereby. Notwithstanding anything to the contrary in this Agreement, other than GM's right to receive reimbursement of costs and expenses pursuant to SECTION 6.8, and enforcement of GM's rights under the Confidentiality

Agreements, GM's right to terminate this Agreement pursuant to SECTION 10.1 and to receive payment of the Buyer Termination Fee pursuant to this SECTION 10.3 shall be the exclusive remedy of GM and the other Sellers against the Buyer or any of its stockholders, partners, members, Affiliates, directors, officers or agents for Losses suffered as a result of the breach of this Agreement by the Buyer prior to Closing or the failure of the transactions contemplated hereby to be consummated by the Buyer, and, upon payment of the Buyer Termination Fee in accordance with this SECTION 10.3, none of the Buyer or any of its stockholders, partners, members, Affiliates, directors, officers or agents shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby.

(c) Each Party acknowledges and agrees that the agreements contained in this SECTION 10.3 are an integral part of the transactions contemplated hereby, that GM's damages resulting from breach of this Agreement resulting in termination of this Agreement pursuant to SECTION 10.1(C) as set forth in this SECTION 10.3 are uncertain and incapable of accurate calculation or precise estimation, and that the Buyer Termination Fee bears a reasonable proportion to the probable damages and is a reasonable forecast of the actual damages that may be incurred by GM under the circumstances in which the Buyer Termination Fee is payable. Notwithstanding anything in this Agreement to the contrary, the Buyer Termination Fee constitutes, and the Parties intend the Buyer Termination Fee to constitute, a liquidated damages remedy and not a penalty.

ARTICLE XI
MISCELLANEOUS

Section 11.1 Notices.

Any notice, request, instruction or other document to be given hereunder shall be sent in writing and delivered personally, sent by reputable, overnight courier service (charges prepaid), sent by registered or certified mail, postage prepaid, or by facsimile, according to the instructions set forth below. Such notices shall be deemed given: at the time delivered by hand, if personally delivered; one Business Day after being sent, if sent by reputable, overnight courier service; at the time received, if sent by registered or certified mail; and at the time when confirmation of successful transmission is received by the sending facsimile machine, if sent by facsimile.

If to GM:

General Motors Corporation
Mail Code 482-C25-D81
300 Renaissance Center
Detroit, Michigan 48265-3000
Attn.: General Counsel
Facsimile No.: (248) 267-4584

With copies (which shall not constitute notice) to:

General Motors Corporation
Treasurer's Office
767 Fifth Avenue
New York, New York 10153
Attention: Treasurer
Facsimile No.: (212) 418-3630

and:

Jenner & Block LLP
330 N. Wabash Avenue
Chicago, IL 60611
Attention: Donald E. Batterson
 Joseph P. Gromacki
 Edward J. Neveril
Facsimile No.: (312) 527-0484

If to the Buyer:

Clutch Operating Company, Inc.
c/o The Carlyle Group
1001 Pennsylvania Avenue NW
Suite 220 South
Washington, DC 20004-2505
Attention: Gregory S. Ledford
Facsimile No.: 202-347-1818

With copies (which shall not constitute notice) to:

Clutch Operating Company, Inc.
c/o Onex Corporation
161 Bay Street
Suite 4900
Toronto, Canada M5J 2S1
Attention: Seth M. Mersky
Facsimile No.: 416-362-6803

and:

Latham & Watkins LLP
555 Eleventh Street, NW, Suite 1000
Washington, DC 20004
Attention: Daniel T. Lennon
 Paul F. Sheridan
Facsimile No.: (202) 637-2201

or to such other address or to the attention of such other Party that the recipient Party has specified by prior written notice to the sending Party in accordance with the preceding.

Section 11.2 Expenses; No Offset.

Except as expressly provided in this Agreement or as set forth on Schedule 11.2, each of the Parties shall bear its own costs and expenses (including legal, accounting and investment banking fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby, whether or not such transactions are consummated. Neither Party may make any offset against amounts due to the other Party or any of the other Party's Affiliates pursuant to this Agreement, the Ancillary Documents or otherwise.

Section 11.3 Seller Disclosure Schedules.

The representations and warranties of the Sellers set forth in this Agreement are made and given subject to the disclosures contained in the Seller Disclosure Schedules. Neither GM nor any of the other Sellers shall be, nor shall they be deemed to be, in breach of any such representations and warranties (and no Buyer Claim may be made in respect thereof) in connection with any such matter so disclosed in the Seller Disclosure Schedules. Inclusion of information in the Seller Disclosure Schedules shall not be construed as an admission that such information is material to the business, operations or condition (financial or otherwise) of the Business or the Business Assets, taken in part or as a whole, or as an admission of liability or obligation of GM or any of the other Sellers to any third party. The specific disclosures set forth in the Seller Disclosure Schedules have been organized to correspond to Section references in this Agreement to which the disclosure may be most likely to relate; provided, however, that any disclosure in the Seller Disclosure Schedules shall apply to, and shall be deemed to be disclosed for, any other Section of this Agreement to the extent the relevance of such disclosure to such other Section is reasonably apparent on its face; provided, further, however, that no disclosure in the Seller Disclosure Schedules (other than disclosures on Schedule 4.7) shall qualify or apply to, or be deemed to be disclosed for, SECTION 4.7(A) for the purpose of SECTION 8.2(A).

Section 11.4 Bulk Sales or Transfer Laws.

The Buyer waives compliance by GM and each of the other Sellers with the provisions of any bulk sales laws that may be applicable to the transactions contemplated by this Agreement.

Section 11.5 Assignment; Successors and Assigns.

Neither this Agreement nor any of the rights, interests or obligations provided by this Agreement may be assigned by either Party (whether by operation of Law or otherwise) without the prior written consent of the other Party; provided, however, that the Buyer may assign its rights under this Agreement without such consent to (i) one or more Affiliates of the Buyer or (ii) any Person providing financing to the Buyer or its Affiliates in connection with the transactions contemplated hereby, and any refinancing thereof, but in each case such assignment shall not relieve the Buyer of its obligations or liabilities under this Agreement, or (iii) a successor in interest (or its equivalent) of all or substantially all of its capital stock or assets in the event of a merger, acquisition, consolidation or change of control. Subject to the preceding sentence and except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 11.6 Amendment; Waiver.

This Agreement may be amended only by a written instrument executed and delivered by GM and the Buyer. At any time prior to the Closing, the Parties may extend the time for performance of or waive compliance with any of the covenants or agreements of the other Party to this Agreement, and may waive any breach of the representations or warranties of such other Party. No agreement extending or waiving any provision of this Agreement shall be valid or binding unless it is in writing and is executed and delivered by or on behalf of the Party against which it is sought to be enforced.

Section 11.7 Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Law, but if any provision of this Agreement is held to be prohibited by or invalid under Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

Section 11.8 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 11.9 Descriptive Headings.

The descriptive headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement.

Section 11.10 No Third-Party Beneficiaries.

This Agreement does not confer any rights or remedies upon any Person or entity, other than the Parties hereto and their respective successors and permitted assigns and the Buyer Indemnified Parties and the Seller Indemnified Parties under ARTICLE IX.

Section 11.11 Exhibits and Schedules.

The Exhibits and Schedules to this Agreement are made a part of this Agreement as if set forth fully herein.

Section 11.12 Governing Law.

THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY LAW OR RULE THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK TO BE APPLIED, GOVERN ALL MATTERS ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING ITS VALIDITY, INTERPRETATION, CONSTRUCTION, PERFORMANCE AND ENFORCEMENT.

Section 11.13 Forum Selection; Consent to Service of Process; Waiver of Jury Trial.

Each Party hereby irrevocably (i) submits to the exclusive jurisdiction of any state court sitting in New York City or any federal court sitting in the Southern District of New York in any Action arising out of or relating to this Agreement, (ii) agrees that all claims in respect of such Action may be heard and determined only in any such court, (iii) hereby waives any claim of inconvenient forum or other challenge to venue in such court, and (iv) agrees not to bring any Action arising out of or relating to this Agreement in any other court. GM agrees to cause the Seller Indemnified Parties, and the Buyer agrees to cause the Buyer Indemnified Parties, to comply with the foregoing as though such Indemnified Party was a Party to this Agreement. The Buyer irrevocably designates, appoints and empowers The CT Corporation System with offices on the date hereof in New York, as its agent (the "Buyer Service Agent") with respect to any Action in New York to receive, and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents that may be served in any such Action and agrees that the failure of the agent to notify the Buyer of any such service of process shall not impair or affect the validity of service. The Buyer further irrevocably consents to the service of process out of any of the courts listed in this SECTION 11.13 by the mailing of copies by registered or certified mail, postage prepaid, to the Buyer at its address set forth in SECTION 11.1, such service to become effective 30 days after such mailing. If for any reason the Buyer Service Agent shall cease to be available to act as agent, the Buyer agrees to designate within 10 Business Days a new agent in New York on the same terms and for the same purposes. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES, AND SHALL CAUSE ITS INDEMNIFIED PARTIES TO IRREVOCABLY WAIVE, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS AND/OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

Section 11.14 Entire Agreement.

This Agreement and the Ancillary Documents collectively constitute the entire agreement among the Parties and supersede any prior and

contemporaneous understandings, agreements or representations by or among the Parties, written or oral, that may have related in any way to the subject matter hereof.

Section 11.15 Confidentiality; Public Announcement.

Effective as of the Closing, the Confidentiality Agreements shall terminate solely with respect to Confidential Material (as defined therein) contained in or related to the Business Assets; provided that the Buyer acknowledges and agrees that any and all other Confidential Material (as defined in the Confidentiality Agreements) shall remain subject to the terms and conditions of the Confidentiality Agreements from and after the Closing, which shall otherwise survive the Closing in full force and effect. Notwithstanding the foregoing, neither Party shall disclose the terms of this Agreement or any of the transactions contemplated herein, including by issuance of any press release or public announcement relating to the subject matter of this Agreement, without the prior written consent of the other Party; provided that either Party may make any public disclosure it believes in good faith is required by Law or any listing agreement concerning its publicly-traded securities, in which case the disclosing Party shall use its commercially reasonable efforts to advise and consult with the other Party prior to making such disclosure and shall disclose the minimum information necessary to comply with such requirement, including seeking "confidential treatment" of items requested to be so treated by the other Party.

Section 11.16 Interpretation; Construction.

References to "applicable" Law or Laws with respect to a particular Person, thing or matter shall include only such Law or Laws as to which the Governmental Entity that enacted or promulgated such Law or Laws has jurisdiction over such Person, thing or matter as determined under the Laws of the United States as required to be applied thereunder by a federal court sitting in the State of New York. Whenever the context requires, the singular number shall include the plural, and vice versa, the masculine gender shall include the feminine and neuter genders, the feminine gender shall include the masculine and neuter genders, and the neuter gender shall include masculine and feminine genders. The words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation." The terms "hereof," "hereunder," "herein" and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Each Party hereto has participated in the drafting of this Agreement, which each Party acknowledges is the result of extensive negotiations between the Parties, and consequently this Agreement shall be interpreted without reference to any rule or precept of Law to the effect that any ambiguity in a document be construed against the drafter.

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IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement on the date first written above.

GENERAL MOTORS CORPORATION

By: _____
Name: Walter G. Borst
Title: Treasurer

CLUTCH OPERATING COMPANY, INC.

By: _____
Name: Brian A. Bernasek
Title: President

SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT

</TEXT>
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GENERAL MOTORS CORPORATION 2007 CASH-BASED RESTRICTED STOCK UNIT PLAN

SECTION 1. PURPOSE The purpose of the Amended General Motors Corporation 2007 Cash-Based Restricted Stock Unit Plan ("the Plan") is to provide incentives to Employees for the creation of stockholder value through awards of Cash-Based Restricted Stock Units. The Corporation believes that these incentives will stimulate the efforts of Employees toward the long-term success of the Corporation and its Subsidiaries, as well as assist in the recruitment of new Employees. Capitalized terms as used in the Plan shall have the definitions as set forth in Section 12 of the Plan.

SECTION 2. ADMINISTRATION The Plan shall be administered by the Committee. The Committee shall have full discretionary power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to (a) select the Employees of the Corporation and its Subsidiaries to whom Awards may from time to time be granted hereunder; (b) determine the number of Shares relating to each Award granted hereunder; (c) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (d) determine whether, to what extent and under what circumstances Awards may be canceled or suspended; (e) determine whether, to what extent, and under what circumstances payment with respect to an Award shall be deferred at the election of the Participant; (f) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (g) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (h) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

The Committee may, in its sole discretion, and subject to the provisions of the Plan and applicable law, from time to time delegate any or all of its authority to administer the Plan to the Corporation's Chief Executive Officer. The Chief Executive Officer may only grant Awards in accordance with the terms established by the Committee.

The decisions of the Committee shall be final, conclusive, and binding with respect to the interpretation and administration of the Plan and any grant made under it. The Committee shall make, in its sole discretion, all determinations arising in the administration, construction, or interpretation of the Plan and Awards under the Plan, including the right to construe disputed or doubtful Plan or Award terms and provisions, and any such determination shall be conclusive and binding on all Persons.

In the event of any merger, reorganization, consolidation, re-capitalization, stock dividend, or other change in Corporate structure affecting the Corporation's Shares the Committee shall make such adjustments in the aggregate number of Shares underlying such awards outstanding under this Plan, the individual Award maximums, and the number of units subject to Awards granted under this Plan (provided the number of units subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee in order to prevent unintended enhancement or diminution of the benefits to participants of Awards hereunder, and any such adjustment may, in the sole discretion of the Committee, take the form of Awards covering more than one class of General Motors capital stock.

SECTION 3. ELIGIBILITY Any Employee shall be eligible to be selected as a Participant. Substitute Awards may be granted to any holder of an award granted by a company acquired by the Corporation or with which the Corporation combines.

SECTION 4. CONDITIONS PRECEDENT Except for Awards that vest pursuant to Section 6 of this Plan or Awards that vest pursuant to Section 5(c)(ii), settlement of any Award (or portion thereof) shall be subject to the satisfaction of the following conditions precedent that such Participant: (i) continue to render services as an Employee for a period of 12 months following the date of the Award (unless this condition is waived by the Committee), (ii) refrain from engaging in any activity which, in the opinion of the Committee, is competitive with any activity of the Corporation or any Subsidiary (except that employment at the request of the Corporation with an entity in which the Corporation has, directly or indirectly, a substantial ownership interest, or other employment specifically approved by the Committee, shall not be considered to be an activity which is competitive with any activity of the Corporation or any Subsidiary) and from otherwise acting, either prior to or after termination of employment with the Corporation or any Subsidiary, in any manner inimical or in any way contrary to the best interests of the Corporation, and (iii) furnish to the Corporation such information with respect to the satisfaction of the foregoing conditions precedent as the Committee or Corporation shall request. If the Committee shall determine that such Participant has failed to satisfy any of the foregoing conditions precedent, all Awards granted to such Participant shall be immediately canceled.

As used in this Section 4, the term Participant shall include the beneficiary or beneficiaries designated by such Participant as provided in Section 10(b) hereof, or if no such designation of any beneficiary or

beneficiaries has

been made, the Participant's legal representative or other person(s) entitled to any payment or benefit with respect to the Participant pursuant to this Plan. As a further condition precedent to the vesting and settlement of all or any portion of an Award, the Committee may, among other things, require a Participant to enter into such agreements as the Committee considers appropriate and in the best interests of the Corporation.

SECTION 5. CASH-BASED RESTRICTED STOCK UNITS

(a) Any Award shall be subject to the following terms and conditions and to such other terms and conditions as the Committee shall deem advisable or appropriate, consistent with the provisions of the Plan as herein set forth.

(b) Cash-Based Restricted Stock Units shall be settled or paid as soon as practicable following the vesting thereof, in an amount, for each Share underlying the portion of the Award so vesting, equal to the Fair Market Value of such Share. Payments of Awards will be made solely in cash not later than two and one-half months after the end of the calendar year in which vesting occurs.

