GMAC LLC
Form 10-Q
August 07, 2007

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

FORM 10-Q

þ **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

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission file number: 1-3754

GMAC LLC
(Exact name of registrant as specified in its charter)

Delaware	**38-0572512**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(313) 556-5000
(Registrant s telephone number, including area code)

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

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 o Accelerated filer o Non-accelerated filer þ

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

GMAC LLC

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Amendment No. 1 to Amended and Restated Limited Liability Company Operating Agreement
Separation Agreement and Release of Claims
Computation of Ratio of Earnings to Fixed Charges
Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2007**	2006 (As restated see Note 1)	**2007**	2006 (As restated see Note 1)
Revenue				
Consumer	**$2,438**	$2,587	**$4,966**	$5,156
Commercial	**754**	782	**1,477**	1,508
Loans held for sale	**396**	371	**874**	851
Operating leases	**1,728**	2,026	**3,296**	3,954
Total financing revenue	**5,316**	5,766	**10,613**	11,469
Interest expense	**3,735**	4,023	**7,407**	7,836
Net financing revenue before provision for credit losses	**1,581**	1,743	**3,206**	3,633
Provision for credit losses	**430**	268	**1,111**	434
Net financing revenue	**1,151**	1,475	**2,095**	3,199
Servicing fees	**556**	446	**1,116**	918
Amortization and impairment of servicing rights				(23)
Servicing asset valuation and hedge activities, net	**(152)**	(171)	**(454)**	(356)
Net loan servicing income	**404**	275	**662**	539
Insurance premiums and service revenue earned	**1,051**	1,052	**2,092**	2,062
Gain on sale of mortgage and automotive loans, net	**399**	504	**363**	869
Investment income	**227**	297	**535**	555
Gain on sale of equity method investments, net		411		411
Other income	**786**	983	**1,651**	1,986
Total net financing revenue and other income	**4,018**	4,997	**7,398**	9,621
Expense				

Depreciation expense on operating lease assets	**1,173**	1,346	**2,255**	2,786
Compensation and benefits expense	**647**	665	**1,281**	1,383
Insurance losses and loss adjustment expenses	**563**	653	**1,136**	1,250
Other operating expenses	**1,183**	1,186	**2,429**	2,337
Total noninterest expense	**3,566**	3,850	**7,101**	7,756
Income before income tax expense	**452**	1,147	**297**	1,865
Income tax expense	**159**	360	**309**	582
Net income (loss)	**$293**	$787	**($12)**	$1,283
Preferred interests dividends	**(53)**		**(104)**	
Net income (loss) available to members	**$240**		**($116)**	

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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GMAC LLC

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**June 30, 2007**	December 31, 2006
Assets		
Cash and cash equivalents	**$12,223**	$15,459
Investment securities	**20,261**	16,791
Loans held for sale	**20,268**	27,718
Finance receivables and loans, net of unearned income		
Consumer	**121,638**	130,542
Commercial	**44,018**	43,904
Allowance for credit losses	**(3,464)**	(3,576)
Total finance receivables and loans, net	**162,192**	170,870
Investment in operating leases, net	**28,893**	24,184
Notes receivable from General Motors	**2,118**	1,975
Mortgage servicing rights	**6,041**	4,930
Premiums and other insurance receivables	**2,206**	2,016
Other assets	**25,076**	23,496
Total assets	**$279,278**	$287,439
Liabilities		
Debt		
Unsecured	**$110,816**	$113,500
Secured	**113,638**	123,485
Total debt	**224,454**	236,985
Interest payable	**2,403**	2,592
Unearned insurance premiums and service revenue	**5,168**	5,002
Reserves for insurance losses and loss adjustment expenses	**3,081**	2,630
Accrued expenses and other liabilities	**25,238**	22,659
Deferred income taxes	**1,121**	1,007
Total liabilities	**261,465**	270,875
Preferred interests	**2,226**	2,195
Equity		
Members interest	**7,744**	6,711
Retained earnings	**7,057**	7,173
Accumulated other comprehensive income	**786**	485

Total equity	**15,587**	14,369
Total liabilities, preferred interests and equity	**$279,278**	$287,439

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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GMAC LLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
Six Months Ended June 30, 2007 and 2006

($ in millions)	Common stock and paid-in capital	Members interest	Retained earnings	Accumulated other comprehensive income	Total equity	Comprehensive income
Balance at January 1, 2006 (As restated, see Note 1)	$5,760	$	$15,095	$830	$21,685	
Net income			1,283		1,283	$1,283
Cumulative effect of a change in accounting principle, net of tax:						
Transfer of unrealized loss for certain available for sale securities to trading securities			(17)	17		
Recognize mortgage servicing rights at fair value			4		4	4
Dividends paid			(1,411)		(1,411)	
Other comprehensive income				132	132	132
Balance at June 30, 2006 (As restated, see Note 1)	$5,760	$	$14,954	$979	$21,693	$1,419
Balance at January 1, 2007	**$**	**$6,711**	**$7,173**	**$485**	**$14,369**	
Net loss			**(12)**		**(12)**	**($12)**
Preferred interest dividends			**(104)**		**(104)**	
Capital contributions		**1,033**			**1,033**	
Other comprehensive income				**301**	**301**	**301**
Balance at June 30, 2007	**$**	**$7,744**	**$7,057**	**$786**	**$15,587**	**$289**

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
Six Months Ended June 30, 2007 and 2006

