Government Bailouts 101

In the 2008 financial crisis, the U.S. government "bailed out" a few U.S. corporations, including AIG and GM. Attached find financial statements and related documents for AIG and GM for their fiscal years ended December 31, 2008. Use them to prepare yourself to discuss the following questions:

1. Did the auditors make explicit any assumptions about the financial condition of AIG and GM in their opinions? Why or why not?
2. What was AIG's net loss in fiscal 2008? What were the principal items that led to that loss?
3. What was GM's net loss in fiscal 2008? What were the principal items that led to that loss?
4. What was AIG's cash flow from operations in 2008?
5. What was GM's cash flow from operations in 2008?
6. Compare the net losses with the cash flow from operations for AIG and GM. What were the major reasons for the difference between the two? What effect, if any, does the relation between net income and cash flow from operations have on your opinion as to the financial risks involved in bailing out these two companies?

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of American International Group, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of American International Group, Inc. and its subsidiaries (AIG) at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, AIG maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AIG's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. …

As discussed in Notes 1 and 23 to the consolidated financial statements, AIG has received substantial financial support from the Federal Reserve Bank of New York (NY Fed) and the United States Department of Treasury (US Treasury). AIG is dependent upon the continued financial support of the NY Fed and US Treasury.

…

/s/ PricewaterhouseCoopers LLP
New York, New York
March 2, 2009

Consolidated Balance Sheet

	December 31, 2008	December 31, 2007
	(In millions)	
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value (amortized cost: 2008 — $373,600; 2007 — $433,327)	**$ 363,042**	$ 437,675
Bonds held to maturity, at amortized cost (fair value: 2008 — $0; 2007 — $22,157)	**—**	21,581
Bond trading securities, at fair value	**37,248**	10,258
Securities lending invested collateral, at fair value (cost: 2008 — $3,906; 2007 — $80,641)	**3,844**	75,662
Equity securities:		
Common and preferred stocks available for sale, at fair value (cost: 2008 — $8,381; 2007 — $15,188)	**8,808**	20,272
Common and preferred stocks trading, at fair value	**12,335**	25,297
Mortgage and other loans receivable, net of allowance (amount measured at fair value: 2008 — $131)	**34,687**	33,727
Finance receivables, net of allowance	**30,949**	31,234
Flight equipment primarily under operating leases, net of accumulated depreciation	**43,395**	41,984
Other invested assets (amount measured at fair value: 2008 — $19,196; 2007 — $20,827)	**51,978**	59,477
Securities purchased under agreements to resell, at fair value in 2008	**3,960**	20,950
Short-term investments (amount measured at fair value: 2008 — $19,316)	**46,666**	51,351
Total investments	**636,912**	829,468
Cash	**8,642**	2,284
Investment income due and accrued	**5,999**	6,587
Premiums and insurance balances receivable, net of	**17,330**	18,395
Reinsurance assets, net of allowance	**23,495**	23,103
Trade receivables	**1,901**	672
Current and deferred income taxes	**11,734**	—
Deferred policy acquisition costs	**45,782**	43,914
Real estate and other fixed assets, net of accumulated	**5,566**	5,518
Unrealized gain on swaps, options and forward transactions, at fair value	**13,773**	14,104
Goodwill	**6,952**	9,414
Other assets, including prepaid commitment asset of $15,458 in 2008 (amount measured at fair value: 2008 — $369; 2007 — $4,152)	**31,190**	16,218
Separate account assets, at fair value	**51,142**	78,684
Total assets	**$ 860,418**	$ 1,048,36

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet — (Continued)