(c) Awards granted under this Plan shall, in addition to the other terms and conditions of the Plan, be subject to the following provisions:

(i) Vesting. Except for Awards that vest pursuant to Section 6 of this Plan, or that vest in the case of death, as set forth in Section 5(c)(ii)(C) below no portion of any Award shall vest prior to the first anniversary date of the Award date (unless otherwise established by the Committee or its delegate(s)). Unless the Committee shall establish a shorter or longer vesting period or different vesting schedule, beginning on the first anniversary date of the Award, one-third of the Award will vest and be paid, on the second anniversary date of the Award, one-third of the original Award will vest and be paid, and on the third anniversary date of the Award, the final one-third of the original Award will vest and be paid provided that the Participant remains employed through the relevant anniversary date.

(ii) Termination of Employment. If the Participant's employment terminates for any reason before an Award vests, the unvested portion of such Award then held by such Participant will be terminated, except as follows:

(A) If a Participant retires from the Corporation at age 55 or older with ten or more years of credited service (or equivalent normal retirement age in countries outside the United States), subject to the other terms and conditions of the Plan, payment of outstanding Award(s) shall be prorated based on the number of months employed during the vesting period provided that such employee shall have remained employed through December 31 of the year of grant and payment of such prorated Award will be made in accordance with the original payment schedule set forth in such Award, but in no event later than two and one-half months after the end of the calendar year in which the termination of employment occurs.

(C) If a Participant's employment is terminated by reason of death, all Awards shall be prorated based on the number of months employed during the vesting period, and cash will be delivered in payment of such prorated Award as promptly as is practicable but in no event later than two and one-half months after the end of the calendar year in which the termination of employment occurs.

(D) If a Participant's employment is terminated through a mutually satisfactory release or other voluntary termination with the consent of the Corporation or divestiture of a business unit in which the Participant is employed, provided that such employee remain employed through the first anniversary date of grant, all unvested Awards shall be prorated based on the number of months employed during the vesting period, and payment of such prorated Award will be made in accordance with the original payment schedule set forth in such Award but in no event later than two and one-half months after the end of the calendar year in which the termination of employment occurs.

(E) If a Participant becomes disabled or begins any other type of approved leave of absence (excluding a leave for civilian local, state or federal governmental service, in which case Awards will be forfeited), unvested Awards will continue to vest while the Employee remains on the approved leave.

Notwithstanding the foregoing provisions, the Committee may at any time determine that Awards shall vest or terminate on the date of notice of employment termination, or such later date, as it may deem appropriate. In addition, the Committee may from time to time determine in its discretion that Participants retiring from the Corporation during specified time periods under specified circumstances may retain some portion of those

Awards granted in the year the retirement occurs, and the Award shall vest or be settled in accordance with the original vesting schedule.

SECTION 6. CHANGE IN CONTROL PROVISIONS

Upon the occurrence of a Change in Control (as defined in Section 12(d)) and upon the occurrence of a termination of a Participant's employment by the Corporation (other than for gross negligence or deliberate misconduct which demonstrably harms the Corporation) or termination of employment by the participant for Good Reason within 36 months following the Change in Control:

(a) All unvested Awards shall be prorated based on the number of months employed during the vesting period, and cash will be delivered in payment of such prorated Award as promptly as is practicable but not later than two and one-half months after the end of the calendar year in which the termination of employment occurs.

(b) If the implementation of any of the foregoing provisions of this Section 6 would cause a Participant to incur adverse tax consequences under Section 409A of the Code, the implementation of such provision shall be delayed until the first date on which such implementation would not cause any adverse tax consequences under Section 409A.

(c) The preceding provisions of this Section 6 shall apply notwithstanding any other provision of the Plan to the contrary, unless the Committee shall have expressly provided in any applicable Award for different provisions to apply in the event of a Change in Control. For the avoidance of doubt, any such different provisions may be more or less favorable to either of the parties to the Award, but if the application of such different provisions is unclear, uncertain, or ambiguous, the provisions of this Section 6 shall govern.

SECTION 7. AMENDMENTS AND TERMINATION The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time provided, however that no such amendment, alteration, suspension, discontinuation or termination shall be made without (a) stockholder approval if such approval is necessary to comply with the rules of the New York Stock Exchange or (b) following a Change in Control, the consent of the affected Participant, if such action would materially impair the rights of such Participant under any outstanding Award.

The Committee may amend the terms of any Award granted under the Plan, prospectively or retroactively, but following a Change in Control, no such amendment shall materially impair the rights of any Participant without his or her consent.

The Committee may delegate to another committee, as it may appoint, the authority to take any action consistent with the terms of the Plan, either before or after an Award has been granted, which such other committee deems necessary or advisable to comply with any government laws or regulatory requirements of a foreign country, including, but not limited to, modifying or amending the terms and conditions governing any Awards or establishing any local country plans as sub-plans to this Plan. In addition, under all circumstances, the Committee may make non-substantive administrative changes to the Plan so as to conform with or take advantage of governmental requirements, statutes or regulations.

SECTION 8. DIVIDEND EQUIVALENTS Subject to the provisions of the Plan, the recipient of an Award will receive, at the time declared by the Corporation, cash payments in amounts equivalent to cash or stock dividends on Shares underlying an Award.

Except as specifically provided at the time of the Award grant, no holder of any Award shall have any other rights of a stockholder with respect to Shares subject to the Award.

SECTION 9. RECOUPMENT OF INCENTIVE PAY Notwithstanding anything in this Plan to the contrary, any Award made to a Participant under this Plan is subject to being called for repayment to the Corporation in any situation where the Board of Directors or a committee thereof determines that fraud, negligence, or intentional misconduct by the participant was a significant contributing factor to the Corporation having to restate all or a portion of its financial statement(s). The determination regarding Employee conduct and repayment under this provision shall be within the sole discretion of the Committee and shall be final and binding on the Participant and the Corporation.

SECTION 10. GENERAL PROVISIONS

(a) An Award may not be sold, exercised, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution.

(b) A Participant holding an Award under this Plan may make a written designation of beneficiary or beneficiaries on a form prescribed by and filed with the Secretary of the Committee. In the event of the death or legal

incapacity of the Participant, such beneficiary or beneficiaries or, if no such designation of any beneficiary or beneficiaries has been made, the Participant's legal representative(s) or such other person(s) entitled thereto as determined by a court of competent jurisdiction, may receive payment, in accordance with and subject to the provisions of Sections 5 or 8, respectively, pursuant to the vesting of all or any portion of Award. A designation of beneficiary may be replaced by a new designation or may be revoked by the Participant at any time.

(c) No Employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award. Neither the Award nor any benefits arising out of this Plan shall constitute part of a Participant's employment or service contract with the Corporation or any Subsidiary and, accordingly, this Plan and the benefits hereunder may be terminated at any time in the sole discretion of the Corporation without giving rise to liability on the part of the Corporation or any Subsidiary for severance payments. The Awards under this Plan are not intended to be treated as compensation for any purpose under any other Corporation plan.

(d) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have accepted any Award. By accepting an Award pursuant to the Plan a Participant accepts and agrees to all of the terms and provisions of this Plan. Unless affirmatively rejected within [30] days of the date of grant, the Award will be deemed accepted.

(e) Nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment or service contract or confer or be deemed to confer on any Employee or Participant any right to continue in the employ or service of, or to continue any other relationship with, the Corporation or any Subsidiary or limit in any way the right of the Corporation or any Subsidiary to terminate an Employee's employment or a Participant's service at any time, with or without cause.

(g) No Award granted hereunder shall be construed as an offer by the Corporation to sell securities of the Corporation.

(h) The Corporation and its Subsidiaries shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Corporation or its Subsidiaries to satisfy all obligations for the payment of such taxes.

(i) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(j) The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of Delaware without giving effect to principles of conflicts of law, except to the extent superseded by any controlling Federal statute.

(k) If any provision of the Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(l) For purposes of this Plan, a qualifying leave of absence (excluding a leave for civilian, local, state or federal governmental service,) shall not constitute a termination of employment. If approved by the Committee in its sole discretion, a Participant's absence or leave because of military service, disability or other reason shall not be considered an interruption of employment for any purpose under the Plan.

(m) If the Corporation shall have any unpaid claim against the Participant arising out of or in connection with such Participant's employment with the Corporation, such claim may be offset against Awards under this Plan. Such claim may include, but is not limited to, unpaid taxes, or corporate business credit card charges.

(n) Notwithstanding any provision of this Plan, no Plan provisions will be allowed or implemented against any individual Plan Participant if they would cause such otherwise eligible Plan Participant to be subject to tax (including interest and penalties) under Section 409A of the Code.

SECTION 11. TERM OF PLAN The Plan shall terminate on May 31, 2012.

SECTION 12. DEFINITIONS As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Award" shall mean any award hereunder of Cash-Based Restricted Stock Units.
 - (b) "Board" shall mean the Board of Directors of the Corporation.
 - (c) "Cash-Based Restricted Stock Unit" shall mean a unit valued by reference to a designated number of Shares representing a contractual right (subject to such restrictions and conditions as the Committee may impose) to receive a cash payment upon settlement of such Award or portion thereof in accordance with the terms of the Plan. Any payment by the Corporation in respect of such Unit will be made in cash.
 - (d) "Change in Control", "Good Reason", and "Notice of Termination" shall have the same meanings as those contained in the General Motors 2007 Annual Incentive Plan.
 - (e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, and any reference to any section of the Code shall also include any successor provision thereto.
 - (f) "Committee" shall mean the Executive Compensation Committee of the Board or such other persons or committee to whom it has delegated any authority, as may be appropriate.
 - (g) "Corporation" shall mean General Motors Corporation, a Delaware corporation.
 - (h) "Director" shall mean a member of the Board.
 - (i) "Effective Date" shall mean June 5, 2007, the date this Plan was originally effective.
 - (j) "Employees" shall mean persons (A) who are employed by the Corporation or any Subsidiary (as such term is defined herein), or (B) who accept (or previously have accepted) employment, at the request of the Corporation, with any entity not described in (A) above but in which the Corporation has, directly or indirectly, a substantial ownership interest. The rights reserved herein shall, among other things, permit the Committee to determine when, and to what extent, individuals otherwise eligible for consideration shall become or cease to be, as the case may be, Employees for purposes of this Plan and to determine when, and under what circumstances, any individual shall be considered to have terminated employment for purposes of this Plan. To the extent determined by the Committee, the term Employees shall be deemed to include former Employees and any beneficiaries thereof.
- The term "Employee" shall not include the following classes of individuals, 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", "contract workers" or "bundled- services workers or employees"; (2) Any individual who has signed an independent contractor agreement, consulting agreement, or other similar personal service contract with the Corporation; (3) Any individual that the Corporation classifies as an independent contractor, consultant, contract employee, contract worker, or bundled services worker or employee during the period the individual is so classified by the Corporation.
- (k) "Employer" shall mean as applicable to any Participant, the Corporation or Subsidiary that employs the Participant
 - (l) "Fair Market Value" shall mean, with respect to Shares, as of any date, the average of the high and low trading prices for the Shares as reported on the New York Stock Exchange Composite Tape for that date or, if no such prices are reported for that date, the average of the high and low trading prices on the immediately preceding date for which such prices were reported, unless otherwise determined by the Committee.
 - (m) "Participant" shall mean an Employee who is selected by the Committee or the Board from time to time in their sole discretion to receive an Award under the Plan.
 - (n) "Person" shall mean any individual, corporation, partnership, association, limited liability corporation, joint-stock corporation, trust, unincorporated organization or government or political subdivision thereof, including any Employee or Participant of the Corporation and its Subsidiaries.
 - (o) "Shares" shall mean shares of GM Common Stock of the Corporation, \$1 2/3 par value.

(p) "Subsidiary" shall mean (A) a corporation of which capital stock having ordinary voting power to elect a majority of the board of directors of such corporation is owned, directly or indirectly, by the Corporation or (B) any unincorporated entity in respect of which the Corporation can exercise, directly or indirectly, comparable control.

(q) "Substitute Awards" shall mean Awards granted by the Corporation in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a corporation acquired by the Corporation or with which the Corporation combines.

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[FORM OF] SPECIAL RSU GRANT FOR MARCH 2007 AWARD

In recognition of your contributions to GM's 2006 performance and your continued leadership in GM's turnaround, the Executive Compensation Committee approved a special one-time RSU award which was granted on [____]. This grant will vest ratably over the next [____] years.

DENOMINATION OF RSU GRANT / DIVIDEND EQUIVALENTS

The RSU grant is denominated in shares of GM \$ 1-2/3 par value Common stock. The number of shares approved by the ECC for you is [____]. Quarterly dividend equivalents will be paid in cash, if declared, beginning in [____].

VESTING AND DELIVERY

Provided all terms and conditions are met, the grant will vest ratably over the next [____] years and will be paid in the form of shares of GM stock on the following schedule: [____] of the grant will vest and be settled on (or as soon as practicable following) each of the following dates [____].

Upon receipt of the shares, you will be obligated to satisfy applicable withholding tax requirements by delivering the required amount to GM in cash, or directing that shares otherwise to be delivered to you having a value equal to the required amount be withheld by GM.

As with any other incentive award, vesting and payment of the RSU grant is subject to the Conditions Precedent as stipulated in the GM 2002 Stock Incentive Plan.

The treatment of unvested RSU grants upon termination of employment is summarized below:

EVENT -----	TREATMENT OF UNVESTED RSU GRANT -----
Voluntary employment termination (quit), involuntary termination (for cause), unpaid personal leave (other than short-term disability or Family Medical Leave Act [FMLA]), violation of Conditions Precedent	Forfeited in its entirety
Permanent Disability or Death	Vesting accelerated; remaining unvested shares would be delivered immediately to employee/beneficiary in shares of stock
Retirement, mutually satisfactory release or involuntary termination (without cause)	Grant to be delivered on the schedule set forth above subject to continued compliance with the conditions precedent other than continued service
Change in Control	Vesting accelerated; remaining unvested shares would be delivered immediately

Notwithstanding the payment schedule described above, the GM 2002 Stock Incentive Plan permits us to accelerate or delay payment to you if required to avoid penalties under Section 409A of the Code. In most cases, you may not be able to receive payments in the first six months following your termination of employment.

SEC REPORTING REQUIREMENTS

Since these RSUs are time-based, they were reported immediately on a Form 4 [, and will be included in the 2008 proxy tables].

AWARD SUBJECT TO THE PLAN

This Award is issued under and subject to the provisions of the GM 2002 Stock Incentive Plan. Where the provisions of this Award expressly deviate from the terms of the Plan, the provisions of this Award shall be controlling.

Please indicate your receipt of this term sheet by signing below and returning this to me.

Date

CONDITIONS PRECEDENT: Vesting and delivery of any incentive plan awards and/or grants are subject to all of the GM 2002 Stock Incentive Plan terms, including the satisfaction of the following conditions precedent:

- Continued service as an employee with General Motors (unless waived by the Executive Compensation Committee [ECC] of the General Motors Board of Directors)
- Refrain from engaging in any activity which in the opinion of the ECC is competitive with any activity of General Motors Corporation or any subsidiary, and from acting in any way inimical or contrary to the best interests of General Motors Corporation (either prior to or after termination of employment)
- Furnish as shall be reasonably requested information with respect to the satisfaction of conditions precedent (except following a Change in Control).

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[FORM OF] SPECIAL CASH-BASED RSU GRANT FOR MARCH 2007 AWARD

In recognition of your contributions to GM's 2006 performance and your continued leadership in GM's turnaround, the Executive Compensation Committee has approved a special one-time Cash-based RSU granted on [____]. This grant will vest ratably over the next [____] years.