($ in millions)	**2007**	2006
Operating activities		
Net cash provided by (used in) operating activities	**$6,422**	($4,471)
Investing activities		
Purchases of available for sale securities	**(8,892)**	(11,416)
Proceeds from sales of available for sale securities	**3,563**	2,323
Proceeds from maturities of available for sale securities	**3,511**	7,912
Net increase in finance receivables and loans	**(47,973)**	(51,739)
Proceeds from sales of finance receivables and loans	**55,742**	63,595
Purchases of operating lease assets	**(11,579)**	(9,070)
Disposals of operating lease assets	**5,307**	3,411
Net increase in notes receivable from General Motors	**(121)**	(512)
Purchases of mortgage servicing rights, net		(55)
Acquisitions of subsidiaries, net of cash acquired	**(287)**	(324)
Proceeds from sale of business units, net of cash (a)		8,550
Settlement of residual support and risk sharing obligations with GM		1,074
Other, net (b)	**2,358**	(585)
Net cash provided by investing activities	**1,629**	13,164
Financing activities		
Net change in short-term debt	**(3,565)**	(6,927)
Proceeds from issuance of long-term debt	**33,531**	42,226
Repayments of long-term debt	**(43,029)**	(43,205)
Other financing activities (c)	**1,897**	1,918
Dividends paid	**(74)**	(1,411)
Net cash used in financing activities	**(11,240)**	(7,399)
Effect of exchange rate changes on cash and cash equivalents	**(47)**	97
Net (decrease) increase in cash and cash equivalents	**(3,236)**	1,391
Cash and cash equivalents at beginning of year	**15,459**	15,795

Cash and cash equivalents at June 30,	**$12,223**	$17,186

(a) Includes proceeds from March 23, 2006, sale of GMAC Commercial Mortgage of approximately $1.5 billion and proceeds from repayment of intercompany loans of approximately $7.3 billion of which $250 was received in preferred equity and net of cash transferred to purchaser of approximately $650.
(b) Includes $618 and $491 for the six months ended June 30, 2007 and 2006, respectively, related to securities lending transactions where cash collateral is received and a corresponding liability is recorded, both of which are presented in investing activities.
(c) Includes $1 billion capital contribution from General Motors during the six months ended June 30, 2007, pursuant to the terms of General Motors November 30, 2006, sale of a 51% interest in GMAC to FIM Holdings LLC.

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

GMAC LLC (referred to herein as GMAC, we, our or us) was founded in 1919 as a wholly owned subsidiary of General Motors Corporation (General Motors or GM). On November 30, 2006, GM sold a 51% interest in us for approximately $7.4 billion (the Sale Transactions) to FIM Holdings LLC (FIM Holdings). FIM Holdings is an investment consortium led by Cerberus FIM Investors, LLC, the sole managing member. The consortium also includes Citigroup Inc., Aozora Bank Ltd., and a subsidiary of The PNC Financial Services Group, Inc.

The Condensed Consolidated Financial Statements as of June 30, 2007, and for the three months and six months ended June 30, 2007 and 2006, are unaudited but, in management s opinion, include all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

The interim-period consolidated financial statements, including the related notes, are condensed and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting. These interim-period Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the United States Securities and Exchange Commission (SEC) on March 13, 2007.

Restatement of Previously Issued Condensed Consolidated Financial Statements

As discussed in our 2006 Form 10-K and Note 2 to the Condensed Consolidated Financial Statements, we are restating our historical Condensed Consolidated Balance Sheet as of June 30, 2006; our Condensed Consolidated Statements of Income for the three and six months ended June 30, 2006; and our Condensed Consolidated Statement of Changes in Equity for the six months ended June 30, 2006. This restatement relates to the accounting treatment for certain hedging transactions under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted (SFAS 133). We are also correcting certain other out-of-period errors that were deemed immaterial, individually and in the aggregate, in the periods in which they were originally recorded and identified. These items relate to transactions involving certain transfers of financial assets, valuations of certain financial instruments, amortization of unearned income on certain products, income taxes, and other inconsequential items. Because of this derivative restatement, we are correcting these amounts to record them in the proper period.

Share-Based Compensation Plans

During the fourth quarter of 2006, the Compensation Committee approved two, new, shared-based compensation plans for executives, a Long-Term Phantom Interest Plan (LTIP) and a Management Profits Interest Plan (MPI). These compensation plans provide our executives with an opportunity to share in the future growth in value of GMAC. While the plans were formed in 2006, no grants were made until the first quarter of 2007.

The LTIP is an incentive plan for executives based on the appreciation of GMAC s value in excess of a preferred return of 10% to certain of our investors during a three-year performance period. The awards vest at the end of the performance period and are paid in cash following a valuation of GMAC performed by FIM Holdings. The awards do not entitle the participant to an equity ownership interest in GMAC. The plan authorizes 500 units to be granted for the performance period ending December 31, 2009, of which 358 units were granted and outstanding at June 30, 2007.

The LTIP awards are accounted for under SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), as they meet the definition of share-based compensation awards. Under SFAS 123(R), the awards require liability treatment and are remeasured quarterly at fair value until they are settled. The compensation cost related to these awards will be ratably charged to expense over the requisite

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

service period, which is the vesting period ending December 31, 2009. The quarterly fair value remeasurement will encompass changes in the market and industry, as well as our latest forecasts for the performance period. Changes in fair value relating to the portion of the awards that have vested will be recognized in earnings in the period in which the changes occur. The fair value of the awards outstanding at June 30, 2007, was approximately $48 million, of which $2 million and $6 million were recognized as expense during the three months and six months ended June 30, 2007, respectively.