	December 31, 2008	December 31, 2007
	(In millions, except share data)	
Liabilities:		
Liability for unpaid claims and claims adjustment expense	**$ 89,258**	$ 85,500
Unearned premiums	**25,735**	27,703
Future policy benefits for life and accident and health insurance contracts	**142,334**	136,387
Policyholder contract deposits (amount measured at fair value: 2008 — $5,458; 2007 — $295)	**226,700**	258,459
Other policyholder funds	**13,240**	12,599
Commissions, expenses and taxes payable	**5,436**	6,310
Insurance balances payable	**3,668**	4,878
Funds held by companies under reinsurance treaties	**2,133**	2,501
Current and deferred income taxes	**—**	3,823
Securities sold under agreements to repurchase (amount measured at fair value: 2008 — $4,508)	**5,262**	8,331
Trade payables	**977**	6,445
Securities and spot commodities sold but not yet purchased, at fair value	**2,693**	4,709
Unrealized loss on swaps, options and forward transactions, at fair value	**6,238**	18,031
Trust deposits and deposits due to banks and other depositors (amount measured at fair value: 2008 — $30)	**4,498**	4,903
Commercial paper and extendible commercial notes	**613**	13,114
Federal Reserve Bank of New York commercial paper funding facility	**15,105**	—
Federal Reserve Bank of New York credit facility	**40,431**	—
Other long-term debt (amount measured at fair value: 2008 — $16,595)	**137,054**	162,935
Securities lending payable	**2,879**	81,965
Other liabilities (amount measured at fair value: 2008 — $1,355; 2007 — $3,262)	**22,296**	24,761
Separate account liabilities	**51,142**	78,684
Minority interest	**10,016**	10,522
Total liabilities	**807,708**	952,560
Commitments, contingencies and guarantees (See Note 14)		
Shareholders' equity:		
Preferred Stock, Series D; liquidation preference of $10,000 per share; issued: 2008 — 4,000,000	**20**	—
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued 2008 — 2,948,038,001; 2007 — 2,751,327,476	**7,370**	6,878
Additional paid-in capital	**72,466**	2,848
Payments advanced to purchase shares	**—**	(912)
Retained earnings (accumulated deficit)	**(12,368)**	89,029
Accumulated other comprehensive income (loss)	**(6,328)**	4,643
Treasury stock, at cost; 2008 — 258,368,924; 2007 — 221,743,421 shares of common stock (including 119,283,433 and 119,293,487 shares, respectively, held	**(8,450)**	(6,685)
Total shareholders' equity	**52,710**	95,801
Total liabilities and shareholders' equity	**$ 860,418**	$ 1,048,36

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income (Loss)

	Years Ended December 31, 2008	2007	2006
	(In millions, except per share data)		
Revenues:			
Premiums and other considerations	**$ 83,505**	$ 79,302	$ 74,213
Net investment income	**12,222**	28,619	26,070
Net realized capital gains (losses)	**(55,484)**	(3,592)	106
Unrealized market valuation losses on AIGFP super senior credit default swap portfolio	**(28,602)**	(11,472)	—
Other income (loss)	**(537)**	17,207	12,998
Total revenues	**11,104**	110,064	113,387
Benefits, claims and expenses:			
Policyholder benefits and claims incurred	**63,299**	66,115	60,287
Policy acquisition and other insurance expenses	**27,565**	20,396	19,413
Interest expense	**17,007**	4,751	3,657
Restructuring expenses and related asset impairment and other expenses	**758**	—	—
Other expenses	**11,236**	9,859	8,343
Total benefits, claims and expenses	**119,865**	101,121	91,700
Income (loss) before income tax expense (benefit), minority interest and cumulative effect of change in accounting principles	**(108,761)**	8,943	21,687
Income tax expense (benefit):			
Current	**1,706**	3,219	5,489
Deferred	**(10,080)**	(1,764)	1,048
Total income tax expense (benefit)	**(8,374)**	1,455	6,537
Income (loss) before minority interest and cumulative effect of change in accounting principles	**(100,387)**	7,488	15,150
Minority interest	**1,098**	(1,288)	(1,136)
Income (loss) before cumulative effect of change in accounting principles	**(99,289)**	6,200	14,014
Cumulative effect of change in accounting principles, net of tax	—	—	34
Net income (loss)	**$ (99,289)**	$ 6,200	$ 14,048
Earnings (loss) per common share:			
Basic			
Income (loss) before cumulative effect of change in accounting principles	**$ (37.84)**	$ 2.40	$ 5.38
Cumulative effect of change in accounting principles, net of tax	—	—	0.01
Net income (loss)	**$ (37.84)**	$ 2.40	$ 5.39
Diluted			
Income (loss) before cumulative effect of change in accounting principles	**$ (37.84)**	$ 2.39	$ 5.35
Cumulative effect of change in accounting principles, net of tax	—	—	0.01
Net income (loss)	**$ (37.84)**	$ 2.39	$ 5.36
Weighted average shares outstanding:			
Basic	**2,634**	2,585	2,608
Diluted	**2,634**	2,598	2,623

See Accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Years Ended December 31, 2008	2007 (In millions)	2006
Summary:			
Net cash provided by (used in) operating activities	**$ 755**	$ 35,171	$ 6,252
Net cash provided by (used in) investing activities	**47,484**	(67,834)	(66,914)
Net cash provided by (used in) financing activities	**(41,919)**	33,307	60,241
Effect of exchange rate changes on cash	**38**	50	114
Change in cash	**6,358**	694	(307)
Cash at beginning of year	**2,284**	1,590	1,897
Cash at end of year	**$ 8,642**	$ 2,284	$ 1,590
Cash flows from operating activities:			
Net income (loss)	**$ (99,289)**	$ 6,200	$ 14,048
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Noncash revenues, expenses, gains and losses included in income (loss):			
Unrealized market valuation losses on AIGFP super senior credit default swap portfolio	**$ 28,602**	$ 11,472	$ —
Net (gains) losses on sales of securities available for sale and other assets	**5,572**	(1,349)	(763)
Foreign exchange transaction (gains) losses	**(2,958)**	(104)	1,795
Net unrealized (gains) losses on non-AIGFP derivatives and other assets and liabilities	**23,575**	116	(713)
Equity in (income) loss from equity method investments, net of dividends or distributions	**5,410**	(4,760)	(3,990)
Amortization of deferred policy acquisition costs	**12,400**	11,602	11,578
Depreciation and other amortization	**3,523**	3,913	3,564
Provision for mortgage, other loans and finance receivables	**1,445**	646	495
Other-than-temporary impairments	**50,958**	4,715	944
Impairments of goodwill and other assets	**4,538**	—	—
Amortization of costs related to Federal Reserve Bank of New York credit facility	**11,218**	—	—
Changes in operating assets and liabilities:			
General and life insurance reserves	**11,787**	16,242	12,930
Premiums and insurance balances receivable and payable — net	**(258)**	(207)	(1,214)
Reinsurance assets	**(565)**	923	1,665
Capitalization of deferred policy acquisition costs	**(14,610)**	(15,987)	(15,486)
Investment income due and accrued	**364**	(401)	(249)
Funds held under reinsurance treaties	**(163)**	(151)	(1,612)
Other policyholder funds	**763**	1,374	(498)
Income taxes receivable and payable — net	**(8,992)**	(3,709)	2,003
Commissions, expenses and taxes payable	**(1)**	989	408
Other assets and liabilities — net	**(2,567)**	3,255	(444)
Trade receivables and payables — net	**(6,698)**	2,243	(198)
Trading securities	**2,746**	(2,850)	(7,936)
Net unrealized (gain) loss on swaps, options and forward transactions (net of collateral)	**(37,996)**	1,413	(1,482)
Securities purchased under agreements to resell	**16,971**	9,341	(16,568)
Securities sold under agreements to repurchase	**(3,020)**	(11,391)	9,552
Securities and spot commodities sold but not yet purchased	**(2,027)**	633	(1,899)
Finance receivables and other loans held for sale — originations and purchases	**(349)**	(5,145)	(10,822)
Sales of finance receivables and other loans — held for sale	**558**	5,671	10,603
Other, net	**(182)**	477	541
Total adjustments	**100,044**	28,971	(7,796)
Net cash provided by operating activities	**$ 755**	$ 35,171	$ 6,252