DENOMINATION OF CASH-BASED RSU GRANT / DIVIDEND EQUIVALENTS

The Cash-based RSU grant is denominated in shares of GM \$ 1-2/3 par value Common stock and payable in cash at each vesting date. The number of units approved by the ECC for you is [____]. Quarterly dividend equivalents will be paid if declared in cash, beginning with the first payment in [____].

VESTING AND DELIVERY

Provided all terms and conditions are met, the grant will vest ratably over the next [____] years and will be paid in cash on the following schedule: [____] of the grant will be valued and paid on (or paid as soon as practicable following) each of the following dates: [____] and will be included in your payroll check following the valuation date.

The vesting and payment of the Cash-based RSU grant is subject to the Conditions Precedent as stipulated in the GM 2006 Cash-based Restricted Stock Unit Plan.

The treatment of the unvested special Cash-based RSUs upon termination of employment is summarized below:

EVENT -----	TREATMENT OF UNVESTED RSU GRANT -----
Voluntary employment termination (quit), involuntary termination (for cause), unpaid personal leave (other than short-term disability or Family Medical Leave Act [FMLA]), violation of Conditions Precedent	Forfeited in its entirety
Permanent Disability or Death	Vesting accelerated; remaining unvested units would be valued and paid as soon as practicable to employee/beneficiary
Retirement, mutually satisfactory release or involuntary termination (without cause)	Grant to be delivered on the schedule set forth above subject to continued compliance with the conditions precedent other than continued service
Change in Control	Vesting accelerated; remaining unvested units would be valued and paid immediately

Notwithstanding the payment schedule described above, the 2006 Cash-based Restricted Stock Unit Plan permits us to accelerate or delay payment to you if required to avoid penalties under Section 409A of the Code. In most cases, you may not be able to receive payments in the first six months following your termination of employment.

SEC REPORTING REQUIREMENTS

Since these Cash-based RSUs are time-based they were reported immediately on a Form 4.

AWARD SUBJECT TO THE PLAN

This Award is issued under and subject to the provisions of the 2006 Cash-based Restricted Stock Unit Plan. Where the provisions of this Award expressly deviate from the terms of the Plan, the provisions of this Award shall be controlling.

Please indicate your receipt of this term sheet by signing below and returning this to me.

Date

Conditions Precedent: Vesting and delivery of any incentive plan awards and/or grants are subject to all of the 2006 Cash-based Restricted Stock Unit Plan terms, including the satisfaction of the following conditions precedent:

- Continued service as an employee with General Motors (unless waived by the Executive Compensation Committee [ECC] of the General Motors Board of Directors)
- Refrain from engaging in any activity which in the opinion of the ECC is competitive with any activity of General Motors Corporation or any subsidiary, and from acting in any way inimical or contrary to the best interests of General Motors Corporation (either prior to or after termination of employment)
- Furnish as shall be reasonably requested information with respect to the satisfaction of conditions precedent (except following a Change in Control).

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364-DAY REVOLVING CREDIT AGREEMENT

among

GENERAL MOTORS CORPORATION,
as the Borrower,

THE SEVERAL LENDERS,
from time to time party hereto,

BANK OF AMERICA, N.A.,
as Syndication Agent

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent,

Dated as of June 22, 2007

=====

J.P. MORGAN SECURITIES INC.
and
BANC OF AMERICA SECURITIES LLC
as Co-Lead Arrangers and Joint Bookrunners

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[CS&M Ref. No. 6701-619]

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- 2.01 Commitments
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- B Form of Promissory Note

- C Form of Tax Compliance Certificate
- D Form of Confidentiality Agreement
- E Form of Pledge Agreement
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364-DAY REVOLVING CREDIT AGREEMENT, dated as of June 22, 2007, among GENERAL MOTORS CORPORATION, a Delaware corporation (the "Borrower"); the SEVERAL LENDERS from time to time party hereto (the "Lenders"); BANK OF AMERICA, N.A., as Syndication Agent; and JPMORGAN CHASE BANK, N.A., as administrative agent (the "Agent").

The Borrower has requested that the Lenders establish the credit facility provided for herein under which the Borrower may obtain Loans (such term and each other capitalized term used and not otherwise defined herein having the meaning assigned to it in Article I) in an aggregate principal amount of \$4,100,000,000. The proceeds of the Loans are to be used for general corporate purposes of the Borrower and its Subsidiaries.

The Lenders are willing to establish such credit facility and make the Loans on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, the ABR shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans bearing interest at a rate determined by reference to the ABR.

"Additional Holdco": each Subsidiary of the Borrower that, after the date hereof, becomes party to the Pledge Agreement and, pursuant thereto, pledges any Equity Interest of GMAC owned by such Subsidiary as Collateral.

"Adjustment Certificate": as defined in Section 2.03.

"Adjustment Event": as defined in Section 2.03.

"Affiliate": with respect to any Person, any other Person directly or indirectly

controlling or that is controlled by or is under common control with such Person, each officer, director, general partner or joint-venturer of such Person, and each Person that is the beneficial owner of 10% or more of any class of voting stock of such Person. For the purposes of this definition, "control" means the possession of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent": as defined in the preamble to this Agreement.

"Agreement": this 364-Day Revolving Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Lending Office": for any Lender, such Lender's office, branch or Affiliate designated for Eurodollar Loans or ABR Loans, as applicable, as notified to the Agent and the Borrower or as otherwise specified in the Assignment and Acceptance applicable to such Lender, any of which offices may, subject to Section 2.15, be changed by such Lender upon 10 days' prior written notice to the Agent and the Borrower.

"Applicable Margin": with respect to any Loan at any date shall be the applicable percentage amount set forth in the table below based upon the Type of such Loan and the ratings applicable to the Extended Secured Commitments on such date:

LEVEL	RATINGS OF S&P/MOODY'S/FITCH OF THE EXTENDED SECURED COMMITMENTS	EURODOLLAR LOANS	ABR LOANS
I	BB+/Ba1/BB+ or higher	1.375%	0.375%
II	BB/Ba2/BB	1.600%	0.600%
III	BB-/Ba3/BB-	1.750%	0.750%
IV	B+/B1/B+	2.000%	1.000%
V	B/B2/B	2.250%	1.250%
VI	B-/B3/B- or lower	2.500%	1.500%

provided, that on the date of and at all times after the termination of the Commitments, each of the percentages set forth in the table above shall be increased by 0.30%. If the grading scale of any of S&P, Moody's or Fitch shall change, or if any such rating agency shall cease to issue ratings for the Extended Secured Commitments, then (a) the Agent and the Borrower shall negotiate in good faith to amend this definition to reflect such changed grading scale or to agree upon a substitute rating agency (and to correlate the system of ratings of such substitute rating agency with that of the rating agency for which it is substituting) and (b) until such amendment or such substitute rating agency is agreed upon, the Applicable Margin shall be determined on the basis of the ratings assigned by the other two rating agencies (or the other rating agency, if only one agency shall provide such a rating at such time). At any time when the Extended Secured Commitments are not rated by any rating agency, the Applicable Margin shall be deemed to be the percentage amounts set forth with respect to Level VI. In the event of split ratings, the Level that is next higher than the Level in which the lowest of such ratings resides shall apply. Changes in the Applicable Margin due to changes in ratings shall become effective on the date on which S&P, Moody's and/or Fitch changes the rating it has issued with respect to the Extended Secured Commitments. In connection with each change in the Applicable Margin,

the Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of such change.

"Applicable Percentage": as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the Total Commitments or, at any time after the Commitments shall have expired or terminated, the percentage that the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of all Loans then outstanding.

"Assignee": as defined in Section 9.06.

"Assignment and Acceptance": as defined in Section 9.06.

"Attributable Indebtedness": at the time of determination as to any lease, the present value (discounted at the actual rate, if stated, or, if no rate is stated, the implicit rate of interest of such lease transaction as determined by a Financial Officer of the Borrower), calculated using the interval of scheduled rental payments under such lease, of the obligation of the lessee for net rental payments during the remaining term of such lease (excluding any subsequent renewal or other extension options held by the lessee). The term "net rental payments" means, with respect to any lease for any period, the sum of the rental and other payments required to be paid in such period by the lessee thereunder, but not including, however, any amounts required to be paid by such lessee (whether or not designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates, indemnities or similar charges required to be paid by such lessee thereunder or any amounts required to be paid by such lessee thereunder contingent upon the amount of sales, earnings or profits or of maintenance and repairs, insurance, taxes, assessments, water rates, indemnities or similar charges; provided that in the case of any lease which is terminable by the lessee upon the payment of a penalty in an amount which is less than the total discounted net rental payments required to be paid from the later of the first date upon which such lease may be so terminated and the date of the determination of net rental payments, "net rental payments" shall include the then current amount of such penalty from the later of such two dates and shall exclude the rental payments relating to the remaining period of the lease commencing with the later of such two dates.

"Available Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Commitment then in effect over (b) such Lender's Loans then outstanding.

"Borrower": as defined in the preamble to this Agreement.

"Borrowing": a group of Loans of a single Type as to which a single Interest Period is in effect.

"Business Day": any day that (a) is not a Saturday or Sunday and (b) is (i) when used in connection with any ABR Loan, any day on which banks are open for business in New York and (ii) when used in connection with any Eurodollar Loan, any day on which dealings in Dollars can occur in the London interbank market and on which banks are open for business in New York.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Class B Membership Interest": as defined in the GMAC LLC Agreement, as in effect on the date hereof.

"Class C Membership Interest": as defined in the GMAC LLC Agreement, as in effect on the date hereof.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is created in favor of the Agent for the benefit of the Secured Parties by the Pledge Agreement. As of the date hereof, the Collateral includes all the Class B Membership Interests and all the Equity Interests in GM Holdco, but does not include any other Equity Interest of any other Person.

"Commitment": as to any Lender, the commitment of such Lender to make Loans hereunder, expressed as an amount representing the maximum principal amount of the Loans to be made by such Lender hereunder, as such commitment may be reduced or increased from time to time in accordance with the provisions of this Agreement. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Commitment Period": the period from and including the Effective Date to but excluding the earlier of (a) the Maturity Date and (b) the date on which the Commitments are otherwise terminated pursuant to the terms hereof.

"Common Membership Interest Pledged Percentage": as of any date, the percentage of the Common Membership Interests pledged as Collateral on such date. In the event that different classes of Common Membership Interests shall have different entitlements in the event of a liquidation of GMAC, such percentage shall equal the percentage of the proceeds of a liquidation of GMAC that the holders of the Common Membership Interests pledged as Collateral would be entitled to receive after the satisfaction of all creditors' claims and the payment of all amounts due to holders of Preferred Membership Interests. The Common Membership Interest Pledged Percentage immediately following any Adjustment Event shall be determined taking into account any additional Common Membership Interests that shall have been pledged by any Loan Party as Collateral in connection with such Adjustment Event.

"Common Membership Interests": the membership interests of GMAC that would be accounted for as "Equity" on a balance sheet of GMAC prepared on a basis consistent with the GMAC Balance Sheet, other than Class C Membership Interests.

"Conduit Lender": any special purpose funding vehicle that (a) is organized

under the laws of the United States or any state thereof and (b) is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business.

"Continuation Fee": as defined in Section 2.09.

"Contractual Obligation": as to any Person, any provision of the organizational documents of such Person or any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Default": any of the events specified in Article VII, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Disposition": with respect to any property, any sale, lease, sale and lease-back, assignment, conveyance, transfer or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings. Solely for the purposes of Section 2.03(c), any release of Collateral that is effected through an amendment, waiver or other modification of any Loan Document in accordance with Section 9.01 shall be deemed to be a Disposition of such Collateral.

"Dollars" and "\$": dollars in lawful currency of the United States of America.

"Effective Date": the date on which each of the conditions precedent set forth in Section 4.01 shall have been satisfied.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Borrowing": a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan": any Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Rate": with respect to an Interest Period pertaining to any Eurodollar Loan, the rate of interest determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the Reuters LIBOR01 page as of 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on such page (or otherwise on the Reuters Service), the "Eurodollar Rate" shall instead be the interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which deposits in Dollars approximately equal to \$10,000,000, and for a maturity comparable to such Interest Period, are offered by the principal London office of the Reference Lender (or, if the

Reference Lender does not at the time maintain a London office, the principal London office of any Affiliate of the Reference Lender) for immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Eurodollar Reserve Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\text{Eurodollar Reserve Rate} = \frac{\text{(Eurodollar Rate)}}{\text{(1.00 - Eurodollar Reserve Requirements)}}$$

"Eurodollar Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurodollar funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Event of Default": any of the events specified in Article VII; provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Existing Credit Agreement": the Amended and Restated Credit Agreement dated as of July 20, 2006, among the Borrower, General Motors of Canada Limited, Saturn Corporation, the lenders party thereto and Citicorp USA, Inc., as administrative agent, as amended, restated, supplemented, replaced or otherwise modified from time to time.

"Extended Secured Commitments": as defined in the Existing Credit Agreement, as in effect on the date hereof.

"Facility Fee": as defined in Section 2.09.

"Federal Funds Effective Rate": for any day, the weighted average of the rates (rounded upward, if necessary, to the next 1/100 of 1%) on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded upward, if necessary, to the next 1/100 of 1%) of the quotations for such day of such rates on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Payment Date": (a) the third Business Day following the last day of each March, June, September and December and (b) the Maturity Date (or, if earlier, on the date on which the Commitments shall have been terminated in full, other than pursuant to Section 2.03(d)).

"Fees": the Facility Fee, the Upfront Fee and the Continuation Fees.

"Financial Officer": with respect to any Person, the chief financial officer, principal accounting officer, a financial vice president, treasurer, assistant treasurer or controller of such Person.

"Fitch": Fitch Ratings and its successors. Fitch Ratings is a part of the Fitch Group, a majority-owned subsidiary of Fimalac, S.A.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time and as applied by the Borrower in the preparation of its public financial statements.

"GM Holdco": GM Finance Co. Holdings LLC, a Delaware limited liability company.

"GMAC": GMAC LLC (or any successor thereto).

"GMAC Balance Sheet": the audited balance sheet of GMAC for its fiscal year ended December 31, 2006, filed with the Securities and Exchange Commission on March 13, 2007.

"GMAC LLC Agreement": the Amended and Restated Limited Liability Company Operating Agreement of GMAC, dated as of November 30, 2006 (as amended, supplemented or otherwise modified from time to time).

"Governmental Authority": any nation or government, any state, province, municipality or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory, taxing or administrative functions of government including, without limitation, the European Central Bank.

"Guarantee Obligations": as to any Person (the "guaranteeing Person"), if the primary purpose or intent thereof is to provide assurance that the Indebtedness of another Person will be paid or discharged, any obligation of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing Person, whether or not contingent, (a) to advance or supply funds for the purchase or payment of any such primary obligation, (b) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (c) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing Person shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (ii) the maximum amount for which such guaranteeing Person may be liable pursuant to the

terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing Person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Indebtedness": (a) for purposes of Sections 6.02(a) and 6.03 and paragraph (d) of Article VII, of any Person at any date, the amount outstanding on such date under notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (including, without limitation, indebtedness for borrowed money evidenced by a loan account) and (b) for all other purposes, of any Person at any date, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (iii) all Capital Lease Obligations of such Person, (iv) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit and similar arrangements, (v) all obligations of such Person in respect of securitizations of receivables, (vi) all net obligations of such Person under swap agreements, (vii) all purchase money indebtedness of such Person and (viii) all Guarantee Obligations of such Person in respect of any of the foregoing.

"Interest Payment Date": (a) as to any ABR Loan, the third Business Day after the last day of each March, June, September and December to occur while such Loan is outstanding and the date such Loan is paid in full, (b) as to any Eurodollar Loan, the last day of each Interest Period applicable thereto and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months after the first day of such Interest Period; provided that, in addition to the foregoing, each of (i) the date upon which the Loans have been paid in full and (ii) the Maturity Date shall be deemed to be an "Interest Payment Date" with respect to any interest which is then accrued hereunder.