The MPI is an incentive plan whereby Class C Membership interests in GMAC held by a management company are granted to senior executives. The total Class C Membership interests are 5,820, of which 3,561 were outstanding at June 30, 2007. Half of the awards vest based on a service requirement, and half vest based on meeting operating performance objectives. The service portion vests ratably over five years beginning January 3, 2008, and on each of the next four anniversaries thereafter. The performance portion vests based on five separate annual targets established at the beginning of each year. If the performance objectives are met, that year s pro rata share of the awards vest. If the current year objectives are not met, but the annual performance objectives of a subsequent year are met, all unvested shares from previous years will vest. Any unvested awards as of December 31, 2011, shall be forfeited. The MPI awards are accounted for under SFAS 123(R) as they meet the definition of share-based compensation awards. Under SFAS 123(R), the awards require equity treatment and are fair valued as of their grant date using assumptions such as our forecasts, historical trends, and the overall industry and market environment. Annual performance objectives for periods after 2007 have not been established. Therefore, awards with these objectives are not deemed to be granted under SFAS 123(R) as the terms and conditions for vesting have not been communicated to the participants. Compensation expense for the MPI shares is ratably charged to expense over the five-year requisite service period for service-based awards and over each one-year requisite service period for the performance-based awards, both to the extent the awards actually vest. The fair market value of the 2,137 awards deemed granted and outstanding at June 30, 2007, was approximately $12 million, of which $1 million and $2 million were recognized as expense during the three months and six months ended June 30, 2007, respectively.

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Interpretation No. 48 On January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which clarifies 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 solely on its technical merits. 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 position are to be recognized. The cumulative effect of applying FIN 48 is to be recorded directly to retained earnings and reported as a change in accounting principle. The adoption of this interpretation as of January 1, 2007, did not have a material impact on our consolidated financial position. Gross unrecognized tax benefits totaled approximately $126 million at January 1, 2007, of which approximately $124 million would affect our effective tax rate, if recognized.

We recognize interest and penalties accrued related to uncertain income tax positions in interest expense and other operating expenses, respectively. As of January 1, 2007, we had approximately $116 million accrued for the payment of interest and penalties.

There have been no significant changes to the liability for uncertain income tax positions since the adoption of FIN 48.

Effective November 28, 2006, GMAC, in connection with the Sale Transactions, along with certain U.S. subsidiaries, became disregarded or pass-through entities for U.S. federal income tax purposes. Our banking, insurance, and foreign subsidiaries are generally corporations and continue to be subject to and

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NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

provide for U.S. federal, state, and local, or foreign income taxes. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years before 1999. We anticipate the Internal Revenue Service examination of our U.S. income tax returns for 2001 through 2003, along with examinations by various state and local jurisdictions, will be completed by the end of 2007. Therefore, it is possible that certain tax positions may be settled, and the unrecognized tax benefits would decrease by approximately $11 million over the next twelve months.

Recently Issued Accounting Standards

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value, and therefore, does not expand the use of fair value in any new circumstance. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an arm s length transaction between market participants, in the markets where we conduct business. SFAS 157 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to data lacking transparency. The level of the reliability of inputs utilized for fair value calculations drives the extent of disclosure requirements of the valuation methodologies used under the standard. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS 157 should be applied prospectively, except for certain financial instruments for which the standard should be applied retrospectively. Management is assessing the potential impact on our consolidated financial condition and results of operations.

SFAS No. 158 In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158), which amends SFAS No. 87, *Employers Accounting for Pensions*; SFAS No. 88, *Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*; SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions*; and SFAS No. 132(R), *Employers Disclosures about Pensions and Other Postretirement Benefits* (revised 2003). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. The asset or liability is the offset to other accumulated comprehensive income, consisting of previously unrecognized prior service costs and credits, actuarial gains or losses, and accumulated transition obligations and assets. SFAS 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor s year end. The standard provides two transition alternatives for companies to make the measurement-date provisions. The recognition of asset and liability related to funded status provision is effective for us for fiscal years ending after June 15, 2007, and the change in measurement is effective for fiscal years ending after December 15, 2008. Adoption of this guidance is not expected to have a material impact on our consolidated financial condition or results of operations.

SFAS No. 159 In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFAS 159 also

establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently assessing the effect of implementing this guidance, which directly depends on the nature and extent of eligible items elected to be measured at fair value, upon initial application of the standard on January 1, 2008.

FASB Staff Position (FSP) FIN 39-1 In April 2007, the FASB issued FSP FIN 39-1, *Amendment of FASB Interpretation No. 39*. FSP FIN 39-1 defines right of setoff and specifies what conditions must be met

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

for a derivative contract to qualify for this right of setoff. It also addresses the applicability of a right of setoff to derivative instruments and clarifies the circumstances in which it is appropriate to offset amounts recognized for those instruments in the statement of financial position. In addition, this FSP permits offsetting of fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting arrangement and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments. This interpretation is effective for fiscal years beginning after November 15, 2007, with early application permitted. The adoption of FSP FIN 39-1 is not expected to have a material impact on our condensed consolidated financial statements.

FSP FIN 48-1 In May 2007, the FASB issued FSP FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48*. FSP FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is applied retrospectively to our initial adoption of FIN 48 on January 1, 2007. The adoption of FSP FIN 48-1 did not have a material impact on our condensed consolidated financial statements.

2. Restatement of Previously Issued Condensed Consolidated Financial Statements

As previously disclosed in our 2006 Annual Report on Form 10-K, subsequent to the issuance of our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2006, management concluded that our hedge accounting documentation and hedge effectiveness assessment methodologies related to particular hedges of callable fixed-rate debt instruments funding our North American automotive operations did not satisfy the requirements of SFAS 133. One of the requirements of SFAS 133 is that hedge accounting is appropriate only for those hedging relationships for which a company has a sufficiently documented expectation that the relationships 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 continue to satisfy this requirement, companies must periodically assess the effectiveness of hedging relationships both prospectively and retrospectively.

