

GENERAL MOTORS CORP

Form 8-K

April 03, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report: April 2, 2006
(Date of earliest event reported)
GENERAL MOTORS CORPORATION
(Exact name of registrant as specified in its charter)**

Delaware
(State or other jurisdiction
of incorporation)

1-143
(Commission
File Number)

38-0572515
(I.R.S. Employer
Identification No.)

300 Renaissance Center, Detroit, Michigan
(Address of principal executive offices)

48265-3000
(Zip Code)

(313) 556-5000

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Press Release dated April 3, 2006

Materials presented to Investors dated April 3, 2006

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On April 2, 2006, General Motors Corporation (GM) and its wholly owned subsidiaries General Motors Acceptance Corporation, a Delaware corporation (GMAC), and GM Finance Co. Holdings Inc., a Delaware corporation (Holdco), entered into a Purchase and Sale Agreement (the Agreement) with FIM Holdings LLC, a Delaware limited liability company (Purchaser), pursuant to which GM will sell to Purchaser common limited liability company interests of GMAC representing 51% of the common limited liability company interests of GMAC (following its conversion to limited liability company form prior to the completion of the Acquisition) for a purchase price of \$7.353 billion, upon the terms and subject to the conditions set forth in the Agreement (the Acquisition). Purchaser is an investment vehicle formed for purposes of the Acquisition by Cerberus Capital Management, L.P., Aozora Bank Limited and Citigroup Inc. Changes in the net book value of GMAC as of the closing date of the Acquisition will require payments to be made between GM and GMAC in order to maintain the net book value at the contractually targeted level. In addition, Purchaser will purchase preferred limited liability company interests of GMAC for a cash purchase price of \$500 million and GM will use a portion of its proceeds to purchase preferred limited liability company interests of GMAC for a cash purchase price of \$1.4 billion.

Prior to consummation of the Acquisition, (i) certain assets with respect to automotive leases and retail installment sales contracts owned by GMAC and its affiliates having a net book value of approximately \$4 billion, will be divided to GM, (ii) GM will assume certain of GMAC 's post-employment welfare benefits, (iii) GMAC will transfer to GM certain entities which hold a fee interest in certain real properties, (iv) GMAC will pay dividends to GM in an amount up to the amount of GMAC net income prior to the Acquisition, (v) GM will repay certain indebtedness owing to GMAC and specified unsecured obligations owing to GMAC shall be no greater than \$1.5 billion and (vi) GMAC will make a one-time distribution to GM of approximately \$2.7 billion of cash to reflect the increase in GMAC 's equity value resulting from the elimination of a portion of GMAC 's net deferred tax liabilities arising from the conversion of GMAC and certain of its subsidiaries to limited liability company form. The total value of the cash proceeds and distributions to GM before it purchases preferred limited liability company interests of GMAC will be approximately \$14 billion, comprised of the \$7.4 billion purchase price, the \$4 billion of retained assets and the \$2.7 billion cash dividend.

The Acquisition is subject to the satisfaction or waiver of customary and other closing conditions, including, among other things, (i) the termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) receipt of other regulatory approvals and licenses, (iii) reasonable satisfaction by the members of Purchaser, pursuant to an agreement with or other writing from, the PBGC that, following the closing, GMAC and its subsidiaries will not have any liability with respect to the ERISA plans of GM, (iv) receipt of ratings for the senior unsecured long-term indebtedness of GMAC and Residential Capital Corporation, an indirect wholly owned subsidiary of GMAC, after giving effect to the transactions contemplated by the Agreement, of at least BB and BBB- (or their respective equivalents), respectively, and an A.M. Best rating for GMAC 's significant insurance subsidiaries of at least B++ and (v) that no material adverse effect will have occurred with respect to the business, financial condition or results of operations of GMAC, which includes any actual downgrading by any of the major rating agencies of GM 's unsecured long-term indebtedness rating below CCC or its equivalent.

The Agreement includes customary representations, covenants and mutual indemnification obligations. The Agreement may be terminated upon the occurrence of certain events, including the failure to complete the Acquisition by March 31, 2007. Pursuant to the Agreement, GM will retain an option, for 10 years after the closing of the Acquisition, to repurchase from GMAC certain assets related to the automotive finance business of the North American Operations and International Operations of GMAC, subject to certain conditions, including that GM 's credit ratings are investment grade or are higher than GMAC 's credit ratings.

The foregoing description of the Agreement and related matters is qualified in its entirety by reference to the Agreement, which is filed as Exhibit 2.1 hereto and incorporated herein by reference.

On April 3, 2006, GM issued a press release announcing the execution of the Agreement. The press release is attached as Exhibit 99.1 hereto and is incorporated by reference herein.

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Cautionary Statement

The Agreement has been included to provide investors with information regarding its terms. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the transaction described in this Form 8-K, the Agreement is not intended to be a source of factual, business or operational information about the parties.