"Interest Period": with respect to any Eurodollar Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one week or one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one week or one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following: (i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day; and (ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which

there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month. Notwithstanding anything to the contrary contained in this Agreement, no Interest Period shall be selected by the Borrower which ends on a date after the Maturity Date.

"Joint Majority Holders": as defined in the GMAC LLC Agreement, as in effect on the date hereof.

"Lender": as defined in the preamble to this Agreement; collectively, the "Lenders"; provided that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

"Lien": any mortgage, pledge, lien, security interest, charge, statutory deemed trust, conditional sale or other title retention agreement or other similar encumbrance.

"Loan": a loan made by a Lender to the Borrower pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, the Notes and any amendment, waiver, supplement or other modification to any of the foregoing.

"Loan Parties": the Borrower, GM Holdco, each Additional Holdco, if any, and each additional Person, if any, that pledges any asset as Collateral.

"Majority Lenders": at any time, Lenders holding more than 50% of the Commitments or, if the Commitments have terminated or for purposes of acceleration pursuant to Article VII, Lenders holding more than 50% of the Loans then outstanding.

"Manufacturing Subsidiary": any Subsidiary of the Borrower (i) substantially all the property of which is located within the continental United States of America, (ii) which owns a Principal Domestic Manufacturing Property and (iii) in which the Borrower's investment, direct or indirect and whether in the form of equity, debt, advances or otherwise, is in excess of \$2,500,000,000 as shown on the books of the Borrower as of the end of the fiscal year immediately preceding the date of determination; provided that "Manufacturing Subsidiary" shall not include GMAC (or any Subsidiary of GMAC) or any other Subsidiary which is principally engaged in leasing or in financing installment receivables or otherwise providing financial or insurance services to the Borrower or others or which is principally engaged in financing the Borrower's operations outside the continental United States of America.

"Material Adverse Effect": a material adverse effect on (a) the financial condition of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement and any of the other Loan Documents or the rights or remedies of the Agent and the Lenders under the Loan Documents.

"Maturity Date": the earlier of (a) June 20, 2008, and (b) the 30th day after the Commitments shall have been terminated pursuant to Section 2.03(d).

"Minimum Percentage": 20%.

"Moody's": Moody's Investors Service, Inc. and its successors.

"Non-Excluded Taxes": as defined in Section 2.15.

"Non-Material Change": any amendment to, waiver of or action under the GMAC LLC Agreement that results in GM Holdco waiving, forfeiting or otherwise losing any voting or approval rights with respect to matters under the GMAC LLC Agreement over which GM Holdco possessed voting or approval rights on the date hereof, but that is not adverse, or is adverse in only an immaterial respect, to the interests of the Lenders as secured parties secured by the Collateral.

"Non-US Lender": as defined in Section 2.15.

"Note": a promissory note, executed and delivered by the Borrower with respect to the Loans, substantially in the form of Exhibit B.

"Obligations": all obligations of any Loan Party in respect of any unpaid Loans and any interest thereon (including interest accruing after the maturity of any Loan and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any Loan Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all other obligations and liabilities of any Loan Party to the Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise.

"Participant": as defined in Section 9.06.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Pledge Agreement": the Pledge Agreement, substantially in the form of Exhibit E, to be executed and delivered by the Loan Parties and the Agent, as such agreement may be amended, restated, supplemented or otherwise modified from time to time.

"Post-Adjustment Collateral Value": with respect to any Adjustment Event, the dollar amount obtained by multiplying (a) the Common Membership Interest Pledged Percentage immediately following such Adjustment Event by (b) Total Equity immediately following such Adjustment Event.

"Pre-Adjustment Collateral Value": with respect to any Adjustment Event, the dollar amount obtained by multiplying (a) the Common Membership Interest Pledged Percentage immediately prior to such Adjustment Event by (b) Total Equity immediately prior to such Adjustment Event.

"Preferred Membership Interests": the membership interests of GMAC that

would not be accounted for as "Equity" on a balance sheet of GMAC prepared on a basis consistent with the GMAC Balance Sheet.

"Prime Rate": the rate of interest per annum equal to the prime rate publicly announced by the majority (or, if there is not a majority, the plurality) of the eleven largest commercial banks chartered under United States Federal or State banking laws as their prime rates (or similar base rates) in effect at their principal offices. The determination of such eleven largest commercial banks shall be based upon deposits as of the prior year-end, as reported in the American Banker or such other source as may be mutually agreed upon by the Agent and the Borrower.

"Principal Domestic Manufacturing Property": any manufacturing plant or facility owned by the Borrower or any Manufacturing Subsidiary of the Borrower which is located within the continental United States of America and, in the opinion of the Borrower's Board of Directors, is of material importance to the total business conducted by the Borrower and its consolidated affiliates as an entity.

"Reduction Factor": as defined in Section 2.03.

"Reference Lender": the Agent.

"Register": as defined in Section 9.06.

"Requirement of Law": as to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Secured Parties": the Agent, each Lender and each other Person to which any Obligations are owed.

"Security Documents": the Pledge Agreement and all other security documents delivered to the Agent granting or purporting to grant a Lien on any property of any Person to secure the Obligations, including financing statements or financing change statements under the applicable Uniform Commercial Code.

"S&P": Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and its successors.

"Significant Subsidiary": at any time, (a) GM Holdco, any Additional Holdco and any other Subsidiary of the Borrower that is a Loan Party, and (b) any Subsidiary of the Borrower which has at least 10% of the consolidated assets of the Borrower and its Subsidiaries at such time as reflected in the most recent annual audited consolidated financial statements of the Borrower.

"Subsidiary": as to any Person (the "parent"), any other Person of which at least a majority of the outstanding stock or other equity interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or comparable governing body of such

Person (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency) is at the time owned by the parent, or by one or more Subsidiaries, or by the parent and one or more Subsidiaries. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower. For the purposes of this Agreement (other than Sections 3.01, 5.01 and 5.02) and the other Loan Documents, GMAC and its Subsidiaries shall not be deemed to be Subsidiaries or Affiliates of the Borrower, and any references herein or therein to the subsidiaries or affiliates of the Borrower shall be to the Borrower's Subsidiaries or Affiliates, as applicable, other than GMAC and its Subsidiaries.

"Super Majority Lenders": at any time, Lenders holding more than 66.67% of the Commitments or, if the Commitments have terminated, Lenders holding more than 66.67% of the Loans then outstanding.

"Threshold Collateral Value": with respect to any Adjustment Event, the dollar amount obtained by multiplying the Threshold Percentage in effect immediately prior to such Adjustment Event by Total Equity immediately prior to such Adjustment Event.

"Threshold Percentage": initially, 40%. Following the occurrence of any Adjustment Event resulting from any issuance by GMAC of Common Membership Interests, the Threshold Percentage will be adjusted from its then current amount by multiplying such then current amount by Total Equity immediately prior to such Adjustment Event and dividing the result thereof by Total Equity immediately following such Adjustment Event.

"Total Commitments": at any time, the aggregate amount of all Commitments then in effect. The amount of the Total Commitments on the Effective Date is \$4,100,000,000.

"Total Equity": as of any date, the amount shown on the then most recently published balance sheet of GMAC as "Total Equity" (or, if such amount shall not have been determined in a manner consistent with the determination of "Total Equity" in the GMAC Balance Sheet, the amount that would be obtained using such a consistent determination), but adjusted to take into account any changes in the equity capitalization of GMAC occurring following the date of such published balance sheet.

"Transferee": as defined in Section 9.06.

"Type": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"Upfront Fee": as defined in Section 2.09.

SECTION 1.02. Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto.

(b) As used herein, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.01 and accounting terms partly defined in Section 1.01, to the extent not defined, shall

have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to the Articles, Sections, Schedules and Exhibits of this Agreement, unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

Amount and Terms of Commitments

SECTION 2.01. Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed the amount of such Lender's Commitment; provided that, after giving effect to the making of any Borrowing (and after giving effect to the use of proceeds thereof) (i) the Available Commitment of any Lender shall not be less than zero and (ii) the aggregate principal amount of the Loans then outstanding shall not exceed the Total Commitments then in effect. All Loans shall be made and repaid or prepaid in Dollars. During the Commitment Period, the Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The Loans, together with all accrued and unpaid interest thereon, shall mature and be due and payable in full on the Maturity Date.

(c) Subject to Sections 2.11 and 2.13, the Loans may from time to time be (i) Eurodollar Loans, (ii) ABR Loans or (iii) any combination thereof, as determined by the Borrower and notified to the Agent in accordance with Sections 2.02 and 2.05. Notwithstanding the foregoing, no Loan shall be made as a Eurodollar Loan after the day that is one week prior to the Maturity Date. Each Lender may make or maintain its Loans by or through such Lender's Applicable Lending Office.

SECTION 2.02. Procedure for Borrowing Loans. The Borrower may borrow Loans under the Commitments during the Commitment Period on any Business Day. The Borrower shall give the Agent an irrevocable notice (which notice must be received by the Agent prior to 1:00 p.m., New York City time, (i) three Business Days prior to the requested borrowing date, if any requested Borrowing is to be comprised of Eurodollar Loans, or (ii) one Business Day prior to the requested borrowing date, otherwise), specifying for each Borrowing in such request, (a) the amount to be borrowed, (b) the requested borrowing date, (c) whether the Borrowing is to be of Eurodollar Loans or ABR Loans and (d) if the requested Borrowing is to be of Eurodollar Loans, the respective length of the initial Interest Period therefor. Each Borrowing shall, subject to the requirements of Section 2.06, be in an amount equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. Upon receipt of any such

notice from the Borrower, the Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its Applicable Percentage of each Borrowing available to the Agent for the account of the Borrower at the office of the Agent most recently designated by it for such purpose by notice to the Lenders prior to 12:00 noon, New York City time, on the borrowing date requested by the Borrower in funds immediately available to the Agent. Such Borrowing will then immediately be made available to the Borrower by the Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

SECTION 2.03. Termination or Reduction of Commitments. (a) Unless previously terminated in accordance with the terms hereof, the Commitments shall terminate on the Maturity Date.

(b) Upon not less than five Business Days' notice to the Agent, the Borrower shall have the right to permanently terminate the Commitments (provided that no Loans are then outstanding) or, from time to time, permanently reduce the unutilized portion of the Commitments. Any such reduction shall be in an amount equal to \$10,000,000 or a whole multiple of \$5,000,000 in excess thereof.

(c) Upon any direct or indirect Disposition by any Loan Party of any Common Membership Interests pledged as Collateral, or upon any issuance of any Common Membership Interests by GMAC (each an "Adjustment Event"), the Borrower shall determine, and shall set forth in a certificate of a Financial Officer of the Borrower (each, an "Adjustment Certificate") delivered to the Agent not later than 10 Business Days after such Adjustment Event, the Pre-Adjustment Collateral Value and the Post-Adjustment Collateral Value associated with such Adjustment Event. If the Post-Adjustment Collateral Value shall be less than the Threshold Collateral Value, then the Commitments shall be reduced, effective on the tenth Business Day following the applicable Adjustment Event, by an amount equal to the Reduction Factor multiplied by \$102,500,000. For purposes of the foregoing: (i) the "Reduction Factor" shall be a number (but not less than zero) determined by dividing the Lost Collateral Value by \$15,066,406,062 and multiplying the result thereof by 100; and (ii) the "Lost Collateral Value" shall mean the dollar amount determined by subtracting (A) the Post-Adjustment Collateral Value from (B) the lesser of (1) the Pre-Adjustment Collateral Value and (2) the Threshold Collateral Value.

(d) The Commitments shall automatically terminate on the first date on which the Common Membership Interest Pledged Percentage is less than either (i) the Minimum Percentage or (ii) such greater percentage as shall be the minimum percentage of the Common Membership Interests required in order for GM Holdco (A) to be a Joint Majority Holder and (B) to have approval rights over matters under the GMAC LLC Agreement requiring GM Holdco's approval on the date hereof, provided, that any loss of such approval rights resulting solely from an amendment to, waiver of or action under the GMAC LLC Agreement that is permitted by Section 6.05(b)(ii) shall not give rise to a termination of the Commitments under this clause (B).

SECTION 2.04. Prepayments. (a) The Borrower may, at any time and from time to time, prepay Loans, in whole or in part, without premium or penalty (but subject to the provisions of Section 2.16), upon at least one Business Day's irrevocable notice to the Agent

(which notice must be received by the Agent prior to 12:00 noon, New York City time, on the date upon which such notice is due), specifying (i) the date and amount of the prepayment and (ii) the Borrowing or Borrowings being prepaid and, if more than one Borrowing is being prepaid, the amount allocated to each such Borrowing. Upon receipt of any such notice, the Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to Section 2.16, if applicable. Partial prepayments of Borrowings shall be in an aggregate principal amount of \$10,000,000 or a multiple of \$5,000,000 in excess thereof.

(b) If, as a result of any reduction of the Commitments pursuant to Section 2.03(b), the aggregate amount of the outstanding Loans shall exceed the Total Commitments, the Borrower shall, on the date of such reduction, prepay Loans in an aggregate principal amount equal to such excess.

(c) If, as a result of any reduction of the Commitments pursuant to Section 2.03(c), the aggregate amount of the outstanding Loans shall exceed the Total Commitments, the Borrower shall, within five Business Days of the date of delivery of the applicable Adjustment Certificate, prepay Loans in an aggregate principal amount equal to such excess.

SECTION 2.05. Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert any Eurodollar Loans to ABR Loans by giving the Agent at least one Business Day's prior irrevocable notice of such election; provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Agent shall promptly notify each Lender. Notwithstanding the foregoing, (i) no ABR Loan may be converted into a Eurodollar Loan when any Event of Default under paragraphs (a), (b) or (e) of Article VII has occurred and is continuing and the Agent has or the Majority Lenders have determined that such conversion is not appropriate and (ii) no ABR Loan may be converted into a Eurodollar Loan after the date that is one week prior to the Maturity Date.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.01, specifying the length of the next Interest Period to be applicable to such Loan; provided that no Eurodollar Loan may be continued as such (i) when any Event of Default under paragraphs (a), (b) or (e) of Article VII has occurred and is continuing and the Agent has or the Majority Lenders have determined that such continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date; provided, further, that if such continuation is not permitted pursuant to the preceding proviso, such Eurodollar Loan shall be automatically converted to an ABR Loan on the last day of the then expiring Interest Period. If the Borrower shall fail to give any notice required by this paragraph, the affected Eurodollar Loan shall, subject to the second proviso of the preceding sentence, automatically continue as a Eurodollar Loan having a new Interest Period of the same duration as the Interest Period then expired, unless such new Interest Period would extend beyond the Maturity Date, in which case such Loan shall be converted to an

ABR Loan on the last day of the then expiring Interest Period.

SECTION 2.06. Minimum Amounts of Eurodollar Borrowings. All borrowings, conversions and continuations of Eurodollar Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of each Eurodollar Borrowing shall be equal to \$50,000,000 or a whole multiple of \$5,000,000 in excess thereof. In no event shall there be more than 30 Eurodollar Borrowings outstanding at any time.

SECTION 2.07. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Agent for the account of each Lender on the Maturity Date (or such earlier date as the Loans become due and payable pursuant to this Agreement) the unpaid principal amount of each Loan made by such Lender to the Borrower.

(b) The Borrower hereby further agrees to pay interest in immediately available funds at the office of the Agent on the unpaid principal amount of the Loans owing by the Borrower from time to time from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.08.

(c) Each Lender shall maintain an account or accounts evidencing the Indebtedness of the Borrower to the Applicable Lending Office of such Lender resulting from each Loan made by such lending office of such Lender from time to time, including the amounts of principal and interest payable and paid to such lending office of such Lender from time to time under this Agreement.