Management determined that hedge accounting treatment should not have been applied to these hedging relationships. As a result, we should not have recorded any 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. Accordingly, we have restated our historical Condensed Consolidated Balance Sheet at June 30, 2006; our Condensed Consolidated Statement of Income for the three and six months ended June 30, 2006; and our Condensed Consolidated Statement of Changes in Equity for the six months ended June 30, 2006, from the amounts previously reported to remove the recorded adjustments on these debt instruments from our reported interest expense during 2006. The elimination of hedge accounting treatment introduces increased funding cost volatility in our restated results. The changes in the fair value of fixed rate debt previously recorded were affected by changes in the designated benchmark interest rate (LIBOR). Before the restatement, adjustments to record increases in the value of this debt occurred in periods when interest rates declined, and adjustments to record decreases in value were made in periods when interest rates rose. As a result, changes in the benchmark interest rates caused volatility in the debt s fair value adjustments that were recognized in our historical earnings, which were mitigated by the changes in the value of the interest rate swaps in the hedge relationships. The interest rate swaps, which economically hedged these debt instruments prior to May 1, 2007, were recorded at fair value with changes in fair value recorded in earnings. Refer to Note 8 to the Condensed Consolidated Financial Statements for accounting treatment beginning May 1, 2007. We are

also correcting certain other out-of-period errors that were deemed immaterial, individually and in the aggregate, in the periods in which they were originally recorded and identified. These items relate to transactions involving certain transfers of financial assets, valuations of certain financial instruments, amortization of unearned income on certain products, income taxes, and other inconsequential items. Because of this derivative restatement, we are correcting these amounts to record them in the proper period.

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NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table sets forth a reconciliation of previously reported and restated net income for the period shown. The restatement decreased January 1, 2006 retained earnings to $15,095 million from $15,190 million. The decrease of $95 million was composed of a $191 million decrease for the elimination of hedge accounting for certain debt instruments and an increase of $96 million for other items previously deemed to be immaterial.

($ in millions)	Three months ended June 30, 2006	Six months ended June 30, 2006
Previously reported net income	$900	$1,572
Elimination of hedge accounting related to certain debt instruments	(192)	(383)
Other, net	9	(70)
Total pre-tax	(183)	(453)
Related income tax effects	70	164
Restated net income	$787	$1,283
% change	(13)	(18)

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Statement of Income. Certain amounts in the previously reported columns have been reclassified to conform to the 2007 presentation. The most significant reclassifications relate to servicing fees; amortization and impairment of servicing rights; servicing asset valuation and hedge activities, net; and gain on sale of mortgage and automotive loans, which were previously included in mortgage banking income and other income and are now reflected as separate components of total net financing revenue and other income.

	Three months ended June 30, 2006		Six months ended June 30, 2006	
($ in millions)	Previously reported	Restated	Previously reported	Restated
Revenue				
Consumer	**$2,548**	**$2,587**	**$5,114**	**$5,156**
Commercial	782	782	1,508	1,508
Loans held for sale	371	371	851	851
Operating leases	2,026	2,026	3,954	3,954
Total financing revenue	**5,727**	**5,766**	**11,427**	**11,469**
Interest expense	**3,819**	**4,023**	**7,380**	**7,836**
Net financing revenue before provision for credit losses	**1,908**	**1,743**	**4,047**	**3,633**
Provision for credit losses	**285**	**268**	**420**	**434**
Net financing revenue	**1,623**	**1,475**	**3,627**	**3,199**
Servicing fees	446	446	918	918
Amortization and impairment of servicing rights			(23)	(23)
Servicing asset valuation and hedge activities, net	(171)	(171)	(356)	(356)
Net loan servicing income	275	275	539	539
Insurance premiums and service revenue earned	1,052	1,052	2,062	2,062
Gain on sale of mortgage and automotive loans, net	504	504	869	869
Investment income	297	297	555	555
Gain on sale of equity method investments, net	411	411	411	411
Other income	**1,003**	**983**	**2,018**	**1,986**

Total net financing revenue and other income	**5,165**	**4,997**	**10,081**	**9,621**
Expense				
Depreciation expense on operating lease assets	1,346	1,346	2,786	2,786
Compensation and benefits expense	665	665	1,383	1,383
Insurance losses and loss adjustment expenses	653	653	1,250	1,250
Other operating expenses	**1,171**	**1,186**	**2,344**	**2,337**
Total noninterest expense	**3,835**	**3,850**	**7,763**	**7,756**
Income before income tax expense	**1,330**	**1,147**	**2,318**	**1,865**
Income tax expense	**430**	**360**	**746**	**582**
Net income	**$900**	**$787**	**$1,572**	**$1,283**

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Balance Sheet.

	June 30, 2006	
($ in millions)	Previously reported	Restated
Assets		
Cash and cash equivalents	$17,186	$17,186
Investment securities	18,808	18,808
Loans held for sale	20,455	20,455
Finance receivables and loans, net of unearned income		
Consumer	**134,736**	**134,784**
Commercial	47,568	47,568
Allowance for credit losses	**(2,883)**	**(2,866)**
Total finance receivables and loans, net	**179,421**	**179,486**
Investment in operating leases, net	34,495	34,495
Notes receivable from General Motors	5,140	5,140
Mortgage servicing rights	5,093	5,093
Premiums and other insurance receivables	2,147	2,147
Other assets	**25,637**	**25,535**
Total assets	**$308,382**	**$308,345**
Liabilities		
Debt		
Unsecured	**$122,833**	**$123,506**
Secured	124,945	124,945
Total debt	**247,778**	**248,451**
Interest payable	3,200	3,200
Unearned insurance premiums and service revenue	5,183	5,183
Reserves for insurance losses and loss adjustment expenses	2,642	2,642
Accrued expenses and other liabilities	**23,041**	**22,713**
Deferred income taxes	4,463	4,463
Total liabilities	**286,307**	**286,652**

Equity		
Common stock and paid-in capital	5,760	5,760
Retained earnings	**15,338**	**14,954**
Accumulated other comprehensive income	**977**	**979**
Total equity	**22,075**	**21,693**
Total liabilities and equity	**$308,382**	**$308,345**

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effects of the restatement on the Condensed Consolidated Statement of Changes in Equity.