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows — (Continued)

	Years Ended December 31, 2008	2007	2006
		(In millions)	
Cash flows from investing activities:			
Proceeds from (payments for)			
Sales of fixed maturity securities available for sale and hybrid investments	**$ 104,099**	$ 87,691	$ 93,146
Maturities of fixed maturity securities available for sale and hybrid investments	**18,837**	44,629	19,686
Sales of equity securities available for sale	**10,969**	9,616	12,475
Maturities of fixed maturity securities held to maturity	**126**	295	205
Sales of trading securities	**29,909**	—	—
Sales of flight equipment	**430**	303	697
Sales or distributions of other invested assets	**17,314**	14,109	14,084
Payments received on mortgage and other loans receivable	**7,229**	9,062	5,227
Principal payments received on finance receivables held for investment	**12,282**	12,553	12,586
Funding to establish Maiden Lane III LLC	**(5,000)**	—	—
Purchases of fixed maturity securities available for sale and hybrid investments	**(115,625)**	(139,184)	(145,802)
Purchases of equity securities available for sale	**(8,813)**	(10,933)	(14,482)
Purchases of fixed maturity securities held to maturity	**(88)**	(266)	(197)
Purchases of trading securities	**(26,807)**	—	—
Purchases of flight equipment (including progress payments)	**(3,528)**	(4,772)	(6,009)
Purchases of other invested assets	**(18,641)**	(26,688)	(16,040)
Mortgage and other loans receivable issued	**(7,486)**	(12,439)	(8,066)
Finance receivables held for investment — originations and purchases	**(13,523)**	(15,271)	(13,830)
Change in securities lending invested collateral	**51,565**	(12,303)	(9,835)
Net additions to real estate, fixed assets, and other assets	**(1,289)**	(870)	(1,097)
Net change in short-term investments	**(3,032)**	(23,484)	(10,620)
Net change in non-AIGFP derivative assets and liabilities	**(1,444)**	118	958
Net cash provided by (used in) investing activities	**$ 47,484**	$ (67,834)	$ (66,914)
Cash flows from financing activities:			
Proceeds from (payments for)			
Policyholder contract deposits	**$ 47,296**	$ 64,829	$ 57,197
Policyholder contract withdrawals	**(69,745)**	(58,675)	(43,413)
Change in other deposits	**(557)**	(355)	266
Change in commercial paper and extendible commercial notes	**(12,525)**	(338)	2,960
Issuance of other long-term debt	**113,501**	103,210	71,028
Federal Reserve Bank of New York credit facility borrowings	**96,650**	—	—
Federal Reserve Bank of New York Commercial Paper Funding Facility borrowings	**15,061**	—	—
Repayments on other long-term debt	**(138,951)**	(79,738)	(36,489)
Repayments on Federal Reserve Bank of New York credit facility borrowings	**(59,850)**	—	—
Change in securities lending payable	**(76,916)**	11,757	9,789
Proceeds from issuance of Series D preferred stock and common stock warrant	**40,000**	—	—
Proceeds from common stock issued	**7,343**	—	—
Issuance of treasury stock	**12**	206	163
Payments advanced to purchase shares	**(1,000)**	(6,000)	—
Cash dividends paid to shareholders	**(1,628)**	(1,881)	(1,638)
Acquisition of treasury stock	**—**	(16)	(20)
Other, net	**(610)**	308	398
Net cash provided by (used in) financing activities	**$ (41,919)**	$ 33,307	$ 60,241
Supplementary disclosure of cash flow information:			
Cash paid during the period for:			
Interest	**$ 7,437**	$ 8,818	$ 6,539
Taxes	**$ 617**	$ 5,163	$ 4,693
Non-cash financing activities:			
Consideration received for preferred stock not yet issued	**$ 23,000**	$ —	$ —
Interest credited to policyholder accounts included in financing activities	**$ 2,566**	$ 11,628	$ 10,746
Treasury stock acquired using payments advanced to purchase shares	**$ 1,912**	$ 5,088	$ —
Present value of future contract adjustment payments related to issuance of equity units	**$ 431**	$ —	$ —
Non-cash investing activities:			
Debt assumed on acquisitions and warehoused investments	**$ 153**	$ 791	$ —

