

Addendum to Voluntary Employee Beneficiary Association (VEBA) Agreement:

New funding structure aids company viability

Background

Retiree medical benefits were one of the most significant issues addressed in 2007 bargaining. The 2007 National UAW-GM Agreement established a new Trust Fund (called a "Voluntary Employee Beneficiary Association" or "VEBA"), which is responsible for retiree medical benefits starting on January 1, 2010. The 2007 Agreement established a series of cash contributions by the Company to the VEBA, beginning on January 1, 2010.

As described in the letter at the front of this summary, GM today stands at the very brink of bankruptcy. Without government financial assistance, GM would certainly fail, with devastating consequences including massive plant closures and a probable liquidation of the company. In a liquidation, the VEBA funding would likely be completely eliminated, which could likely mean an immediate and permanent termination of all retiree medical coverage. In liquidation, the pension plan would also' certainly have been terminated, which would cause dramatic and painful reductions in pension benefits for many thousands of GM retirees. In order to avoid a liquidation, the government will be providing massive additional financial support to assist GM in completing its restructuring.

In order for GM to receive the necessary government support - which will allow the Company to complete its restructuring and continue operations into the future - we were required to support a series of changes to the retiree medical and VEBA agreements.

Tentative Agreement Restructures Future VEBA Funding Obligations

Existing Internal VEBA Assets Transferred on January 1, 2010. Along with the new payment structure described below, on January 1, 2010 the VEBA will receive the assets of an internal trust fund maintained at GM (called the "Internal VEBA"). The value of the assets in that fund is currently approximately \$10 billion. The Company had sought to use these assets to cover the cost of benefits prior to the January 1, 2010 implementation, which would have depleted these assets and diminished the cash balance in the New VEBA. We successfully resisted these efforts and so the New VEBA will receive the full value of these Internal VEBA assets on January 1, 2010 consistent with the approach outlined in the 2007 agreement.

The assets in the Internal VEBA have been invested by GM on the VEBA's behalf since January 1, 2008. The value of these assets has been negatively impacted by conditions in the investment market during 2008 and so far in 2009. These assets will continue to be invested during the balance of 2009 and will be transferred to the New VEBA on January 1, 2010.

New \$2.5 Billion Note. Under the new funding structure, the VEBA will receive a new Note, payable in cash, with a Principal Amount of \$2.5 billion. Cash payments under the new Note (including accrued interest) will be \$1.384 billion payable in 2013, 2015 and 2017.

New \$6.5 Billion in Preferred Stock. The VEBA will also receive Preferred Stock in the restructured company with a face value of \$6.5 billion. This Preferred Stock includes a 9 percent cash dividend payment structure, under which the VEBA will receive \$585 million annually for as long as it holds this stock.

VEBA to own Significant GM Common Stock. Another requirement of the Treasury Department loans was that a portion of the value received by the VEBA be in the form of common stock. To meet that requirement, the VEBA will receive 17.5 percent of the stock in the restructured company. The remaining stock will be allocated between other creditors of the company and the United States Government. The overall restructuring of GM will eliminate a tremendous portion of GM's other debt obligations. With a greatly improved balance sheet, as well as with the significant restructuring of business operations, there is a realistic prospect that the stock in the new company will represent significant value in the future. If and when that occurs, a significant portion of that value will be captured by the VEBA through this stock ownership.

Warrants. In addition to the direct ownership of the Preferred and Common Stock described above, the New VEBA will also receive a Warrant, which represents an additional 2.5 percent of the Common Stock of the new company, with a strike price determined by an aggregate \$75 million in equity value. This will allow the VEBA to realize additional value if the stock of the company exceeds that value at any point prior to expiration of the new Warrant.

The new VEBA agreement includes mechanisms for the VEBA to sell the Common and Preferred Stock, as well as

the new Warrants, to other parties under certain conditions.

Pension Pass Through Eliminated. One funding mechanism under the 2007 Agreement was called the "Pension Pass Through." Under that arrangement, the new VEBA was scheduled to impose an additional monthly contribution requirement, and the GM pension benefits were to increase in a corresponding amount. This mechanism has been eliminated and its value is instead reflected in the new Note and other instruments described above.

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The Future Outlook

In the early years of the VESA's existence, it is unlikely that the VEBA will be able to sell the GM stock. The new VEBA will therefore be required to use the \$10 billion in immediate contributions from the Internal VEBA at GM, along with the assets of the Mitigation VEBA and the \$585 million annual cash dividend payment on the Preferred Stock due in 2010 and 2011, to provide retiree medical benefits during 2010 and 2011. Because of the uncertainty regarding the long-term value of the GM stock, the Committee will likely be required to make further adjustments in the benefit levels for 2010 and 2011. The extent of those future adjustments will depend on many factors, including investment returns in the Internal and Mitigation VESA's during the remaining months of 2009.

If the GM stock can be sold in 2012 or thereafter for significant value, the Committee will be able to take that new value into account and restore some or all of the benefits that are being reduced under these arrangements. In other words, if the current restructuring efforts are successful and the company returns to viability, the UAW retirees stand to reap the benefit of that recovery through the VEBA's significant stock ownership.

Pension Plan Maintained

At various points in the process, the Company, the Government and other creditor groups argued that the pension plan covering UAW retirees should be terminated. The Plan's funding status has been negatively impacted by conditions in the stock and bond market, and GM's UAW Pension Plan is currently underfunded.