	Six months ended June 30, 2006	
($ in millions)	Previously reported	Restated
Common stock and paid-in capital		
Balance at January 1 and at June 30,	$5,760	$5,760
Retained earnings		
Balance at January 1,	**15,190**	**15,095**
Net income	**1,572**	**1,283**
Cumulative effect of a change in accounting principle, net of income taxes:		
Transfer of unrealized loss for certain available for sale securities to trading securities	(17)	(17)
Recognize mortgage service rights at fair value	4	4
Dividends paid	(1,411)	(1,411)
Balance at June 30,	**15,338**	**14,954**
Accumulated other comprehensive income		
Balance at January 1,	**828**	**830**
Other comprehensive income	132	132
Transfer of unrealized loss for certain available for sale securities to trading securities	17	17
Balance at June 30,	**977**	**979**
Total equity		
Balance at January 1,	**21,778**	**21,685**
Net income	**1,572**	**1,283**
Recognize mortgage servicing rights at fair value	4	4
Dividends paid	(1,411)	(1,411)
Other comprehensive income	132	132
Total equity at June 30,	**$22,075**	**$21,693**

Comprehensive income		
Net income	**$1,572**	**$1,283**
Other comprehensive income	132	132
Recognize mortgage servicing rights at fair value	4	4
Comprehensive income	**$1,708**	**$1,419**

GMAC LLC

NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. Other Income

Details of other income were as follows:

($ in millions)	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Real estate related revenue and other investment income	**$ 158**	$ 202	**$329**	$344
Interest and service fees on transactions with GM (a)	**85**	147	**159**	294
Interest on cash equivalents	**91**	178	**209**	297
Other interest revenue	**157**	128	**297**	249
Full service leasing fees	**80**	71	**155**	135
Late charges and other administrative fees	**43**	41	**87**	82
Mortgage processing fees	**31**	41	**64**	116
Interest on restricted cash deposits	**43**	31	**86**	59
Insurance service fees	**36**	28	**78**	57
Factoring commissions	**14**	15	**27**	30
Specialty lending fees	**10**	15	**21**	30
Fair value adjustment on certain derivatives (b)	**18**	(14)	**35**	(22)
Other	**20**	100	**104**	315
Total other income	**$ 786**	$ 983	**$ 1,651**	$ 1,986

(a) Refer to Note 9 to the Condensed Consolidated Financial Statements for a description of related party transactions.
(b) Refer to Note 8 to the Condensed Consolidated Financial Statements for a description of derivative instruments and hedging activities.

4. Other Operating Expenses

Details of other operating expenses were as follows:

($ in millions)	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Insurance commissions	**$225**	$211	**$465**	$454

Technology and communications expense	**156**	134	**301**	264
Professional services	**106**	111	**199**	216
Advertising and marketing	**83**	92	**153**	176
Premises and equipment depreciation	**48**	62	**100**	126
Rent and storage	**60**	54	**114**	121
Full service leasing vehicle maintenance costs	**68**	63	**137**	123
Lease and loan administration	**53**	53	**106**	107
Auto remarketing and repossession	**49**	75	**93**	122
Operating lease disposal (gain) loss	**(18)**	21	**(6)**	(28)
Other	**353**	310	**767**	656
Total other operating expenses	**$ 1,183**	$ 1,186	**$ 2,429**	$ 2,337

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

5. Finance Receivables and Loans

The composition of finance receivables and loans outstanding was as follows:

	June 30, 2007			December 31, 2006		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Retail automotive	**$36,401**	**$22,572**	**$58,973**	$40,568	$20,538	$61,106
Residential mortgages	**59,552**	**3,113**	**62,665**	65,928	3,508	69,436
Total consumer	**95,953**	**25,685**	**121,638**	106,496	24,046	130,542
Commercial						
Automotive:						
Wholesale	**16,173**	**8,435**	**24,608**	12,723	7,854	20,577
Leasing and lease financing	**338**	**868**	**1,206**	326	901	1,227
Term loans to dealers and other	**2,021**	**802**	**2,823**	1,843	764	2,607
Commercial and industrial	**9,212**	**2,592**	**11,804**	14,068	2,213	16,281
Real estate construction and other	**3,169**	**408**	**3,577**	2,969	243	3,212
Total commercial	**30,913**	**13,105**	**44,018**	31,929	11,975	43,904
Total finance receivables and loans (a)	**$126,866**	**$38,790**	**$165,656**	$138,425	$36,021	$174,446

(a) Net of unearned income of $5.3 billion and $5.7 billion as of June 30, 2007, and December 31, 2006, respectively.

The following table presents an analysis of the activity in the allowance for credit losses on finance receivables and loans.