(d) The Agent shall maintain the Register pursuant to Section 9.06, and a sub-account for each Lender, in which Register and sub-accounts (taken together) shall be recorded (i) the amount of each Loan made hereunder, the Type of each Loan and the Interest Period applicable thereto (if such Loan shall be a Eurodollar Loan), (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder from the Borrower and each Lender's share thereof.

(e) The entries made in the Register and accounts maintained pursuant to this Section shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Agent to maintain such account, such Register or such sub-account, as applicable, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower in accordance with the terms of this Agreement.

SECTION 2.08. Interest Rates and Payment Dates. (a) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(b) Each Eurodollar Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for the Interest Period in effect for such Loan plus the Applicable Margin.

(c) Interest on the Loans shall be payable in arrears on each Interest Payment

Date; provided that interest accruing pursuant to paragraph (d) of this Section shall be payable from time to time on demand.

(d) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any Fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is (A) in the case of overdue principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2.00% or (B) in the case of overdue interest, Fees or other amounts, the rate described in paragraph (a) of this Section plus 2.00%, in each case from the date of such non-payment until such amount is paid in full (after as well as before judgment). For purposes of this Agreement, principal shall be "overdue" only if not paid in accordance with the provisions of Section 2.04 or 2.07.

SECTION 2.09. Fees. (a) The Borrower shall pay a facility fee (the "Facility Fee") to the Agent for the account of each Lender which shall accrue at a rate of 0.30% per annum on the daily amount of the Commitment of such Lender, whether such Commitment is drawn or undrawn, from the Effective Date to but excluding the date on which such Commitment terminates. Accrued Facility Fees shall be payable in arrears on each Fee Payment Date, commencing on the first Fee Payment Date following the Effective Date.

(b) The Borrower shall pay to the Agent for the account of each Lender (i) on the Effective Date, an upfront fee (the "Upfront Fee") equal to 0.20% of the amount of each Lender's Commitment as of such date (whether drawn or undrawn) and (ii) on the date that is six-months after the Effective Date and on each one-month anniversary of such date until the earlier of the (A) Maturity Date and (B) the date on which the Commitments shall have terminated and all the Loans shall have been repaid, a continuation fee (each, a "Continuation Fee") equal to 0.05% of the amount of each Lender's Commitment (or, if the Commitments shall have terminated, such Lender's outstanding Loans) as of each such date.

SECTION 2.10. Computation of Interest and Fees. (a) Interest on all Loans shall be computed on the basis of the actual number of days elapsed over a year of 360 days or, in the case of ABR Loans on any date when the ABR is determined by reference to the Prime Rate, a year of 365 or 366 days as appropriate (in each case including the first day but excluding the last day). Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. All Facility Fees shall be computed on the basis of the actual number of days elapsed over a year of 360 days (including the first day but excluding the last day). The Agent shall, at any time and from time to time upon the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Agent in determining any interest rate applicable to any Loan pursuant to this Agreement.

(b) Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurodollar Reserve Requirements shall become effective as of the opening of business on the day on which such change in the ABR is announced or such change in the Eurodollar Reserve Requirements becomes effective, as the case may be. The Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

SECTION 2.11. Inability to Determine Interest Rate. If the Eurodollar Rate cannot be determined by the Agent in the manner specified in the definition of "Eurodollar Rate" in Section 1.01, the Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. Until such time as the Eurodollar Rate can be determined by the Agent in the manner specified in the definition of such term, no further Eurodollar Loans shall be continued as such at the end of the then current Interest Period (other than any Eurodollar Loans previously requested and with respect to which the Eurodollar Rate was previously determined), nor shall the Borrower have the right to convert ABR Loans to Eurodollar Loans, and any affected Loans shall be converted on the last day of the then current Interest Period to ABR Loans in accordance with Section 2.05.

SECTION 2.12. Pro Rata Treatment and Payments. (a) The borrowing of Loans of each Borrowing hereunder, and each conversion or continuation of Loans of any Borrowing, shall be made pro rata among the Lenders according to their respective Applicable Percentages.

(b) Each payment (including each prepayment) on account of principal of and interest on the Loans of any Borrowing shall be made pro rata among the Lenders according to the respective outstanding principal amounts of their Loans comprising such Borrowing. Each payment by the Borrower on account of any Fee hereunder shall be made pro rata among the Lenders according to their respective Applicable Percentages.

(c) Any payments from proceeds of the Collateral during the continuance of an Event of Default shall be applied in the following order:

(i) first, to pay incurred and unpaid fees and expenses of the Agent under the Loan Documents;

(ii) second, to the Agent, for application by it towards payment of interest and fees then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Secured Parties according to the amount of interest and fees then due and owing and remaining unpaid to such Secured Parties;

(iii) third, to the Agent, for application by it towards payment of all other amounts then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Secured Parties according to the amounts of the Obligations then due and owing and remaining unpaid to such Secured Parties; and

(iv) fourth, any balance remaining after the Obligations shall have been paid in full shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

provided that, if sufficient funds are not available to fund all payments to be made in respect of any of the Obligations described in any of clause (i), (ii) or (iii) above, the available funds being applied with respect to such Obligations shall be allocated to the payment of such Obligations ratably, based on the proportion of the Agent's and each other Secured Party's interest in such Obligations.

(d) Any reduction of the Commitments shall be made pro rata according to the

Applicable Percentages of the Lenders.

(e) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made prior to 1:00 p.m., New York City time, on the due date thereof to the Agent, for the account of the Lenders, at the Agent's office specified in Section 9.02. All payments of principal and interest on any Loan, fees and all other amounts payable hereunder shall be made in Dollars in immediately available funds. The Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than any payment on any Eurodollar Loan) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

(f) Unless the Agent shall have been notified in writing by any Lender prior to the deadline for funding a requested Borrowing that such Lender will not make the amount that would constitute its relevant Applicable Percentage of such Borrowing available to the Agent, the Agent may assume that such Lender is making such amount available to the Agent and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Agent by the required time on the borrowing date therefor, such Lender shall pay to the Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Agent. A certificate of the Agent submitted to any Lender with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error. If such Lender's relevant Applicable Percentage of such requested Borrowing is not made available to the Agent by such Lender within three Business Days of the borrowing date therefor, the Agent shall be entitled to recover such amount with interest thereon at the rate described above, on demand, from the Borrower.

(g) The Agent agrees to provide the Borrower with a written invoice of the amount of (i) any interest payable on any Interest Payment Date, (ii) any Fee payable on any Fee Payment Date and (iii) any expense payable by the Borrower under this Agreement or any other Loan Document. Such invoice shall be provided (A) three Business Days in advance of any Interest Payment Date in the case of Loans bearing interest based on the Eurodollar Rate, (B) on the Interest Payment Date in the case of Loans based on the ABR, (C) on the applicable Fee Payment Date in the case of any Fees and (D) three Business Days in advance of any date any expense is due. Failure to deliver any such invoice shall not affect the Borrower's payment obligations hereunder; provided that, with respect to any interest payable on any Interest Payment Date, any Fee payable on any Fee Payment Date or any expense payable by the Borrower on any date as provided in any Loan Document, in the event that (1) any invoice is later determined to have understated the amount of interest, Fee or expense, as applicable, due on such date or (2) the Borrower makes a good faith payment of the interest, Fee or expense, as applicable, due on such date prior to receipt of an invoice as provided above, and, in each case,

the amount paid is later determined to have been less than the amount of interest, Fee or expense, as the case may be, actually due on such date pursuant to this Agreement or any other Loan Document, the failure by the Borrower to have paid the full amount of interest, Fee or expense, as the case may be, on such date shall not constitute a Default or an Event of Default unless the Borrower fails to pay the amount of such shortfall within five Business Days after written notice from the Agent of the amount thereof.

SECTION 2.13. Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, such Lender shall give notice thereof to the Agent and the Borrower describing the relevant provisions of such Requirement of Law (and, if the Borrower shall so request, provide the Borrower with a memorandum or opinion of counsel of recognized standing (as selected by such Lender) as to such illegality), following which (i) the commitment of such Lender hereunder to make Eurodollar Loans, continue such Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be canceled and (ii) such Lender's outstanding Eurodollar Loans shall be converted automatically on the respective last days of the then current Interest Periods with respect to such Loans (or within such earlier period as shall be required by law) to ABR Loans. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.16.

SECTION 2.14. Increased Costs. (a) If (i) there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Loan or (ii) any reduction in any amount receivable in respect thereof, and such increased cost or reduced amount receivable is due to either (A) the introduction of or any change in or in the interpretation of any law or regulation after the date hereof or (B) the compliance with any guideline or request made after the date hereof from any central bank or other Governmental Authority (whether or not having the force of law), then (subject to the provisions of Section 2.17) the Borrower shall from time to time, upon demand by such Lender, pay such Lender additional amounts sufficient to compensate such Lender for such increased cost or reduced amount receivable; provided that no such additional amounts shall be payable by the Borrower with respect to, and this paragraph (a) shall not apply to, any increased cost or reduced amount due to the imposition or change in the rate of any tax, which shall be governed exclusively by Section 2.15.

(b) If any Lender shall have reasonably determined that (i) the applicability of any law, rule, regulation or guideline adopted after the date hereof pursuant to or arising out of the July 1988 paper of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", (ii) the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy affecting such Lender, (iii) any change arising after the date hereof in the foregoing or in the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or (iv) compliance by such Lender (or any lending office of such Lender), or any holding company for such Lender which is subject to any of the capital requirements described above, with any request or directive of general application issued after the date hereof regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable

agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of any such holding company as a direct consequence of such Lender's obligations hereunder to a level below that which such Lender or any such holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies and the policies of such holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then (subject to the provisions of Section 2.17) from time to time the Borrower shall pay to such Lender (at such Lender's request) such additional amounts as will compensate such Lender or any such holding company for any such reduction suffered, net of the savings (if any) which may be reasonably projected to be associated with such increased capital requirement; provided that no such additional amounts shall be payable by the Borrower with respect to, and this Section shall not apply to, any increased cost or reduced amount due to the imposition or change in the rate of any tax, which shall be governed exclusively by Section 2.15. Any certificate as to such amounts which is delivered pursuant to Section 2.17(a) shall, in addition to any items required by Section 2.17(a), include the calculation of the savings (if any) which may be reasonably projected to be associated with such increased capital requirement; provided that in no event shall any Lender be obligated to pay or refund any amounts to the Borrower on account of such savings.

(c) In the event that any Governmental Authority shall impose any Eurodollar Reserve Requirements which increase the cost to any Lender of making or maintaining Eurodollar Loans, then (subject to the provisions of Section 2.17) the Borrower shall thereafter pay in respect of the Eurodollar Loans of such Lender a rate of interest based upon the Eurodollar Reserve Rate (rather than upon the Eurodollar Rate). From and after the delivery to the Borrower of the certificate required by Section 2.17(a), all references contained in this Agreement to the Eurodollar Rate shall be deemed to be references to the Eurodollar Reserve Rate with respect to each such affected Lender.

SECTION 2.15. Taxes. (a) All payments made by each Loan Party under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding, in the case of each Lender, each Affiliate of a Lender and the Agent (each a "Tax Indemnified Party"):

(i) income taxes (other than withholding taxes) and franchise taxes, branch profits taxes and any other tax based upon net income imposed on such Tax Indemnified Party as a result of a present or former connection between such Tax Indemnified Party and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Tax Indemnified Party having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document); and

(ii) any withholding taxes imposed by the United States on payments made by any Loan Party to any Tax Indemnified Party under laws (including for all purposes of this Section, any statute, treaty or regulation), in effect on the date hereof (or, in the case of (A) an Assignee, the date of the Assignment and

Acceptance, (B) a successor Agent, the date of the appointment of such Agent or (C) a Lender that changes its Applicable Lending Office, the date of such change) (all such taxes, levies, imposts, duties, charges, fees, deductions and withholdings, other than those excluded under clause (i) or this clause (ii), being referred to as "Non-Excluded Taxes"); provided, however, that this clause (ii) shall not apply in the case of any Tax Indemnified Party that is an Assignee, successor to the Agent or Lender that has changed its Applicable Lending Office to the extent that the Person making such assignment, successor appointment or change in Applicable Lending Office would have been entitled to receive indemnity payments or additional amounts under this Section in the absence of such assignment, successor appointment or change in Applicable Lending Office; provided, further, however, that this clause (ii) shall not apply to the extent that any Non-Excluded Tax is imposed on a Tax Indemnified Party in connection with an interest in any Loan or other obligation that such Tax Indemnified Party acquired pursuant to Section 2.17(c) or 2.18.

If any Non-Excluded Taxes are required to be withheld from any amounts payable to, or for the account of, any Tax Indemnified Party hereunder, then such Loan Party shall make all such deductions and pay the full amount so deducted to the relevant Governmental Authority in accordance with applicable law and the amounts so payable to, or for the account of, the Tax Indemnified Party shall be increased to the extent necessary to yield to the Tax Indemnified Party (after payment of all Non-Excluded Taxes) a net amount equal to the amount it would have received had no such deduction or withholding been made. Notwithstanding the foregoing, the Loan Parties shall not be required to increase any such amounts payable to any Tax Indemnified Party if such Tax Indemnified Party fails to comply with the requirements of paragraph (b) of this Section. Whenever any Non-Excluded Taxes are payable by any Loan Party, as promptly as possible thereafter such Loan Party shall send to the Agent for its own account or for the account of the relevant Tax Indemnified Party, as the case may be, a certified copy of an original official receipt, if any, received by such Loan Party showing payment thereof. If any Loan Party fails to pay any Non-Excluded Taxes when due to the appropriate Governmental Authority or fails to remit to the Agent or the relevant Tax Indemnified Party the required receipts or other required documentary evidence, such Loan Party shall indemnify the Agent and the Tax Indemnified Parties for any taxes, interest or penalties that may become payable by the Agent or any Tax Indemnified Party solely as a result of any such failure. The agreements in this Section shall survive the termination of this Agreement and the payment of all other amounts payable hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or any state thereof (a "Non-US Lender") shall:

(i) (A) on or before the date such Non-US Lender becomes a Lender under this Agreement, deliver to the Borrower and the Agent two duly completed originals of United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or successor applicable forms, as the case may be, certifying that such Lender is entitled to a complete exemption from deduction or withholding of United States Federal income taxes with respect to payments under this Agreement and the other Loan Documents; and

(B) thereafter, (1) deliver to the Borrower and the Agent two duly completed originals of any such form on or before the date that any such form previously provided expires or becomes obsolete, (2) after the occurrence of any event requiring a change in the most recent form previously delivered to the Borrower or the Agent, deliver to the Borrower and the Agent two duly completed originals of any such form reflecting such change (if and to the extent such Non-US Lender is then legally able to provide any such form), and (3) obtain such extensions of time for filing and completing any such form as may reasonably be requested by the Borrower or the Agent (if and to the extent such Non-US Lender is then legally able to do so); and

(ii) in the case of any such Non-US Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot comply with the requirements of paragraph (b)(i) above, on or before the date such Non-US Lender becomes a Lender under this Agreement, such Non-US Lender shall:

(A) represent to the Borrower (for the benefit of the Borrower and the Agent) that it is not a bank within the meaning of Section 871(h) or Section 881(c)(3)(A) of the Code;

(B) furnish to the Borrower on or before the date of any payment by the Borrower made hereunder, with a copy to the Agent, (1) a certificate substantially in the form of Exhibit C and (2) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN, or a successor applicable form, certifying to such Lender's legal entitlement at the date of such certificate to a complete exemption from US withholding tax under the provisions of Section 871(h) or 881(c) of the Code with respect to payments to be made under this Agreement and any Notes;

(C) furnish to the Borrower, with a copy to the Agent, (1) two duly completed originals of such form W-8BEN or successor applicable form before the date that any such form previously provided expires or becomes obsolete and (2) after the occurrence of any event requiring a change in the most recent form previously delivered to the Borrower or the Agent, two duly completed originals of such form reflecting such change (if and to the extent such Non-US Lender is then legally able to provide any such form);

(D) obtain such extensions of time for filing and completing any such form W-8BEN or successor applicable form as may reasonably be requested by the Borrower or the Agent (if and to the extent such Non-US Lender is then legally able to do so); and

(E) provide the Borrower and the Agent upon reasonable request by the Borrower or the Agent, if and to the extent such Non-US Lender is

then legally entitled to do so, such other forms as may be reasonably required in order to establish the legal entitlement of such Lender to a complete exemption from withholding with respect to payments under this Agreement and any Notes.