A pension termination would have been devastating on UAW retirees, since the government's pension insurance program does not guarantee full benefits. In particular, early retirees who are receiving the Social Security supplemental benefits would have seen very dramatic reductions in their pensions.

The Company also demanded that the pension plan be "frozen," which would have meant that employees would cease earning additional years of credited service, or that the UAW agree not to bargain to improve pension benefits over the next ten years.

We successfully fought these efforts to terminate, freeze or otherwise restrict the benefits payable under the pension plan for UAW retirees. The agreement requires that GM maintain the UAW pension plan without change, which means that retirees will continue to receive benefits at their current levels without interruption or reduction. We also did not agree to any limits on our ability to bargain over pension benefits in future negotiations.

Retiree Life Insurance and Legal Services Benefits

Both GM and the Treasury Department also argued that GM should eliminate its responsibility for retiree life insurance and legal services benefits, and that those benefits - if any - should be shifted to the VEBA. We successfully resisted those efforts. Both the Life Insurance and Legal Services benefits will remain the responsibility of GM and will continue in accordance with the current agreements covering those programs.

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Benefit	Change
Prescription Drug Co-Pays	Retail (34 day supply) • \$10 Generic • \$25 Brand Mail Order (90-day supply) • \$20 Generic • \$50 Brand
Catastrophic Plan for retirees and surviving spouses who fail to pay required monthly contributions	No longer offered. Retirees and surviving spouses currently in Catastrophic Plan will be given opportunity to join regular plan.
Coverage for Erectile Dysfunction (ED) medications (e.g. Viagra, Cialis, Levitra)	No longer offered, except in prior authorized cases of Pulmonary Arterial Hypertension
Coverage for the Proton Pump Inhibitor drug class (e.g. omeprazole, Prilosec, Zegerid, Nexium, Achiphex, Prevacid, Protonix)	No longer offered, except in prior authorized cases of Barrett's Esophagitis and Zoellinger-Ellison Syndrome
Vision Program	No longer offered
Dental Program	No longer offered
Emergency Room Co-Pay	\$100 (waived if admitted)
Medicare Part B Special Benefit (\$76.20 per month for retirees enrolled in Medicare)	No longer offered by health plan. This modification is not applicable to approximately 21,500 retirees and surviving spouses who retired or began receiving surviving spouse benefits before October 1979, and whose benefit is provided through the pension trust. The payments will continue for these pre-1979 retirees and surviving spouses.
"Low Income Retirees" (less than \$8,000 annual pension and monthly basic benefit rate of less than \$33.33)	Monthly contribution requirement of \$ 11 (flat rate regardless of family status) In all other respects, these retirees and surviving spouses will be included in same plan as other retirees and surviving spouses.
Monthly Contribution Requirements (General Retirees)	No Change (currently \$11/single and \$23/ family)
Deductible and Co-Pay Requirements (General Retirees)	No Change (currently \$164 annual deductible and \$273 annual (single) out-of-pocket maximum)
Sponsored Dependents and Principally Supported Children	Consistent with changes made to the active medical program, the retiree medical program will not allow the designation of new "sponsored dependents" or "principally supported children." The provisions allowing new dependents to be added as a result of adoption or legal guardianship will continue in effect.

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Mitigation VEBA Assets Transferred. Under the 2005 agreement, an independent VEBA is already operating and is responsible for providing dental benefits and certain "mitigation" payments (i.e. covering a significant portion of the co-pays, deductibles and contributions that retirees would otherwise be required to pay under the 2005 agreement). Under the 2007 Agreement, the assets in this existing independent VEBA (called the "Mitigation VEBA") will be transferred into the New VEBA on January 1, 2010. It is expected that the assets in the Mitigation VEBA will be approximately \$700 million on January 1, 2010 but the actual balance will depend on investment performance and other factors during the balance of 2009.

VEBA Committee can adjust benefits beginning in 2010: As under the 2007 Agreement, the VEBA will be governed by an 11-member Committee, including 5 members appointed by the UAW and 6 Independent Members. Under the 2007 Agreement, that Committee had the authority, starting on January 1, 2012, to adjust benefits so that benefit levels can be kept consistent with the assets in the Trust. Under the tentative agreement, the Committee will be allowed to make necessary benefit adjustments beginning when the VEBA assumes responsibility on January 1, 2010.

- The VEBA will have the right to designate a member of GM's Board of Directors, with UAW consent. The VEBA will be required to vote its GM shares in accordance with the direction of the Independent Directors on GM Board.

Immediate Changes in Benefit Levels Required

Under the 2007 Agreement, GM remained responsible for providing retiree medical benefits through the end of 2009, with the new VEBA taking over responsibility on January 1, 2010. In the discussions over the last several weeks, the Company sought an "early implementation" of this transition. Had we agreed to that approach, the assets of the VEBA would have been depleted to pay benefits for the remainder of 2009.

We succeeded in avoiding this depletion of the VEBA's assets during 2009, and GM will therefore continue to provide retiree medical benefits for the balance of 2009 until the new VEBA takes over responsibility. In exchange, however, the Treasury Department insisted that the benefits be immediately reduced to reflect GM's difficult financial situation. In order to maintain the support of the Government, therefore, we were required to agree to the changes in benefits detailed in the chart on page 13. These changes will be effective on July 1, 2009 (or later if court approval is delayed beyond that date).