Three months ended June 30,

($ in millions)	**2007** Consumer	Commercial	Total	2006 Consumer	Commercial	Total
Allowance at April 1,	**$3,070**	**$663**	**$3,733**	$2,542	$369	$2,911
Provision for credit losses	**384**	**46**	**430**	241	30	271
Charge-offs						
Domestic	**(417)**	**(303)**	**(720)**	(320)	(24)	(344)
Foreign	**(46)**	**(5)**	**(51)**	(39)	(3)	(42)
Total charge-offs	**(463)**	**(308)**	**(771)**	(359)	(27)	(386)
Recoveries						
Domestic	**53**	**4**	**57**	50	2	52
Foreign	**17**	**1**	**18**	11		11
Total recoveries	**70**	**5**	**75**	61	2	63
Net charge-offs	**(393)**	**(303)**	**(696)**	(298)	(25)	(323)
Impacts of foreign currency translation	**1**	**(4)**	**(3)**	6		6
Securitization activity				1		1
Allowance at June 30,	**$3,062**	**$402**	**$3,464**	$2,492	$374	$2,866

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**NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

	Six months ended June 30,					
	2007			2006		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at January 1,	**$2,969**	**$607**	**$3,576**	$2,652	$433	$3,085
Provision for credit losses	**884**	**227**	**1,111**	429	5	434
Charge-offs						
Domestic	**(843)**	**(382)**	**(1,225)**	(641)	(70)	(711)
Foreign	**(87)**	**(56)**	**(143)**	(85)	(4)	(89)
Total charge-offs	**(930)**	**(438)**	**(1,368)**	(726)	(74)	(800)
Recoveries						
Domestic	**110**	**5**	**115**	103	6	109
Foreign	**28**	**1**	**29**	24	3	27
Total recoveries	**138**	**6**	**144**	127	9	136
Net charge-offs	**(792)**	**(432)**	**(1,224)**	(599)	(65)	(664)
Impacts of foreign currency translation	**1**		**1**	8	1	9
Securitization activity				2		2
Allowance at June 30,	**$3,062**	**$402**	**$3,464**	$2,492	$374	$2,866

6. Mortgage Servicing Rights

The following table summarizes activity related to mortgage servicing rights (MSRs) carried at fair value.

	Six months ended June 30,	
($ in millions)	**2007**	2006
Estimated fair value at January 1,	**$4,930**	$4,021

Additions obtained from sales of financial assets	**928**	770
Additions from purchases of servicing rights		5
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model	**506**	654
Other changes in fair value	**(322)**	(355)
Other changes that affect the balance	**(1)**	(2)
Estimated fair value at June 30,	**$6,041**	$5,093

As of June 30, 2007, we pledged MSRs of $3.2 billion as collateral for borrowings, compared to $2.4 billion as of December 31, 2006. For a description of MSRs and the related hedging strategy, refer to Notes 9 and 15 to our 2006 Annual Report on Form 10-K.

Changes in fair value, due to changes in valuation inputs or assumptions used in the valuation models, include all changes due to a revaluation by a model or by a benchmarking exercise. This line item also includes changes in fair value resulting from a change in valuation assumptions or model calculations or both. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic run-off of the portfolio, as well as foreign currency adjustments and the extinguishment of MSRs related to clean-up calls of securitization transactions.

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Key assumptions we use in valuing our MSRs are as follows:

	June 30, 2007	June 30, 2006
Range of prepayment speeds	**0.0 39.7%**	7.0 38.5%
Range of discount rates	**8.0 13.0%**	8.0 14.0%

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. We economically hedge the income statement impact of these risks with both derivative and non-derivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts or purchasing or selling U.S. Treasury and principal-only securities. At June 30, 2007, the fair value of derivative financial instruments and non-derivative financial instruments used to mitigate these risks amounted to $127 million and $1 billion, respectively. The change in the fair value of the derivative financial instruments amounted to a loss of $638 million and $655 million for the six months ended June 30, 2007 and 2006, respectively, and is included in servicing asset valuation and hedge activities, net in the Condensed Consolidated Statement of Income.

The components of servicing fees were as follows:

($ in millions)	Six months ended June 30, 2007	Six months ended June 30, 2006
Contractual servicing fees, net of guarantee fees and including subservicing	**$764**	$640
Late fees	**74**	62
Ancillary fees	**61**	59
Total	**$899**	$761

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

7. Debt

In the following table, we classify domestic and foreign debt on the basis of the location of the office recording the transaction.

	June 30, 2007			December 31, 2006		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Short-term debt						
Commercial paper	**$724**	**$1,278**	**$2,002**	$742	$781	$1,523
Demand notes	**6,372**	**216**	**6,588**	5,917	157	6,074
Bank loans and overdrafts	**887**	**6,272**	**7,159**	991	5,272	6,263
Repurchase agreements and other (a)	**17,039**	**6,446**	**23,485**	22,506	7,232	29,738
Total short-term debt	**25,022**	**14,212**	**39,234**	30,156	13,442	43,598
Long-term debt						
Senior indebtedness:						
Due within one year	**16,166**	**15,278**	**31,444**	20,010	15,204	35,214
Due after one year	**128,367**	**26,168**	**154,535**	135,693	22,589	158,282
Total long-term debt	**144,533**	**41,446**	**185,979**	155,703	37,793	193,496
Fair value adjustment (b)	**(644)**	**(115)**	**(759)**	(3)	(106)	(109)
Total debt	**$168,911**	**$55,543**	**$224,454**	$185,856	$51,129	$236,985

(a) Repurchase agreements consist of secured financing arrangements with third parties at our mortgage operations. Other primarily includes non-bank secured borrowings, as well as Notes payable to GM. Refer to Note 9 to our Condensed Consolidated Financial Statements for further details.

(b) To adjust designated fixed rate debt for changes in fair value resulting from changes in the designated benchmark interest rate in accordance with SFAS 133.