Notwithstanding the foregoing provisions of this paragraph (b), if a change in any applicable treaty, law or regulation, or any change in the interpretation, administration or application relating thereto, has occurred prior to the date on which any delivery to the Borrower or Agent would otherwise be required by this paragraph (b), and such change (i) with respect to any prospective Lender or with respect to any Lender already a party hereto, renders all such deliveries inapplicable or (ii) with respect to any Lender already a party hereto, would prevent such Lender from duly completing and delivering any such form with respect to it, such prospective Lender or Lender shall not deliver any such forms and shall advise the Borrower and the Agent of such occurrence. Each Assignee, Participant or Conduit Lender hereunder pursuant to Section 9.06 shall, upon the effectiveness of the transfer pursuant to which it becomes an Assignee, Participant or Conduit Lender, be required to provide all of the forms, statements and documentation required pursuant to this Section; provided that in the case of a Participant such Participant shall furnish all such required forms, statements and documentation to the Lender from which the related participation shall have been purchased, and such Lender shall in turn furnish all such required forms (including Internal Revenue Service Form W-8IMY), statements and documentation to the Borrower and the Agent. Any Lender that is a "United States person" (within the meaning of Code section 7701(a)(30)) shall furnish the Borrower and the Agent with a Form W-9 or successor form thereto, certifying an exemption from backup withholding in respect of payments hereunder, if it is legally entitled to do so.

(c) If and to the extent that a Tax Indemnified Party, in its sole discretion (exercised in good faith), determines that it has received or been granted a credit against, a relief from, a refund or remission of, or a repayment of, any Non-Excluded Tax in respect of which it has received additional payments under paragraph (a) of this Section, then such Tax Indemnified Party shall return to the Borrower such additional payments (or the portion thereof) paid by the Borrower which are determined by such Tax Indemnified Party (in its sole discretion, exercised in good faith) to be attributable to the Non-Excluded Tax to which such credit, relief, refund, remission or repayment relates; provided that such Tax Indemnified Party shall not be obligated to make any payment under this paragraph in respect of any such credit, relief, refund, remission or repayment until such Tax Indemnified Party, in its sole judgment (exercised in good faith) is satisfied that its tax affairs for the tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled.

(d) Notwithstanding the foregoing provisions of this Section 2.15, if any Lender fails to provide the Borrower or the Agent with the appropriate form, certificate or other document required by this Section (other than if such failure is due to a change in law, treaty or regulation or in the interpretation, administration, or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided), such Lender shall not be entitled to indemnification under clause (a) of this Section.

SECTION 2.16. Indemnity. Subject to the provisions of Section 2.17(a), the Borrower agrees to indemnify each Lender and to hold each Lender harmless from any actual

loss or reasonable expense which such Lender sustains or incurs as a consequence of (a) a failure by the Borrower in making a borrowing of, conversion into or continuation of any Loan after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) a default by the Borrower in making any prepayment of a Loan after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making by the Borrower of a prepayment of any Eurodollar Loan on a day which is not the last day of an Interest Period with respect thereto or (d) the making by the Borrower of a prepayment of any Eurodollar Loan, or the conversion of any Eurodollar Loan to an ABR Loan, on the last day of the Interest Period with respect thereto, if the Borrower shall not have notified the Agent of its election to prepay, convert or continue such Loan at least three Business Days prior to such prepayment or conversion. In the case of an event described in any of preceding clause (a), (c) or (d) with regard to a Eurodollar Loan, such actual loss or reasonable expense shall be deemed to include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan for the period from the date of the default to borrow, convert or continue to the last day of the Interest Period that would have been the Interest Period for such Eurodollar Loan (or, in the case of a prepayment, from the date of such prepayment to the last day of the then current (or, in the case of clause (d), the newly initiated) Interest Period for such Eurodollar Loan), in each case at the applicable rate of interest for such Eurodollar Loan provided for herein (excluding the Applicable Margin applicable thereto) over (ii) the amount of interest (as determined by such Lender) which would have accrued to such Lender by placing the principal amount of such Eurodollar Loan on deposit for a comparable period with leading banks in the interbank Eurodollar market. This covenant shall survive the termination of this Agreement and the payment of all other amounts payable hereunder.

SECTION 2.17. Notice of Amounts Payable; Relocation of Lending Office; Mandatory Assignment. (a) In the event that any Lender becomes aware that any amounts are or will be owed to it pursuant to Section 2.13, 2.14, 2.15(a) or 2.16, then it shall promptly notify the Borrower thereof and, as soon as possible thereafter, such Lender shall submit to the Borrower a certificate describing in reasonable detail the events or circumstances causing such amounts to be owed to such Lender, indicating the amount owing to it and the calculation thereof. The amounts set forth in such certificate shall be prima facie evidence of the obligations of the Borrower hereunder; provided, however, that the failure of the Borrower to pay any amount owing to any Lender pursuant to Section 2.13, 2.14, 2.15(a) or 2.16 shall not be deemed to constitute a Default or an Event of Default hereunder to the extent that the Borrower is contesting in good faith its obligation to pay such amount by ongoing discussions diligently pursued with such Lender or by appropriate proceedings.

(b) If a Lender claims any additional amounts payable pursuant to Section 2.13, 2.14 or 2.15(a), it shall use its reasonable efforts (consistent with legal and regulatory restrictions) to avoid the need for paying such additional amounts, including changing the jurisdiction of its Applicable Lending Office, provided that the taking of any such action would not, in the reasonable judgment of such Lender, be disadvantageous to such Lender.

(c) In the event that any Lender delivers to the Borrower a certificate in accordance with paragraph (a) of this Section (other than a certificate as to amounts payable pursuant to Section 2.16), or the Borrower is required to pay any additional amounts or other

payments in accordance with Section 2.13, 2.14 or 2.15(a), the Borrower may, at its own expense and in its sole discretion, (i) require such Lender to transfer or assign, in whole or in part, without recourse and in accordance with Section 9.06, all or part of its interests, rights and obligations under this Agreement to another Person (provided that the Borrower, with the full cooperation of such Lender, can identify a Person who is ready, willing and able to be an Assignee with respect to thereto) which shall assume such assigned obligations (which Assignee may be another Lender, if such Assignee Lender accepts such assignment) or (ii) during such time as no Default or Event of Default has occurred and is continuing, terminate the Commitment of such Lender and prepay all outstanding Loans of such Lender; provided that (x) the Borrower or the Assignee, as the case may be, shall have paid to such Lender being replaced or terminated in immediately available funds the principal of and interest accrued to the date of such payment on the Loans made by such Lender hereunder and (subject to Section 2.16) all other amounts owed to it hereunder and (y) such assignment or termination of the Commitment of such Lender and prepayment of Loans is not prohibited by any law, rule or regulation or order of any court or Governmental Authority.

SECTION 2.18. Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.13, 2.14 or 2.15(a), (b) defaults in its obligation to make Loans hereunder or (c) fails to consent to any amendment to this Agreement requested by the Borrower which requires the consent of all of the Lenders (or all of the Lenders affected thereby) and which is consented to by the Majority Lenders, in each case, subject to the following terms and conditions: (i) such replacement does not conflict with any Requirement of Law, (ii) the replacement Lender shall purchase, at par, all Loans and other amounts owing to the replaced Lender on or prior to the date of replacement, (iii) if the replacement is being made pursuant to clause (c) of this Section, the replacement Lender shall consent to the requested amendment, (iv) the Borrower shall be liable to the replaced Lender under Section 2.16 if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (v) the replacement Lender shall be reasonably satisfactory to the Agent, (vi) the replacement shall be made in accordance with the provisions of Section 9.06, (vii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Sections 2.13, 2.14 or 2.15(a), as the case may be, to the replaced Lender and (viii) upon compliance with the provisions of Section 9.06 and the payment of the amounts referred to in clause (ii) above, the replacement Lender shall become a Lender hereunder and the replaced Lender shall cease to be a Lender hereunder and shall be released from all its obligations as a Lender, except with respect to indemnification provisions applicable to such replaced Lender under this Agreement during the period in which such replaced Lender was a Lender hereunder, which shall survive as to such replaced Lender. Each Lender agrees that, if it becomes a replaced Lender, it shall comply with Section 9.06, including by executing and delivering to the Agent an Assignment and Acceptance to evidence such sale and purchase; provided, however, that the failure of any Lender to be replaced in accordance with this Section to execute an Assignment and Acceptance shall not render such sale and purchase (and corresponding assignment) invalid and such assignment shall be recorded in the Register.

ARTICLE III

Representations and Warranties

To induce the Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to the Agent and each Lender that:

SECTION 3.01. Financial Condition. The Borrower has heretofore furnished to the Agent for distribution to each Lender a copy of its consolidated financial statements for its fiscal year ended December 31, 2006, and a copy of its consolidated financial statements for its fiscal quarter ended March 31, 2007, which were included in the Form 10-K or the Form 10-Q, as the case may be, of the Borrower filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Such financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries as of such dates and for such periods in accordance with GAAP. Between March 31, 2007 and the Effective Date, there has been no development or event which has had a Material Adverse Effect.

SECTION 3.02. Corporate Existence. Each Loan Party (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that all failures to be duly qualified and in good standing could not, in the aggregate, have a Material Adverse Effect.

SECTION 3.03. Corporate Power; Authorization; Enforceable Obligations. Each Loan Party has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder, and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of the Loan Documents. No consent or authorization of any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except for filings in connection with the perfection of the Liens created thereunder. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

SECTION 3.04. No Legal or Contractual Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or Contractual

Obligation of any Loan Party and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to any such Requirement of Law or Contractual Obligation (other than the Liens created by the Security Documents), except to the extent that all such violations and creation or imposition of Liens could not, in the aggregate, have a Material Adverse Effect.

SECTION 3.05. No Material Litigation. Except as set forth in the Form 10-K of the Borrower for its fiscal year ended December 31, 2006, or the Form 10-Q of the Borrower for the fiscal quarter ended March 31, 2007, or in any Form 10-K/A, Form 10-Q/A or Form 8-K of the Borrower filed with the Securities and Exchange Commission not later than the third Business Day prior to the date of this Agreement, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues as of the Effective Date (a) with respect to this Agreement or any other Loan Document or any of the actions contemplated hereby or thereby or (b) which involves a probable risk of an adverse decision which would materially restrict any Loan Party's ability to comply with its obligations under this Agreement or any other Loan Document.

SECTION 3.06. Federal Regulations. No part of the proceeds of any Loan will be used for "buying", "purchasing" or "carrying" any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors.

SECTION 3.07. Investment Company Act. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

SECTION 3.08. ERISA. The Borrower is in compliance with all material provisions of ERISA, except to the extent that all failures to be in compliance could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 3.09. No Material Misstatements. No report, financial statement or other written information furnished by or on behalf of any Loan Party to the Agent or any Lender as described in Section 3.01 or pursuant to Section 5.01(a) of this Agreement or pursuant to any other Loan Document contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were, are or will be made, not misleading, except to the extent that such facts (whether misstated or omitted) do not result in a Material Adverse Effect.

SECTION 3.10. Purpose of Loans. The proceeds of the Loans shall be used by the Borrower for its general corporate purposes.

SECTION 3.11. Pari Passu. The claims of the Agent and the Lenders against the Borrower under this Agreement rank at least pari passu with the claims of all its other creditors, save those whose claims are preferred solely by any laws of general application having effect in relation to bankruptcy, insolvency, liquidation or other similar events.

SECTION 3.12. Security Documents. The Pledge Agreement is effective to create in favor of the Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral described therein in accordance with the terms thereof. With respect to any Collateral consisting of physical certificates representing Equity Interests, when such physical certificates, together with stock powers executed in blank with respect thereto, are delivered to the Agent, and, with respect to any other Collateral, when financing statements under the Uniform Commercial Code are filed in appropriate form in the offices specified on Schedule 3.12, the Pledge Agreement will constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Collateral, prior to the rights of any other Person, except for rights secured by Liens expressly permitted by Section 6.02.

SECTION 3.13. Title to Assets. Each Loan Party has good and marketable title to, or valid leasehold interests in, all of its personal property and assets, except to the extent that failure to have good and marketable title to, or valid leasehold interests in, such property or assets could not reasonably be expected to have a Material Adverse Effect.

ARTICLE IV

Conditions Precedent

SECTION 4.01. Conditions to Loans. The obligations of the Lenders to make Loans shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.01):

(a) Credit Agreement; Pledge Agreement. The Agent shall have received (i) this Agreement, executed and delivered (including by way of a telecopier or other electronic image scan) by a duly authorized officer of the Borrower and each Lender and (ii) the Pledge Agreement, executed and delivered (including by way of a telecopier or other electronic image scan) by each Loan Party.

(b) Lien Searches. The Agent shall have received the results of a recent lien search in each Loan Party's jurisdiction of organization and such search shall reveal no Liens on any of the Collateral except for Liens permitted by Section 6.02 or those that are discharged on or prior to the Effective Date pursuant to documentation reasonably satisfactory to the Agent.

(c) Secretary's Certificates of Loan Parties. The Agent shall have received a certificate of the Secretary or Assistant Secretary of each of the Loan Parties, in form and substance satisfactory to the Agent, dated the Effective Date, which certificate shall (i) certify as to the incumbency and signature of the officers of such Loan Party executing any Loan Document (with the President, any Vice President or any Financial Officer of such Loan Party attesting to the incumbency and signature of the Secretary or Assistant Secretary providing such certificate), (ii) have attached to it a true, complete and correct copy of each of the certificate of incorporation and by-laws (or equivalent constitutional documents) of such Loan Party as in effect on the Effective Date and (iii) have attached to it a true and correct copy of appropriate resolutions of such Loan Party (together with a

certification that, as of the Effective Date, none of such resolutions shall have been amended, supplemented, modified, revoked or rescinded), which resolutions shall authorize the execution, delivery and performance of this Agreement and the other Loan Documents and the incurrence of the Obligations of such Loan Party by such Loan Party.

(d) Fees. J.P. Morgan Securities Inc., Banc of America Securities LLC, each Lender and the Agent shall have received all fees required to be paid on the Effective Date.

(e) Legal Opinions. The Agent shall have received (i) the executed legal opinion of Weil, Gotshal & Manges LLP, counsel to each of the Loan Parties, substantially in the form of Exhibit F and (ii) the executed legal opinion of Martin I. Darvick, Esq. substantially in the form of Exhibit G. Each Loan Party hereby instructs such counsel to deliver its opinion for the benefit of the Agent and each of the Lenders.

(f) Receipt of Collateral. The Agent shall have received physical certificates representing all Equity Interests pledged as Collateral, together with stock powers with respect thereto executed in blank by a duly authorized officer of the pledgor thereof.

(g) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Agent to be filed, registered or recorded in order to create in favor of the Agent, for the benefit of the Secured Parties, a perfected Lien on the Collateral described therein, shall have been delivered to the Agent and shall be in proper form for filing, registration or recordation.

(h) Officer's Certificate. The Agent shall have received a certificate from a Financial Officer of the Borrower confirming compliance with the conditions set forth Section 4.02(b) and (c) as of the Effective Date and after giving effect to any borrowing occurring on such date, if any.

The Agent shall notify the Borrower and each Lender promptly after the satisfaction of the foregoing conditions.