The representations, covenants and agreements made by the parties in the Agreement are made as of specific dates and are qualified and limited, including by information in the disclosure schedules that were provided in connection with the execution of the Agreement. In addition, certain of the contractual representations are subject to a standard of materiality that may be different from what stockholders of GM may view as material to their interests. Representations may be used as a tool to allocate risks between the respective parties to the Agreement, including where the parties do not have complete knowledge of all of the facts. Investors in GM or GMAC securities are not third-party beneficiaries under the Agreement and should not rely on the representations and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties or any of their affiliates.

ITEM 8.01. Other Events

On April 3, 2006, GM will make a presentation to investors relating to the Acquisition. The presentation to investors is attached as Exhibit 99.2 and incorporated herein by reference.

Forward-Looking Statements

In this report and in related comments by management of GM, our use of the words expect, anticipate, estimate, forecast, initiative, objective, plan, goal, project, outlook, priorities, target, intend, evaluate, could, should, believe, potential, continue, designed, impact, or the negative of any of those words or similar expressions is intended to identify forward-looking statements. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable when made, these statements are not guarantees of any events or financial results, and GM's actual results may differ materially due to numerous important factors that may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

The ability of GM to realize production efficiencies, to achieve reductions in costs as a result of the turnaround restructuring and health care cost reductions and to implement capital expenditures at levels and times planned by management;

Receipt of regulatory approvals needed to complete the Acquisition;

The pace of product introductions;

Market acceptance of GM's new products;

Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on GM's pricing policies;

Our ability to maintain adequate liquidity and financing sources and an appropriate level of debt;

Restrictions on GMAC's and ResCap's ability to pay dividends and prepay subordinated debt obligations to us;

Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;

Costs and risks associated with litigation;

The final results of investigations and inquiries by the SEC;

Changes in our accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, including the range of estimates for the Delphi pension benefit guarantees, which could result in an impact on earnings;

Changes in relations with unions and employees/retirees and the legal interpretations of the agreements

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with those unions with regard to employees/retirees;

Negotiations and bankruptcy court actions with respect to Delphi's obligations to GM, negotiations with respect to GM's obligations under the pension benefit guarantees to Delphi employees, and GM's ability to recover any indemnity claims against Delphi;

Labor strikes or work stoppages at GM or its key suppliers such as Delphi or financial difficulties at GM's key suppliers such as Delphi;

Additional credit rating downgrades and the effects thereof;

The effect of a potential sale or other extraordinary transaction involving GMAC on the results of GM's and GMAC's operations and liquidity;

Other factors affecting financing and insurance operating segments' results of operations and financial condition such as credit ratings, adequate access to the market, changes in the residual value of off-lease vehicles, changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate, and changes in our contractual servicing rights;

Shortages of and price increases for fuel; and

Changes in economic conditions, commodity prices, currency exchange rates or political stability in the markets in which we operate.

In addition, GMAC's actual results may differ materially due to numerous important factors that are described in GMAC's most recent report on SEC Form 10-K, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

The ability of GM to complete a transaction regarding a controlling interest in GMAC while maintaining a significant stake in GMAC, securing separate credit ratings and low cost funding to sustain growth for GMAC and ResCap, and maintaining the mutually beneficial relationship between GMAC and GM;

Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on the Corporation's pricing policies;

Our ability to maintain adequate financing sources;

Our ability to maintain an appropriate level of debt;

The profitability and financial condition of GM, including changes in production or sales of GM vehicles, risks based on GM's contingent benefit guarantees and the possibility of labor strikes or work stoppages at GM or at key suppliers such as Delphi;

Funding obligations under GM and its subsidiaries' qualified U.S. defined benefits pension plans;

Restrictions on ResCap's ability to pay dividends and prepay subordinated debt obligations to us;

Changes in the residual value of off-lease vehicles;

Changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate;

Changes in our contractual servicing rights;

Costs and risks associated with litigation;

Changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;

Changes in the credit ratings of GMAC or GM;

The threat of natural calamities;

Changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and

Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations.

Investors are cautioned not to place undue reliance on forward-looking statements. GM undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

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ITEM 9.01. Financial Statements and Exhibits

Exhibit No.	Description
2.1	Purchase and Sale Agreement, dated as of April 2, 2006, by and among General Motors Corporation, General Motors Acceptance Corporation, GM Finance Co. Holdings Inc. and FIM Holdings LLC.
99.1	Press release dated April 3, 2006 issued by General Motors Corporation announcing the execution of the Purchase and Sale Agreement.
99.2	Materials presented to investors, dated April 3, 2006

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 3, 2006

GENERAL MOTORS CORPORATION

By: /s/ Peter R. Bible

Name: Peter R. Bible

Title: Chief Accounting Officer

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