See Accompanying Notes to Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General Motors Corporation, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Corporation and subsidiaries (the Corporation) as of December 31, 2008 and 2007, and the related Consolidated Statements of Operations, Cash Flows and Stockholders' Equity (Deficit) for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements for the year ended December 31, 2008, have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Corporation's recurring losses from operations, stockholders' deficit, and inability to generate sufficient cash flow to meet its obligations and sustain its operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the consolidated financial statements, the Corporation: (1) effective January 1, 2008, adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (2) effective January 1, 2007, adopted the recognition and measurement provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*, (3) effective January 1, 2007, changed the measurement date for defined benefit plan assets and liabilities to coincide with its year end to conform to Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158), and (4) effective December 31, 2006, began to recognize the funded status of its defined benefit plans in its consolidated balance sheets to conform to SFAS No. 158.

As discussed in Note 4 to the consolidated financial statements, on November 30, 2006, the Corporation sold a 51% controlling interest in GMAC LLC, its former wholly-owned finance subsidiary. The Corporation's remaining interest in GMAC LLC is accounted for as an equity method investment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2009 expressed an adverse opinion on the Corporation's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Detroit, Michigan
March 4, 2009

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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

	Years Ended December 31, 2008	2007	2006
Net sales and revenue			
Automotive sales	$ 147,732	$ 177,594	$ 170,651
Financial services and insurance revenue	1,247	2,390	33,816
Total net sales and revenue	148,979	179,984	204,467
Costs and expenses			
Automotive cost of sales	149,311	165,573	163,214
Selling, general and administrative expense	14,253	14,412	13,650
Financial services and insurance expense	1,292	2,209	29,188
Other expenses	5,407	2,099	4,238
Total costs and expenses	170,263	184,293	210,290
Operating loss	(21,284)	(4,309)	(5,823)
Equity in loss of GMAC LLC (Note 9)	(6,183)	(1,245)	(5)
Automotive and other interest expense	(2,345)	(2,983)	(2,642)
Automotive interest income and other non-operating income, net	424	2,284	2,812
Loss from continuing operations before income taxes, equity income and minority interests	(29,388)	(6,253)	(5,658)
Income tax expense (benefit)	1,766	37,162	(3,046)
Equity income, net of tax	186	524	513
Minority interests, net of tax	108	(406)	(324)
Loss from continuing operations	(30,860)	(43,297)	(2,423)
Discontinued operations (Note 4)			
Income from discontinued operations, net of tax	—	256	445
Gain on sale of discontinued operations, net of tax	—	4,309	—
Income from discontinued operations	—	4,565	445
Net loss	$ (30,860)	$ (38,732)	$ (1,978)
Earnings (loss) per share, basic and diluted			
Continuing operations	$ (53.32)	$ (76.52)	$ (4.29)
Discontinued operations	—	8.07	0.79
Net loss per share basic and diluted	$ (53.32)	$ (68.45)	$ (3.50)
Weighted-average common shares outstanding, basic and diluted (millions)	579	566	566
Cash dividends per share	$ 0.50	$ 1.00	$ 1.00