SECTION 4.02. Conditions to Each Loan. The agreement of each Lender to make any extension of credit to be made by it on any date (including, without limitation, its initial extension of credit), is subject to the satisfaction of the following conditions:

(a) Notice of Borrowing. The Agent shall have received a notice of borrowing executed by the Borrower in compliance with Section 2.02.

(b) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date.

(c) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans to be made on such date.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such Borrowing that the conditions contained in this Section have been satisfied.

ARTICLE V

Affirmative Covenants

The Borrower hereby agrees that, so long as any Commitment remains in effect or any amount is owing to any Lender or the Agent under any Loan Document, it shall and shall cause each other Loan Party to:

SECTION 5.01. Financial Statements. Furnish to the Agent for prompt delivery to each Lender:

(a) as soon as available, but in any event within 110 days after the end of the Borrower's fiscal year, a copy of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, and reported on by Deloitte & Touche LLP or other independent public accountants of nationally recognized standing (without a "going concern" or like qualification or exception and without any qualification as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; and

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, in each case prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as disclosed therein).

Notwithstanding the foregoing, the Borrower shall not be required to furnish or deliver to the Agent any financial statements or reports that the Borrower has filed with the Securities and Exchange Commission or any successor or analogous Governmental Authority, and any such financial statements or reports so filed shall be deemed to have been furnished or delivered to the Agent in accordance with the terms of this Section if such financial statements or reports are filed within the time periods for delivery required by this Section.

SECTION 5.02. Certificates. Furnish to the Agent, for delivery to each Lender, concurrently with the delivery of the financial statements referred to in Section 5.01, a certificate of a Financial Officer of the Borrower stating that, to the best of such Financial Officer's knowledge, (i) such financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries for the period referred to therein (subject, in the case of interim statements, to normal year-end audit adjustments) and (ii) during such period each Loan Party has performed in all material respects all of its covenants and other agreements contained in this Agreement and the other Loan Documents to be performed by it, and that no Default or Event of Default has occurred and is continuing, except as specified in such certificate.

SECTION 5.03. Notices. Promptly following the occurrence of any of the following, give notice to the Agent for delivery to each Lender of:

(a) any Default or Event of Default, accompanied by a statement of a Financial Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto;

(b) any issuance of any Equity Interest by GMAC, accompanied by a statement of a Financial Officer setting forth the material terms of such issuance; and

(c) any material amendment to the GMAC LLC Agreement, accompanied by a copy of such amendment (it being agreed that any amendment that (i) alters the rights or preferences of any class of Equity Interests of GMAC, (ii) creates any new class of Equity Interests or (iii) has the direct or indirect affect of restricting or otherwise altering the Agent's or the Lenders' ability to sell or otherwise transfer any of the Collateral, will be deemed to be material for the purposes of this paragraph (c)).

SECTION 5.04. Conduct of Business and Maintenance of Existence. Continue to engage in its principal line of business as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its principal line of business except as otherwise permitted pursuant to Section 6.01 or to the extent that failure to do so would not have a Material Adverse Effect.

SECTION 5.05. Ownership of Collateral. (a) Cause all outstanding Equity Interests of each Loan Party (other than the Borrower) to be held at all times, directly or indirectly, by the Borrower.

(b) Cause all outstanding Class B Membership Interests held directly or indirectly by the Borrower to be pledged pursuant to the Pledge Agreement. Cause all outstanding Class B Membership Interests held directly or indirectly by the Borrower to be held at all times by GM Holdco. Cause all other outstanding Equity Interests of GMAC included in the Collateral, if any, to be directly held by the Borrower, GM Holdco or an Additional Holdco.

(c) Cause all outstanding Equity Interests of GM Holdco and each Additional Holdco, if any, to be pledged pursuant to the Pledge Agreement.

(d) Cause all outstanding Equity Interests of each Additional Holdco, if any, on the date upon which such Person becomes an Additional Holdco, to be held directly by the Borrower.

SECTION 5.06. Additional Collateral, etc. (a) Except as set forth in clause (b) below, with respect to (i) any Equity Interest or other property included in the description of the Collateral under any Security Document or required to be pledged as Collateral pursuant to Section 5.05 and which is acquired after the Effective Date by any Loan Party, or which is owned by a Loan Party that becomes a Loan Party after the Effective Date, and (ii) any other Equity Interest or other property included in the Collateral at the election of any Loan Party, promptly (A) execute and deliver to the Agent such amendments to the applicable Security Document or such other documents as the Agent reasonably deems necessary to grant to the Agent, for the benefit of the Secured Parties, a security interest in such Equity Interest or other property and (B) take all actions necessary to grant to the Agent, for the benefit of the Secured Parties, a perfected security interest in such Equity Interest or other property with the priority specified in such Security Document (subject to the Liens permitted by Section 6.02), including (1) the filing of Uniform Commercial Code and other financing statements in such jurisdictions as may be required by the Security Documents or by applicable law or as may be reasonably requested by the Agent and (2) the delivery to the Agent of physical certificates representing Equity Interests pledged as Collateral, together with stock powers with respect thereto executed in blank by a duly authorized officer of the pledgor thereof.

(b) Notwithstanding anything to the contrary in this Section, there shall be excluded from the property referred to in clause (a) to be pledged as Collateral such assets as to which the Agent shall reasonably determine that the cost of obtaining a security interest therein is excessive in relation to the value of the security to be afforded thereby.

ARTICLE VI

Negative Covenants

The Borrower hereby agrees that, so long as any Commitment remains in effect or any amount is owing to any Lender or the Agent under any Loan Document:

SECTION 6.01. Merger, Consolidation, etc. No Loan Party shall merge or consolidate with any other Person or sell or convey all or substantially all of its assets to any Person unless, in the case of mergers and consolidations, (a) such Loan Party shall be the continuing corporation and (b) immediately before and immediately after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred and be continuing.

SECTION 6.02. Limitations on Liens. (a) The Borrower shall not permit any Manufacturing Subsidiary to issue or assume any Indebtedness secured by a Lien upon any Principal Domestic Manufacturing Property of the Borrower or any Manufacturing Subsidiary or upon any shares of stock or obligations of any Manufacturing Subsidiary (whether such Principal Domestic Manufacturing Property, shares of stock or obligations are now owned or hereafter acquired) without in any such case effectively providing concurrently with the issuance or

assumption of any such Indebtedness that all principal, interest, fees and other obligations owing hereunder (together with, if the Borrower shall so determine, any other obligations of the Borrower or such Manufacturing Subsidiary ranking equally with the amounts owing hereunder and then existing or thereafter created) shall be secured equally and ratably with such Indebtedness, unless the aggregate amount of Indebtedness issued or assumed and so secured by Liens, together with all other secured Indebtedness of the Borrower and its Manufacturing Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to the foregoing restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (vi) of the immediately following paragraph, does not at the time exceed 20% of the stockholders' equity of the Borrower and its consolidated subsidiaries, as determined in accordance with GAAP and shown on the audited consolidated balance sheet contained in the latest published annual report to the stockholders of the Borrower.

The above restrictions shall not apply to Indebtedness secured by:

(i) Liens on property, shares of stock or Indebtedness of any corporation existing at the time such corporation becomes a Manufacturing Subsidiary;

(ii) Liens on property existing at the time of acquisition of such property by the Borrower or a Manufacturing Subsidiary, or Liens to secure the payment of all or any part of the purchase price of such property upon the acquisition of such property by the Borrower or a Manufacturing Subsidiary or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such property and the date such property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Borrower or a Manufacturing Subsidiary of improvements to such acquired property;

(iii) Liens securing Indebtedness of a Manufacturing Subsidiary owing to the Borrower or any of its subsidiaries;

(iv) Liens on property of a corporation existing at the time such corporation is merged or consolidated with the Borrower or a Manufacturing Subsidiary or at the time of a sale, lease or other disposition of the properties of a corporation as an entirety or substantially as an entirety to the Borrower or a Manufacturing Subsidiary;

(v) Liens on property of the Borrower or a Manufacturing Subsidiary in favor of the United States of America or any state thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any obligations incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens; or

(vi) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien securing Indebtedness permitted to be secured by the first sentence of this Section 6.02(a) or any Lien referred to in the foregoing clauses (i) to (v); provided, however, that the principal amount of Indebtedness secured thereby shall not exceed by more than 115% the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements on such property).

(b) Notwithstanding the foregoing, the Borrower agrees not to, and to cause each other Loan Party not to, directly or indirectly, create, incur, assume or suffer to exist any Lien upon any of the Collateral except:

(i) Liens for taxes, assessments, governmental charges and utility charges, in each case that are not yet due or that are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the applicable Loan Party, in conformity with GAAP;

(ii) any Lien arising out of claims under a judgment rendered or claim filed so long as (A) such judgments or claims do not constitute a Default or Event of Default under this Agreement and (B) such judgments or claims are being contested in good faith and in respect of which there shall have been adequate reserves with respect thereto maintained on the books of such Loan Party in conformity with GAAP;

(iii) any Lien consisting of rights reserved to or vested in any Governmental Authority by any statutory provision;

(iv) Liens created pursuant to the Security Documents; and

(v) Liens not otherwise permitted by the foregoing clauses of this Section 6.02(b) securing obligations or other liabilities (other than Indebtedness) of any Loan Party; provided that the aggregate outstanding amount of all such obligations and liabilities shall not exceed \$100,000,000 at any time.

SECTION 6.03. Limitation on Sale and Lease-Back. The Borrower will not, nor will it permit any Manufacturing Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Borrower or any Manufacturing Subsidiary of any Principal Domestic Manufacturing Property owned by the Borrower or any Manufacturing Subsidiary on the date hereof (except for temporary leases for a term of not more than five years and except for leases between the Borrower and a Manufacturing Subsidiary or between Manufacturing Subsidiaries), which property has been or is to be sold or transferred by the Borrower or such Manufacturing Subsidiary to such Person, unless either:

(a) the Borrower or such Manufacturing Subsidiary would be entitled, pursuant to the provisions of Section 6.02(a), to issue, assume, extend, renew or replace Indebtedness secured by a Lien upon such property equal in amount to the Attributable Indebtedness in

respect of such arrangement without equally and ratably securing the amount owing hereunder pursuant to Section 6.02(a); provided, however, that from and after the date on which such arrangement becomes effective the Attributable Indebtedness in respect of such arrangement shall be deemed for all purposes under Section 6.02(a) and this Section to be Indebtedness subject to the provisions of Section 6.02(a) (which provisions include the exceptions set forth in clauses (i) through (vi) thereof); or

(b) the Borrower shall apply an amount in cash equal to the Attributable Indebtedness in respect of such arrangement to the retirement (other than any mandatory retirement or by way of payment at maturity), within 180 days of the effective date of any such arrangement, of Indebtedness of the Borrower or any Manufacturing Subsidiary (other than Indebtedness owned by the Borrower or any Manufacturing Subsidiary) which by its terms matures at or is extendible or renewable at the option of the obligor to a date more than twelve months after the date of the creation of such Indebtedness.

SECTION 6.04. Passive Holding Company Status. The Borrower shall not permit GM Holdco or an Additional Holdco, if any, to (a) engage in any business or activity other than the ownership of Equity Interests in GMAC (or Equity Interests in another Passive Holding Company (as defined below)) and activities reasonably incidental thereto or (b) hold any assets or have any liabilities, other than those reasonably incidental to its existence and its ownership of Equity Interests in GMAC (or Equity Interests of another Passive Holding Company). For the purposes of this Section 6.04, "Passive Holding Company" means any Person that (i) engages in no business or activity other than the ownership of Equity Interests in GMAC and activities reasonably incidental thereto, (ii) holds no assets other than those reasonably incidental to its existence and its ownership of Equity Interests in GMAC and (iii) has no liabilities other than those reasonably incidental to its existence and its ownership of Equity Interests in GMAC and liabilities that do not constitute or give rise to Guarantee Obligations of GM Holdco or any Additional Holdco.

SECTION 6.05. Withholding of Consent to Certain Actions under the GMAC LLC Agreement. The Borrower shall not and shall not permit any other Loan Party to consent to any amendment to or action under the GMAC LLC Agreement that would:

(a) materially and adversely affect the Agent's or the Lenders' rights to transfer any Collateral; or

(b) materially reduce the voting rights of the Class B Membership Interests or result in the Class B Membership Interests pledged as Collateral not conferring on GM Holdco (i) status as a Joint Majority Holder and (ii) approval rights over matters requiring GM Holdco's approval on the date hereof, except, in the case of this clause (ii), for any such amendment or action that results in only a Non-Material Change.

ARTICLE VII

Events of Default

If any of the following events shall occur and be continuing (each, an "Event of Default"):

(a) the Borrower shall (i) fail to pay any principal of any Loan when due in accordance with the terms hereof or (ii) fail to pay any interest on any Loan or any other amount which is payable hereunder or under any other Loan Document and (in the case of this clause (ii) only) such failure shall continue unremedied for more than five Business Days after written notice thereof has been given to the Borrower by the Agent or the Majority Lenders; or

(b) any representation or warranty made or deemed made by any Loan Party in Article III or in any other Loan Document shall prove to have been incorrect on or as of the date made or deemed made or certified, if the facts or circumstances incorrectly represented or certified result in or constitute a Material Adverse Effect; or

(c) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any Security Document (other than as provided in paragraphs (a) or (b) of this Article) and such default shall continue unremedied for a period of 30 days after written notice thereof shall have been given to such Loan Party by the Agent or the Majority Lenders; or

(d) any Loan Party shall default in any payment of \$50,000,000 (or the foreign currency equivalent thereof) or more of principal of or interest on any Indebtedness or on account of any guarantee in respect of Indebtedness, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness or guarantee was created; or

(e) (i) the Borrower or any of its Significant Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower or any of its Significant Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any of its Significant Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 90 days; or (iii) there shall be commenced against the Borrower or any of its Significant Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its

assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 90 days from the entry thereof; or

(f) one or more judgments or decrees shall (i) be entered against any Loan Party, (ii) not have been vacated, discharged, satisfied, stayed or bonded pending appeal within 60 days from the entry thereof and (iii) involve a liability (not paid or fully covered by insurance) of either \$100,000,000 (or the foreign currency equivalent thereof) or more, in the case of any single judgment or decree, or \$200,000,000 (or the foreign currency equivalent thereof) or more in the aggregate; or

(g) any of the Security Documents shall cease, for any reason, to be in full force and effect with respect to Collateral with a book value in excess of \$25,000,000 in the aggregate, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby;

then, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (e) above, all Commitments hereunder shall automatically and immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable without presentment, protest, demand or other notice of any kind, each of which is expressly waived by the Loan Parties; and (B) if such event is any Event of Default which is not described in clause (A) above, with the consent of the Majority Lenders, the Agent may, or upon the request of the Majority Lenders, the Agent shall, by notice to the Borrower declare the Loans with accrued interest thereon and all other amounts owing under this Agreement to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided in the preceding clause (B) and in paragraphs (a) and (c) of this Article, presentment, protest, demand and all other notices of any kind are hereby expressly waived by the Loan Parties.

ARTICLE VIII

The Agent

SECTION 8.01. Appointment. Each Lender hereby irrevocably designates and appoints the Agent as the agent of such Lender and each such Lender irrevocably authorizes the Agent, as the agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender or any Affiliate of such Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the

Agent. Each party to this Agreement acknowledges that each Person named on the cover page of this Agreement as a Syndication Agent, Co-Lead Arranger or Joint Bookrunner shall not have any duties, responsibilities, obligations or authority under this Agreement in such capacity.

SECTION 8.02. Delegation of Duties. The Agent may execute any of its duties under this Agreement and any other Loan Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 8.03. Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders or any Affiliates of such Lenders, for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party to perform its obligations hereunder. The Agent shall not be under any obligation to any Lender or any Affiliate of such Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

SECTION 8.04. Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, electronic image scan transmission, telex or teletype message, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, any counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent may deem and treat the Lender specified in the Register with respect to any amount owing hereunder as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request of the Majority Lenders (or to the extent that this Agreement expressly requires a higher percentage of Lenders, such higher percentage) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the obligations owing by the Borrower hereunder.