The following table summarizes assets that are restricted as collateral for the payment of related debt obligations. These restrictions primarily arise from securitization transactions accounted for as secured borrowings and repurchase agreements.

	June 30, 2007	December 31, 2006

($ in millions)	**Assets**	**Related secured debt (a)**	Assets	Related secured debt (a)
Loans held for sale	**$14,903**	**$12,773**	$22,834	$20,525
Mortgage assets held for investment and lending receivables	**69,482**	**58,088**	80,343	68,333
Retail automotive finance receivables	**27,778**	**21,122**	20,944	18,858
Wholesale automotive finance receivables	**287**	**152**	376	240
Investment securities	**4,273**	**4,449**	3,662	4,523
Investment in operating leases, net	**13,364**	**12,157**	6,851	6,456
Real estate investments and other assets	**9,583**	**4,897**	8,025	4,550
Total	**$139,670**	**$113,638**	$143,035	$123,485

(a) Included as part of secured debt are repurchase agreements of $9.0 billion and $11.5 billion where we have pledged assets, reflected as investment securities as collateral for approximately the same amount of debt at June 30, 2007, and December 31, 2006, respectively.

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Liquidity Facilities

Liquidity facilities represent additional funding sources. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The following table summarizes the liquidity facilities that we maintain.

	Committed facilities		**Uncommitted facilities**		**Total liquidity facilities**		**Unused liquidity facilities**	
($ in billions)	**Jun 30, 2007**	Dec 31, 2006	**Jun 30, 2007**	Dec 31, 2006	**Jun 30, 2007**	Dec 31, 2006	**Jun 30, 2007**	Dec 31, 2006
Automotive Finance operations:								
Syndicated multi-currency global credit facilities (a)	**$6.0**	$7.6	**$**	$	**$6.0**	$7.6	**$6.0**	$7.6
ResCap (b)	**3.9**	3.9	**2.0**	1.9	**5.9**	5.8	**3.0**	2.7
Other:								
U.S. asset-backed commercial paper liquidity and receivables facilities (c)	**12.0**	18.3			**12.0**	18.3	**12.0**	18.3
Other foreign facilities (d)	**3.5**	3.3	**10.3**	8.8	**13.8**	12.1	**4.1**	3.1
Total bank liquidity facilities	**25.4**	33.1	**12.3**	10.7	**37.7**	43.8	**25.1**	31.7
Secured funding facilities								
Automotive Finance operations (e)	**48.0**	36.6			**48.0**	36.6	**17.2**	9.8
ResCap (f)	**32.4**	29.4	**100.5**	73.3	**132.9**	102.7	**99.7**	59.7
Whole-loan forward flow agreements	**42.5**	45.5			**42.5**	45.5	**42.5**	45.5
Other (g)	**3.0**	3.9			**3.0**	3.9	**1.1**	2.3

Total secured funding facilities	**125.9**	115.4	**100.5**	73.3	**226.4**	188.7	**160.5**	117.3
Total	**$151.3**	$148.5	**$112.8**	$84.0	**$264.1**	$232.5	**$185.6**	$149.0

(a) The entire $6.0 is available for use in the United States, $0.7 is available for use by GMAC International Finance B.V. and $0.5 is available for use by General Motors Acceptance Corporation (UK) plc.
(b) ResCap maintains $3.9 of syndicated bank facilities, consisting of a $1.8 syndicated term loan committed through July 2008, an $875 million syndicated line of credit committed through June 2010, an $875 million syndicated line of credit committed through June 2008, and a $386 million Canadian syndicated bank line committed through December 2007.
(c) Relates to New Center Asset Trust (NCAT), which is a special purpose entity administered by us for the purpose of funding assets as part of our securitization funding programs. This entity funds assets primarily through the issuance of asset-backed commercial paper and it represents an important source of liquidity to us. At June 30, 2007, NCAT had commercial paper outstanding of $6.5, which is not included in the Condensed Consolidated Balance Sheet.
(d) Consists primarily of committed and uncommitted credit facilities supporting operations in Canada, Europe, Latin America and Asia-Pacific.
(e) Consists primarily of U.S. and international conduits, a $6 variable note funding facility, as well as a $10 facility with a subsidiary of Citigroup.
(f) ResCap s primary sources of secured funding include whole-loan sales, secured aggregation facilities, asset-backed commercial paper facilities, and repurchase agreements. ResCap s collateralized borrowings in securitized trusts totaled $45.1 and $53.3 as of June 30, 2007, and December 31, 2006, respectively. In addition, MINT I, LLC (MINT I) was created during the second quarter of 2007 to provide ResCap with additional financing through the issuance of extendable notes, which are secured by mortgage loans and warehouse lending receivables. MINT I is an on-balance sheet secured aggregation vehicle that provides us with financing for mortgage loans during the aggregation period and for warehouse lending receivables. MINT I obtains financing through the issuance of extendable notes, which are secured by the mortgage loans and warehouse lending receivables. As of June 30, 2007, MINT I had uncommitted liquidity of approximately $25 with approximately $106 million of extendable notes outstanding.
(g) Consists primarily of Commercial Finance secured funding facilities.

The syndicated multi-currency global credit facilities include a $3.0 billion five-year facility (expires June 2012) and a $3.0 billion 364-day facility (expires June 2008). The 364-day facility includes a term-out option, which if exercised by us before expiration, carries a one-year term. Additionally, a leverage covenant

in the liquidity facilities and certain other funding facilities restricts the ratio of consolidated borrowed funds (excluding certain obligations of bankruptcy-remote special purpose entities) to consolidated net worth (including the existing preferred membership interests) to be no greater than 11.0:1, under certain conditions.

