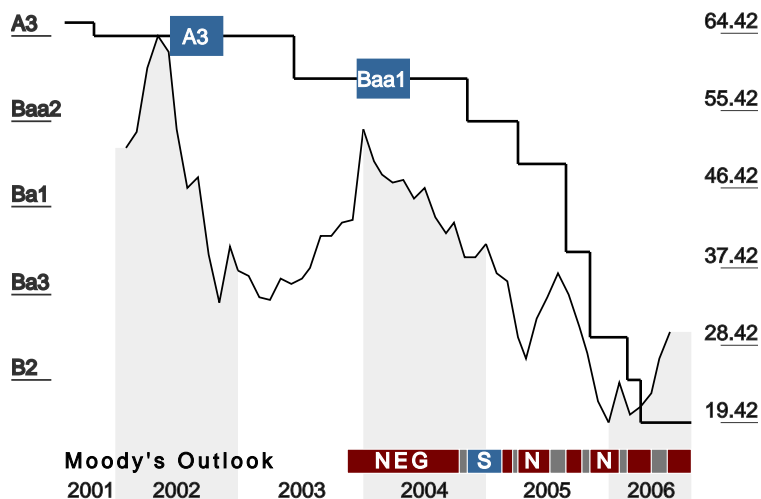


Moody's LT Rating **Caa1** | Last Close **31.20** | EPS **-19.49**

NYSE: **GM**

5-Year Price & Long-Term Credit Rating History



Engaged in automotive production and marketing, and financing and insurance operations. Designs, manufactures, and markets vehicles worldwide, having its largest operating presence in North America.

Key Indicators

	2002	2003	2004	[2] 2005
EBITA Margin	2.0%	2.1%	1.8%	-3.3%
EBIT / Interest Expense	1.5	1.3	0.9	-1.5
FCF / Debt	12.3%	18.9%	-1.5%	-10.0%
Debt / EBITDA	6	4.1	4	8.8
EBIT / Avg. Book Capital	-	8.7%	6.5%	-14.3%
Debt / Book Capital	136.8%	122.2%	103.1%	125.7%

[1] Excludes financial services. [2] Latest twelve months ended September 30.

Long-term Rating

Investment Grade **Non-Investment Grade**

Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Short-term Rating

SGL-1 SGL-2 **SGL-3** SGL-4

Issuers rated SGL-3 possess adequate liquidity. They are expected to rely on external sources of committed financing. Based on its evaluation of near-term covenant compliance, Moody's believes there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.

Rating Outlook

Positive **Negative** Stable Developing Under Review NOO RWR

A Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term.

Watch Status

Upgrade Downgrade Uncertain **Not on Watch**

Moody's uses watch status to indicate that a rating is under review for possible change in the short-term.

Moody's Opinion

Rating Rationale

On June 20th Moody's assigned a B2 rating to the secured tranches of the amended and extended secured credit facility of up to \$4.5 billion being proposed by General Motors Corporation (GM), affirmed the company's B3 corporate family and SGL-3 speculative grade liquidity ratings, and lowered its senior unsecured rating to Caa1 from B3. The assignment of a B2 rating to the secured credit facility (one notch above the B3 corporate family rating) reflects Moody's view that the borrowing base provisions of the proposed facility, in combination with the assets upon which lenders will have a first priority lien, would afford secured bank lenders with materially improved asset protection and recovery prospects relative to unsecured lenders. Assets included in the security package include certain US receivables and inventory, certain Canadian receivables and inventory, certain Canadian property plant and equipment, and 65% of the shares of Controladora GM - the parent company of GM's profitable Mexican operation General Motors de Mexico.

The downgrade of the unsecured debt reflects the diminution in the asset coverage that would be available to this class of creditors as a result of the granting of security to certain bank lenders. Moody's notes that under the terms of the proposed amendment and extension, lenders who vote in favor of the amendment will receive security in exchange for extending the maturity of their commitment to 2011, while lenders not voting in favor of the amendment will retain the original maturity date of June, 2008 but will remain unsecured. The rating agency said that any unsecured tranches of the credit facility would be rated Caa1, equivalent with the company's other unsecured debt.