SECTION 8.05. Notice of Default. The Agent shall not be deemed to have

knowledge or notice of the occurrence of any Default or Event of Default hereunder (other than a Default or Event of Default under Article VII(a)) unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement or any other Loan Document, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall promptly notify the Borrower (if the Borrower shall not have delivered such notice to the Agent) and then give notice thereof to the Lenders; provided that, except in the case of any notice required to be provided under Article VII prior to the occurrence of an Event of Default, the failure to notify the Borrower shall not impair any of the rights of the Agent and the Lenders with respect to the events and circumstances specified in such notice. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Lenders; provided that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

SECTION 8.06. Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender or any Affiliate of such Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

SECTION 8.07. Indemnification. The Lenders agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective relevant Applicable Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with their relevant Applicable Percentages immediately prior to such date of the later of termination or payment in full, but giving effect to any subsequent assignments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the

satisfaction of the Obligations) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement, any other Loan Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or wilful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

SECTION 8.08. Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Agent were not the Agent hereunder. With respect to Loans made or continued by it, the Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity.

SECTION 8.09. Successor Agent. The Agent may resign as Agent upon 30 days' notice to the Lenders and the Borrower and following the appointment of a successor Agent in accordance with the provisions of this Section. If the Agent shall resign as Agent under this Agreement, then the Majority Lenders shall appoint from among the Lenders willing to serve as Agent a successor agent for the Lenders, which successor agent shall be approved by the Borrower (which approval shall not be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon such appointment and approval, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Obligations. After any retiring Agent's resignation as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

ARTICLE IX

Miscellaneous

SECTION 9.01. Amendments and Waivers. Neither this Agreement nor any other Loan Document nor any terms hereof or thereof may be amended, supplemented or modified except pursuant to an agreement in writing entered into by the Borrower and the Majority Lenders or pursuant to an agreement or agreements in writing entered into by the Agent and the Loan Party or Loan Parties party thereto, in each case, with the consent of the Majority Lenders. The Majority Lenders may, or, with the written consent of the Majority Lenders, the Agent may, from time to time, (a) enter into with the Loan Parties written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights of the Lenders or the Loan Parties hereunder or (b) waive, on such terms and conditions as the Majority Lenders or the Agent, as the case may be, may

specify in such instrument, any of the requirements of this Agreement or any other Loan Document or any Default or Event of Default and its consequences. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agent and all future holders of the obligations owing hereunder; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon or any Fee without the written consent of each Lender affected thereby, (iii) postpone the maturity of any Loan, or any scheduled date of payment of the principal amount of any Loan or any date for the payment of any interest or Fee, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.12 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender affected thereby, (v) change any of the provisions of this Section or the percentage set forth in the definition of "Majority Lenders", "Super Majority Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender affected thereby, (vi) release all or substantially all of the Collateral from the Liens of the Security Documents without the written consent of each Lender, (vii) change Section 2.03(c) (or the definition of any related defined term, including "Disposition") without the written consent of at least the Super Majority Lenders, (viii) consent to the assignment or transfer by any Loan Party of any of its rights and obligations under this Agreement or any other Loan Document, without the written consent of each Lender, or (ix) amend, modify or waive any provision of Article VIII or any other provision of this Agreement governing the rights or obligations of the Agent without the written consent of the Agent. In the case of any waiver, the Loan Parties, the Lenders and the Agent shall be restored to their former position and rights hereunder, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Notwithstanding anything to the contrary herein, the Agent may, with the consent of the Borrower, amend, modify or supplement any provision of this Agreement or any other Loan Document to cure any ambiguity, omission, defect or inconsistency, so long as such amendment, modification, or supplement does not adversely affect the rights of any Lender.

SECTION 9.02. Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of overnight courier, facsimile or telecopy notice, when received, or four days after being deposited in the mail, postage prepaid addressed as follows in the case of the Borrower, any other Loan Party and the Agent, and as set forth in the administrative questionnaire of any Lender, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the obligations owing hereunder:

The Borrower or any other Loan Party:

General Motors Corporation
767 Fifth Avenue
New York, New York 10153
Attention: Treasurer
Telecopy: (212) 418-3632

with a copy to:

Office of the Secretary
General Motors Corporation
300 Renaissance Center
Detroit, Michigan 48265-3000

and with a copy to:

Weil Gotshal & Manges, LLP
767 Fifth Avenue
New York, New York 10153-0119
Attention: Soo-Jin Shim
Telecopy: 212-310-8007

The Agent:

JPMorgan Chase Bank, N.A.
Loan & Agency Services
1111 Fannin Street - 10th Floor
Houston, TX 77002
Attention: Denise Ramon
Telecopy: 713-750-2938;

provided that any notice, request or demand to or upon the Agent or the Lenders pursuant to Section 2.02, 2.04 or 2.05 shall not be effective until received.

SECTION 9.03. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 9.04. Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

SECTION 9.05. Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and expenses reasonably incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent (which fees and disbursements of counsel shall be paid on the date which is, (i) in the case of the entry into this Agreement, the later of (A) thirty days following the Effective Date and (B) ten Business Days after the delivery of any invoice related thereto and (ii) in all other cases, the date which is ten Business Days after the delivery of any invoice related thereto), (b) to pay or reimburse each Lender and the Agent for all its reasonable costs and expenses reasonably incurred in connection with the enforcement of any rights under this Agreement, including, without limitation, the reasonable fees and disbursements of counsel to the Agent and to the several Lenders (other than those incurred in connection with the compliance by the relevant Lender with the provisions of Section 2.17(a)), (c) to pay, indemnify, and hold each Lender and the Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay by the Borrower in paying, stamp, excise and other similar taxes (other than any such taxes for which a gross up or payment is provided for under Section 2.15), if any, in each case, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement and (d) to pay, indemnify, and hold each Lender and the Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement (all the foregoing in this clause (d), collectively, the "indemnified liabilities"); provided that the Borrower shall not have any obligation hereunder to the Agent or any Lender with respect to indemnified liabilities arising from the gross negligence or wilful misconduct of the Agent or any such Lender. The agreements in this Section shall survive repayment of the Loans and all other Obligations.

SECTION 9.06. Successors and Assigns; Participations and Assignments.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder except as provided in Section 6.01 or with the consent of each Lender and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower; provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default under

Article VII(a) or (e) has occurred and is continuing, any other Person; and

(B) the Agent; provided that no consent of the Agent shall be required for an assignment to an Assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Agent) shall not be less than \$5,000,000, unless each of the Borrower and the Agent otherwise consent; provided that (1) no such consent of the Borrower shall be required if an Event of Default under Article VII(a) or (e) has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Agent an Assignment and Acceptance substantially in the form of Exhibit A (an "Assignment and Acceptance"), together with a processing and recordation fee of \$3,500;

(C) the Assignee, if it shall not be a Lender, shall deliver to the Agent an administrative questionnaire; and

(D) in the case of an assignment by a Lender to a CLO (as defined below) administered or managed by such Lender or an Affiliate of such Lender, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement; provided that the Assignment and Acceptance between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 9.01 and (2) directly affects such CLO.

For the purposes of this Section, the terms "Approved Fund" and "CLO" have the following meanings:

"Approved Fund" means (a) with respect to any Lender, a CLO administered or managed by such Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment

advisor.

"CLO" means, as to any Lender, any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course and is administered or managed by such Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Acceptance, the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 9.05); provided that no Assignee shall then be entitled to receive any greater amount pursuant to Section 2.13, 2.14, 2.15 or 2.16 in respect of any event or circumstance existing at the time of the assignment pursuant to which it acquired its interest hereunder than the assigning Lender would have been entitled to receive thereunder in respect of the rights and obligations assigned by such assigning Lender to such Assignee had no such assignment occurred. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice. The Agent shall provide a copy of the Register to the Borrower on a monthly basis.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in this paragraph (b)

and any written consent to such assignment required by this paragraph (b), the Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register.

(c) (i) Any Lender may, without the consent of the Borrower or the Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (D) such Lender shall have given prior written notice to the Borrower of the identity of such Participant. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (I) requires the consent of each Lender pursuant to the proviso to the second sentence of Section 9.01 and (II) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14, 2.15, 2.16 and 9.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(ii) A Participant shall not be entitled to receive any greater payment under Sections 2.13, 2.14, 2.15, 2.16 or 9.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. Any Participant that is a Non-US Lender shall not be entitled to the benefits of Section 2.15 unless such Participant complies with Section 2.15(b).

(d) Each Lender shall maintain at its office a copy of each participation agreement to which it is a party and a register for the recordation of the names and addresses of the Participants under such participation agreement and the Commitments of, the principal amount of, and any interest on, the Loans owing to and paid to each Participant pursuant to the terms hereof from time to time.

(e) Nothing herein shall prohibit any Lender from pledging or assigning all or any portion of its Loans to any Federal Reserve Bank in accordance with applicable law or to any holder of, or trustee for the benefit of the holders of, such Lender's securities; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. In order to facilitate any such pledge or assignment, the Borrower hereby agrees that, upon request of any Lender at any time and from time to time after the Borrower has made its initial Borrowing hereunder, the Borrower shall provide to such Lender, at the Borrower's own expense, a promissory note, substantially in the form of Exhibit B, evidencing the Loans owing to such Lender.

(f) On or prior to the effective date of an assignment, the assigning Lender shall surrender any outstanding Notes held by it all or a portion of which are being assigned, and the Borrower shall, upon the request to the Agent made at the time of such assignment by the assigning Lender or the Assignee, as applicable, execute and deliver to the Agent (in exchange for the outstanding Notes of the assigning Lender) a new Note to the order of such Assignee in an amount equal to the amount of such Assignee's Loan owing to it. Any such new Notes shall be dated the Effective Date and shall otherwise be in the form of the Note replaced thereby. Any Notes surrendered by the assigning Lender shall be returned by the Agent to the Borrower marked "canceled".

(g) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Agent and without regard to the limitations set forth in paragraph (b) of this Section (other than paragraph (b)(ii)(D)); provided, that no Conduit Lender shall be entitled to receive any greater amount pursuant to Sections 2.13, 2.14, 2.15, 2.16 or 9.05 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender. In addition, any Conduit Lender may disclose, on a confidential basis, the existence and terms of the Loans it has funded to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such Conduit Lender; provided that no such Person shall receive any confidential financial information with respect to the Borrower unless such Person has complied with paragraph (h) of this Section as if such Person were a Transferee. The Borrower, each Lender and the Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense (including legal expenses) arising out of its designation of a Conduit Lender, including without limitation the inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

(h) The Borrower authorizes each Lender to disclose to any prospective Participant, any Participant or any prospective Assignee (each, a "Transferee") any and all financial information in such Lender's possession concerning the Borrower and its Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to all Lenders by or on behalf of the Borrower in connection with their respective credit evaluations of the Borrower and its Affiliates prior to becoming a party to this Agreement; provided that (i) such Transferee has executed and delivered to the Borrower a written confidentiality agreement substantially in the form of Exhibit D and (ii) the Borrower has been informed of the identity of such Transferee and has consented (such consent not to be unreasonably withheld) to the disclosure of such information thereto. Nothing contained in this paragraph (h) shall be deemed to prohibit the delivery to any Transferee of any financial information which is otherwise publicly available.

(i) Notwithstanding anything herein to the contrary, any Person subject to confidentiality obligations hereunder or under any other related document (and any employee,

representative or other agent of such Person) may disclose to any and all Persons, without limitation of any kind, such Person's US Federal income tax treatment and the US Federal income tax structure of the transactions contemplated by this Agreement relating to such Person and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, no such Person shall disclose any information relating to such tax treatment or tax structure to the extent nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 9.07. Adjustments. If any Lender (a "benefited Lender") shall at any time receive any payment of all or part of its Loans or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off or otherwise), such that it has received aggregate payments or collateral on account of its extensions of credit in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's extensions of credit which are then due and payable, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's extensions of credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest, unless the Lender from which such payment is recovered is required to pay interest thereon, in which case each Lender returning funds to such Lender shall pay its pro rata share of such interest.

SECTION 9.08. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy or other electronic image scan), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Agent.

SECTION 9.09. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 9.10. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 9.11. Jurisdiction; Consent to Service of Process. (a) Each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any

judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Loan Party or its properties in the courts of any jurisdiction.

(b) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each Loan Party irrevocably consents to service of process in the manner provided for notices in Section 9.02. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.12. Releases of Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, each Loan Party shall be permitted to sell or otherwise dispose of any portion of the Collateral at any time, subject to compliance by the Loan Parties with Section 5.05(a), (b) and (c) and, in the case of any sale or other disposition of any Common Membership Interest pledged as Collateral, the reduction or termination of the Commitments (and any associated repayment of Loans) pursuant to Section 2.03. Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Agent is hereby irrevocably authorized by each Lender and each other Secured Party (without requirement of notice to or consent of any Lender or other Secured Party, except as expressly required by Section 9.01) to take any action requested by any Loan Party having the effect of releasing any Collateral (i) in connection with dispositions of such Collateral not prohibited by any Loan Document (subject to the reduction or termination, if any, of the Commitments (and any associated repayment of Loans) to the extent and at the times provided in Section 2.03(c) and 2.03(d)) or that has been consented to in accordance with Section 9.01 or (ii) under the circumstances described in paragraphs (b) and (c) below.

(b) At such time as the Loans and the other outstanding Obligations shall have been paid in full and the Commitments shall have been terminated, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations of the Agent and each Loan Party under the Security Documents shall terminate (other than those obligations expressly stated to survive termination), all without delivery of any instrument or performance of any act by any Person.

(c) Upon the request of the Borrower, all Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations of the Agent and each Loan Party under the Security Documents shall terminate (other than those obligations expressly stated to survive termination) if, at any date (a "Release Date"), the

Borrower's senior unsecured long-term debt (without third party credit enhancement) receives at least two of the following ratings: (i) BBB- or better by S&P, (ii) Baa3 or better by Moody's and (iii) BBB- or better by Fitch, in each case, with a stable outlook or better. If, at any date following a Release Date, the Borrower's senior unsecured long term debt (without third party credit enhancement) shall be rated by two or more of S&P, Moody's or Fitch at a rate lower than the rate set forth in the preceding sentence for such rating agency, the Borrower shall promptly, and in any event within 30 days of such date, enter into documentation reasonably requested by the Agent so as to cause the Loans and the other Obligations to be secured on the same basis as such Loans and other Obligations were secured prior to the Release Date.

SECTION 9.13. USA Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

SECTION 9.14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

GENERAL MOTORS CORPORATION, as the
Borrower,

by _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A., as a Lender
and Administrative Agent,

by _____
Name: _____
Title: _____

Name of Lender: _____

by _____

Name: _____

Title: _____

For any Lender requiring a second signature line:

by _____

Name: _____

Title: _____

[SIGNATURE PAGE TO GENERAL MOTORS 364-DAY REVOLVING CREDIT AGREEMENT]
</TEXT>
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CERTIFICATION

I, G. Richard Wagoner, Jr., certify that:

1. I have reviewed this quarterly report for the period ended June 30, 2007 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/ G. Richard Wagoner, Jr.

G. Richard Wagoner, Jr.
Chairman and Chief Executive Officer

Date: August 7, 2007

CERTIFICATION

I, Frederick A. Henderson, certify that:

1. I have reviewed this quarterly report for the period ended June 30, 2007 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/ Frederick A. Henderson

 Frederick A. Henderson
 Vice Chairman and Chief Financial Officer

Date: August 7, 2007

**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 June 30, 2007 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

August 7, 2007

**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 June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frederick A. Henderson, Vice Chairman 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/ Frederick A. Henderson

Frederick A. Henderson
Vice Chairman and Chief Financial Officer

August 7, 2007

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