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

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

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 13,953	$ 24,549
Marketable securities	13	2,139
Total cash and marketable securities	13,966	26,688
Accounts and notes receivable, net	7,711	9,659
Inventories	13,042	14,939
Equipment on operating leases, net	3,363	5,283
Other current assets and deferred income taxes	3,142	3,566
Total current assets	41,224	60,135
Financing and Insurance Operations Assets		
Cash and cash equivalents	100	268
Investments in securities	128	215
Equipment on operating leases, net	2,221	6,712
Equity in net assets of GMAC LLC	491	7,079
Other assets	1,567	2,715
Total Financing and Insurance Operations assets	4,507	16,989
Non-Current Assets		
Equity in net assets of nonconsolidated affiliates	1,655	1,919
Property, net	39,656	43,017
Goodwill and intangible assets, net	265	1,066
Deferred income taxes	98	2,116
Prepaid pension	109	20,175
Other assets	3,533	3,466
Total non-current assets	45,316	71,759
Total assets	$ 91,047	$ 148,883
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable (principally trade)	$ 22,236	$ 29,439
Short-term borrowings and current portion of long-term debt	15,754	6,047
Accrued expenses	35,921	34,024
Total current liabilities	73,911	69,510
Financing and Insurance Operations Liabilities		
Accounts payable	23	30
Debt	1,192	4,908
Other liabilities and deferred income taxes	607	875
Total Financing and Insurance Operations liabilities	1,822	5,813
Non-Current Liabilities		
Long-term debt	29,594	33,384
Postretirement benefits other than pensions	28,919	47,375
Pensions	25,178	11,381
Other liabilities and deferred income taxes	16,963	16,900
Total non-current liabilities	100,654	109,040
Total liabilities	176,387	184,363
Commitments and contingencies (Note 18)		
Minority interests	814	1,614
Stockholders' Deficit		
Preferred stock, no par value, authorized 6,000,000 shares, no shares issued and outstanding	—	—
Preference stock, $0.10 par value, authorized 100,000,000 shares, no shares issued and outstanding	—	—
$1 ^{2}/3 par value common stock (2,000,000,000 shares authorized, 800,937,541 and 610,483,231 shares issued and outstanding at December 31, 2008, respectively, and 756,637,541 and 566,059,249 shares issued and outstanding at December 31, 2007, respectively)	1,017	943
Capital surplus (principally additional paid-in capital)	15,755	15,319
Accumulated deficit	(70,610)	(39,392)
Accumulated other comprehensive loss	(32,316)	(13,964)
Total stockholders' deficit	(86,154)	(37,094)
Total liabilities, minority interests, and stockholders' deficit	$ 91,047	$ 148,883

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Years Ended December 31,		
	2008	2007	2006
Cash flows from operating activities			
Net loss	$ (30,860)	$ (38,732)	$ (1,978)
Less income from discontinued operations	—	4,565	445
Loss from continuing operations	(30,860)	(43,297)	(2,423)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) continuing operating activities			
Depreciation, impairments and amortization expense	10,014	9,513	10,885
Mortgage servicing rights and premium amortization	—	—	1,021
Goodwill impairment	610	—	828
Delphi related charges	4,797	1,547	500
Foreign currency (gain)/loss	(1,705)	661	337
Loss on sale of 51% interest in GMAC	—	—	2,910
Impairment of investments in GMAC Common and Preferred Membership Interests	8,100	—	—
Undistributed earnings of nonconsolidated affiliates	(727)	293	(135)
Provision for credit financing losses	—	—	1,799
Net gains on sale of credit receivables	—	—	(1,256)
Net gains on sale of investment securities	—	—	(1,006)
OPEB expense	(2,115)	2,362	3,567
OPEB payments	(3,831)	(3,751)	(3,802)
VEBA/401(h) withdrawals	1,355	1,694	3,061
Pension expense	4,862	1,799	4,911
Pension contributions	(1,067)	(937)	(1,032)
Retiree lump sum and vehicle voucher expense, net of payments	—	—	(325)
Net change in mortgage loans	—	—	(21,578)
Net change in mortgage securities	—	—	427
Provisions for deferred taxes	1,163	36,977	(4,166)
Change in other investments and miscellaneous assets	(366)	663	(477)
Change in other operating assets and liabilities, net of acquisitions and disposals	94	(3,412)	(8,512)
Other	(2,389)	3,395	2,116
Net cash provided by (used in) continuing operating activities	(12,065)	7,507	(12,350)
Cash provided by discontinued operating activities	—	224	591
Net cash provided by (used in) operating activities	$ (12,065)	$ 7,731	$ (11,759)

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(Dollars in millions)