The affirmation of GM's B3 corporate family rating reflects Moody's view that the granting of security to its bank lenders does not fundamentally alter the company's overall credit risk or expected loss profile. Rather, with expected loss



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representing the probability of default times the degree of loss experienced in the event of default, the granting of security represents a redistribution of the loss-given-default component among secured and unsecured lenders.

Moody's believes that ensuring access to a credit facility would modestly enhance GM's liquidity profile. The agency also views the company's recent extension of a buyout offer to Delphi's UAW employees as a constructive development that may lessen the likelihood of a strike at its largest supplier. Nevertheless, GM continues to face considerable near- and intermediate-term challenges that could result in further pressure on the company's rating. Over the near-term, GM must still achieve a resolution of the Delphi reorganization and materially reduce the current \$2 billion cost penalty associated with the current GM-Delphi business relationship. The company must also complete the sale of a majority interest in GMAC and receive the anticipated \$10 billion up front payment from the sale. These proceeds would add to GM's March 31 cash and short-term VEBA position of approximately \$22 billion, and would enhance the critical liquidity cushion needed to contend with intermediate-term operating challenges. These challenges include: stemming the loss in North American market share, preserving the profitability and market position of its T900 trucks and SUVs, funding large cash requirements associated with operating losses and buyout programs during 2006, and achieving a 2007 UAW contract that affords material relief from health care costs and the jobs bank program.

### Rating Outlook

GM's negative outlook reflects the considerable operating and financial challenges that GM will face through 2007, and the risk that adverse developments or lack of progress in addressing any of these key areas could result in downward pressure on the rating.



## Rating Definitions

## Long Term Obligation Ratings

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

*Moody's Long-Term Rating Definitions:*

- Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
- Aa** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
- A** Obligations rated A are considered upper-medium grade and are subject to low credit risk.
- Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
- Ba** Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
- B** Obligations rated B are considered speculative and are subject to high credit risk.
- Caa** Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
- Ca** Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C** Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

**Note:** *Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

## Short-Term Ratings

Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted. Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

- SGL-1** Issuers rated SGL-1 possess very good liquidity. They are most likely to have the capacity to meet their obligations over the coming 12 months through internal resources without relying on external sources of committed financing.
- SGL-2** Issuers rated SGL-2 possess good liquidity. They are likely to meet their obligations over the coming 12 months through internal resources but may rely on external sources of committed financing. The issuer's ability to access committed sources of financing is highly likely based on Moody's evaluation of near-term covenant compliance.
- SGL-3** Issuers rated SGL-3 possess adequate liquidity. They are expected to rely on external sources of committed financing. Based on its evaluation of near-term covenant compliance, Moody's believes there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.
- SGL-4** Issuers rated SGL-4 possess weak liquidity. They rely on external sources of financing and the availability of that financing is, in Moody's opinion, highly uncertain.

## Rating Outlooks

A Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term. Where assigned, rating outlooks fall into the following four categories: Positive (POS), Negative (NEG), Stable (STA), and Developing (DEV -- contingent upon an event). In the few instances where an issuer has multiple outlooks of differing directions, an "(m)" modifier (indicating multiple, differing outlooks) will be displayed, and Moody's written research will describe any differences and provide the rationale for these differences. A RUR (Rating(s) Under Review) designation indicates that the issuer has one or more ratings under review for possible change, and thus overrides the outlook designation. When an outlook has not been assigned to an eligible entity, NOO (No Outlook) may be displayed.

## Watchlist

Moody's uses the Watchlist to indicate that a rating is under review for possible change in the short-term. A rating can be placed on review for possible upgrade (UPG), on review for possible downgrade (DNG), or more rarely with direction uncertain (UNC). A credit is removed from the Watchlist when the rating is upgraded, downgraded or confirmed.

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