More specifically, the covenant is only applicable on the last day of any fiscal quarter (other than the fiscal quarter during which a change in rating occurs) during such times that we have senior, unsecured, long-term debt outstanding, without third-party enhancement, which is rated BBB+ or less (by Standard & Poor s), or Baa1 or less (by Moody s).

Our leverage ratio covenant was 8.0:1 at June 30, 2007; therefore we are in compliance with this covenant as of this date.

8. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency futures, forwards, options, and swaps in connection with our market risk management activities. In accordance with SFAS 133, as amended, we record derivative financial instruments on the balance sheet as assets or liabilities at fair value. Changes in fair value are accounted for depending on the use of the derivative financial instrument and whether it qualifies for hedge accounting treatment.

Effective May 1, 2007, we designated certain interest rate swaps as fair value hedges of callable fixed-rate debt instruments funding our North American automotive operations. Prior to May 1, 2007, these swaps were economic hedges of this callable fixed rate debt.

Effectiveness of these hedges is assessed using regression of thirty quarterly data points for each relationship, the results of which must meet thresholds for R-squared, slope, F-statistic, and T-statistic. Any ineffectiveness measured in these relationships is recorded in earnings.

GMAC LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table summarizes the pre-tax earnings effect for each type of hedge classification, segregated by the asset or liability being hedged.

	Three months ended June 30,		**Six months ended June 30,**		
($ in millions)	**2007**	2006	**2007**	2006	Income statement classification
Fair value hedge ineffectiveness (loss) gain:					
Debt obligations	**($78)**	$	**($78)**	$	Interest expense
Loans held for sale		1	**(1)**	1	Gain on sale of mortgage and automotive loans, net
Cash flow hedge ineffectiveness gain:					
Debt obligations				1	Interest expense
Economic hedge change in fair value:					
Off-balance sheet securitization activities:					
Financing operations	**19**	(13)	**30**	(21)	Other income
Foreign-currency debt (a)	**(6)**	6		58	Interest expense, Other operating expenses
Loans held for sale or investment	**214**	48	**179**	158	Gain on sale of mortgage and automotive loans, net
Mortgage servicing rights	**(596)**	(275)	**(638)**	(655)	Servicing asset valuation and hedge activities, net
Mortgage related securities	**(54)**	(23)	**(68)**	(30)	Investment income
Callable debt obligations	**(12)**	(225)	**35**	(454)	Interest expense
Other	**(11)**	10	**(13)**	26	Other income, Interest expense, Other operating expenses
Net losses	**($524)**	($471)	**($554)**	($916)	

(a) Amount represents the difference between the changes in the fair values of the currency swap, net of the revaluation of the related foreign-denominated debt.

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NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

9. Related Party Transactions

Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings and affiliated companies follows:

($ in millions)	**June 30, 2007**	December 31, 2006
Assets:		
Available for sale investment in asset-backed security (a)	**$406**	$471
Finance receivables and loans, net of unearned income		
Wholesale auto financing (b)	**816**	938
Term loans to dealers (b)	**200**	207
Lending receivables (c)	**234**	
Investment in operating leases, net (d)	**303**	290
Notes receivable from GM (e)	**2,118**	1,975
Other assets		
Receivable related to taxes due from GM (f)		317
Other	**54**	50
Liabilities:		
Unsecured debt		
Notes payable to GM	**422**	60
Other	**2**	
Accrued expenses and other liabilities		
Wholesale payable	**1,000**	499
Subvention receivables (rate and residual support)	**(427)**	(309)
Lease pull ahead receivable	**(62)**	(62)
Other (payables) receivables	**42**	(100)
Preferred interests	**2,226**	2,195
Equity:		
Dividends to members (g)		9,739
Capital contributions received (h)	**1,033**	951
Preferred interest accretion to redemption value and dividends	**104**	295

(a) In November 2006, GMAC retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, GMAC provided a note to a trust, a wholly owned subsidiary of GM. The note is classified in Investment securities on our Condensed Consolidated Balance Sheet.

(b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest.

(c) Primarily represents loans with various affiliates of FIM Holdings.

(d) Includes vehicles, buildings, and other equipment classified as operating lease assets that are leased to GM-affiliated and FIM Holdings-affiliated entities.

(e) Includes borrowing arrangements related to our funding of GM company-owned vehicles, rental car vehicles awaiting sale at auction, our funding of the sale of GM vehicles through the use of overseas distributors, and amounts related to GM trade supplier finance program. In addition, we provide wholesale financing to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers in the UK, Italy, and Germany. The financing to GM remains outstanding until the title is transferred to the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels.

(f) In November 2006, GMAC transferred NOL tax receivables to GM for entities converting to an LLC. For all non-converting entities, the amount was reclassified to deferred income taxes on the Condensed Consolidated Balance Sheet. At December 31, 2006, this balance represents a 2006 overpayment of taxes from GMAC to GM under our former tax-sharing arrangement and was included in Accrued expenses and other liabilities on our Consolidated Balance Sheet. At June 30, 2007, this balance was included in Notes receivable from GM on the Condensed Consolidated Balance Sheet. The note bears interest at a fixed annual rate of 7% and is due in quarterly installments of interest only starting June 15, 2007, with one final payment of all unpaid amounts on December 15, 2007.

(g) Amount includes cash dividends of $4.8 billion and non-cash dividends of $4.9 billion in 2006. During the fourth quarter of 2006, in connection with the Sale Transactions, GMAC paid $7.8 billion of dividends to GM, which was composed of the following: (i) a cash dividend of $2.7 billion representing a one-time distribution to GM primarily to reflect the increase in GMAC s equity resulting from the elimination of a portion of our net deferred tax liabilities arising fr