	Years Ended December 31,		
	2008	2007	2006
Cash flows from investing activities			
Expenditures for property	$ (7,530)	$ (7,542)	$ (7,902)
Investments in marketable securities, acquisitions	(3,771)	(10,155)	(28,062)
Investments in marketable securities, liquidations	5,866	8,119	31,081
Operating leases, acquisitions	—	—	(17,070)
Operating leases, liquidations	3,610	3,165	7,039
Net change in mortgage servicing rights	—	—	(61)
Increase in finance receivables	—	—	(1,160)
Proceeds from sale of finance receivables	—	—	18,374
Proceeds from sale of 51% interest in GMAC	—	—	7,353
Proceeds from sale of discontinued operations	—	5,354	—
Proceeds from sale of business units/equity investments	232	—	10,506
Proceeds from sale of real estate, plants, and equipment	347	332	546
Capital contribution to GMAC	—	(1,022)	—
Investments in companies, net of cash acquired	(1)	(46)	(357)
Change in notes receivable	(430)	34	(36)
Change in restricted cash	(87)	23	(530)
Other	—	—	5
Net cash provided by (used in) continuing investing activities	(1,764)	(1,738)	19,726
Cash used in discontinued investing activities	—	(22)	(31)
Net cash provided by (used in) investing activities	(1,764)	(1,760)	19,695
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(4,100)	(5,749)	7,030
Borrowings on the UST Loan Facility	4,000	—	—
Borrowings of long-term debt	5,928	2,131	79,566
Payments made on long-term debt	(1,702)	(1,403)	(92,290)
Cash dividends paid to stockholders	(283)	(567)	(563)
Other	—	—	2,487
Net cash provided by (used in) continuing financing activities	3,843	(5,588)	(3,770)
Cash provided by (used in) discontinued financing activities	—	(5)	3
Net cash provided by (used in) financing activities	3,843	(5,593)	(3,767)
Effect of exchange rate changes on cash and cash equivalents	(778)	316	365
Net increase (decrease) in cash and cash equivalents	(10,764)	694	4,534
Cash and cash equivalents retained by GMAC upon disposal	—	—	(11,137)
Cash and cash equivalents at beginning of the year	24,817	24,123	30,726
Cash and cash equivalents at end of the year	$ 14,053	$ 24,817	$ 24,123

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2008, 2007 and 2006
(In millions)

