GENERAL MOTORS CORP
Form 425
February 18, 2009

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

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

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GENERAL MOTORS RESTRUCTURING PLAN HIGHLIGHTS

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

Demonstrates GM s viability under conservative economic assumptions

Expands and accelerates the Plan submitted on December 2

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

GM is comprehensively transforming its business, globally

Brands, nameplates and dealer networks streamlined and focused

Productivity and flexibility gains enabling more facility consolidations

Shared global vehicle architectures creating substantial cost savings

Unprofitable foreign operations addressed

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

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

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

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

GM s Plan calls for considerable sacrifice from all stakeholders

Bondholders and other debtors

Hourly and salaried employees, executives and retirees

Dealers and suppliers

Shareholders

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

Competitive product mix and cost structure

Compliance with Federal fuel efficiency and emissions requirements

Domestic manufacturer of advanced technology vehicles

Rationalization of costs, capitalization and capacity

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

Positive net present value (NPV)

Repayment of Federal loans

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

Restructuring actions accelerated to mitigate this need

Partial repayment of Federal funding still slated to begin in 2012

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

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

Directly and indirectly supports 1.3 million U.S. jobs

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

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

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

1. Introduction

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

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

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

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

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

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

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

Chart 1: Loan Agreement Requirements

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

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

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

2. Executive Summary

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

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

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

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

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

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

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Chart 2: Restructuring Plan Summary of Key Changes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 1: U.S. Industry Volume Scenarios

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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4. Restructuring Plan: Federal Requirements

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

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

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

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

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

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

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

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

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

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

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In small town markets, GM intends to preserve its historic and competitive strength. Right-sizing will evolve primarily from normal attrition and from dealer initiated consolidations which are a minimal cost to GM.
As noted in Table 3, from 2004 to 2008, GM dealerships declined by 15% (from 7,367 to 6,246). Over the next four years, GM dealerships will be reduced at an accelerated rate, declining by a further 25% (from 6,246 to 4,700). Most of this reduction will take place in metro and suburban markets where dealership overcapacity is most prevalent. While current economic conditions have resulted in dealer attrition well above normal levels, the Company s Plan includes actions and investments necessary to achieve indicated targets.

Table 3: Dealerships by Brand, Market Type and Throughput

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

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