	Shares of Common Stock	Capital Stock	Capital Surplus	Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balance at January 1, 2006	566	$ 943	$ 15,285		$ 2,749	$ (4,535)	$ 14,442
Net loss	—	—	—	$ (1,978)	(1,978)	—	(1,978)
Other comprehensive income (loss)							
Foreign currency translation adjustments	—	—	—	175	—	—	—
Unrealized loss on derivatives	—	—	—	(249)	—	—	—
Unrealized loss on securities	—	—	—	(504)	—	—	—
Defined benefit plans, net (Note 24)	—	—	—	(67)	—	—	—
Other comprehensive loss	—	—	—	(645)		(645)	(645)
Comprehensive loss				$ (2,623)			
Cumulative effect of a change in accounting principle — adoption of SFAS No. 158, net of tax	—	—	—		—	(16,946)	(16,946)
Cumulative effect of a change in accounting principle — adoption of SFAS No. 156, net of tax	—	—	—		(13)	—	(13)
Stock options	—	—	51		—	—	51
Cash dividends paid	—	—	—		(563)	—	(563)
Balance at December 31, 2006	566	943	15,336		195	(22,126)	(5,652)
Net loss	—	—	—	$ (38,732)	(38,732)	—	(38,732)
Other comprehensive income (loss)							
Foreign currency translation adjustments	—	—	—	1,000	—	—	—
Unrealized loss on derivatives	—	—	—	(38)	—	—	—
Unrealized loss on securities	—	—	—	(17)	—	—	—
Defined benefit plans, net (Note 24)	—	—	—	6,064	—	—	—
Other comprehensive income	—	—	—	7,009	—	7,009	7,009
Comprehensive loss				$ (31,723)			
Effects of accounting change regarding pension plans and OPEB plans measurement dates pursuant to SFAS No. 158, net of tax	—	—	—		(425)	1,153	728
Cumulative effect of a change in accounting principle — adoption of FIN No. 48, net of tax	—	—	—		137	—	137
Stock options	—	—	55		—	—	55
Conversion of GMAC Preferred Membership Interests (Note 9)	—	—	27		—	—	27
Cash dividends paid	—	—	—		(567)	—	(567)
Purchase of convertible note hedge (Note 15)	—	—	(99)		—	—	(99)
Balance at December 31, 2007	566	943	15,319		(39,392)	(13,964)	(37,094)
Net loss	—	—	—	$ (30,860)	(30,860)	—	(30,860)
Other comprehensive income (loss)							
Foreign currency translation adjustments	—	—	—	(1,155)	—	—	—
Unrealized loss on derivatives	—	—	—	(811)	—	—	—
Unrealized loss on securities	—	—	—	(298)	—	—	—
Defined benefit plans, net (Note 24)	—	—	—	(16,088)	—	—	—
Other comprehensive loss	—	—	—	(18,352)	—	(18,352)	(18,352)
Comprehensive loss				$ (49,212)			
Effects of GMAC LLC adoption of SFAS No. 157 and No. 159 (Note 9)	—	—	—		(76)	—	(76)
Stock options and other	—	—	32		1	—	33
Common stock issued for settlement of Series D debentures	44	74	404		—	—	478
Cash dividends paid	—	—	—		(283)	—	(283)
Balance at December 31, 2008	610	$ 1,017	$ 15,755		$ (70,610)	$ (32,316)	$ (86,154)

Note 2. Basis of Presentation

Going Concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. We have incurred significant losses from 2005 through 2008, attributable to operations and to restructurings and other charges such as support for Delphi and past, present and future cost cutting measures. We have managed our liquidity during this time through a series of cost reduction initiatives, capital markets transactions and sales of assets. However, the global credit market crisis has had a dramatic effect on our industry. In the second half of 2008, the increased turmoil in the mortgage and overall credit markets (particularly the lack of financing to buyers or lessees of vehicles), the continued reductions in U.S. housing values, the volatility in the price of oil, the recession in the United States and Western Europe and the slowdown of economic growth in the rest of the world created a substantially more difficult business environment. The ability to execute capital markets transactions or sales of assets was extremely limited, and vehicle sales in North America and Western Europe contracted severely and the pace of vehicle sales in the rest of the world slowed. Our liquidity position, as well as our operating performance, were negatively affected by these economic and industry conditions and by other financial and business factors, many of which are beyond our control. These conditions have not improved through January 2009, with sales of total vehicles for the U.S. industry falling to 657,000 vehicles, or a seasonally adjusted rate of 9.8 million vehicles, which was the lowest level for January since 1982. We do not believe it is likely that these adverse economic conditions, and their effect on the automotive industry, will improve significantly during 2009, notwithstanding the unprecedented intervention by governments in the United States and other countries in the global banking and financial systems.

Due to this sudden and rapid decline of our industry and sales, particularly in the three months ended December 31, 2008, we determined that, despite the far reaching actions to restructure our U.S. business, we would be unable to pay our obligations in the normal course of business in 2009 or service our debt in a timely fashion, which required the development of a new plan that depended on financial assistance from the U.S. Government. On December 31, 2008, we entered into a Loan and Security Agreement (UST Loan Agreement) with the United States Department of the Treasury (UST) pursuant to which the UST agreed to provide us with a $13.4 billion secured term loan facility (UST Loan Facility). We borrowed $4.0 billion under the UST Loan Facility on December 31, 2008, an additional $5.4 billion on January 21, 2009 and $4.0 billion on February 17, 2009. As a condition to obtaining the UST Loan Facility, we agreed to achieve certain restructuring targets within designated time frames as more fully described in Note 15.