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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	
	Chapter 11
MOTORS LIQUIDATION COMPANY, f/k/a GENERAL MOTORS CORPORATION, *et al.*,	Case No. 09-50026 (MG) (Jointly Administered)
Debtors.	
MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST, by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee,	
	Adversary Proceeding
Plaintiff,	
	Case No. 09-00504 (MG)
against	
JPMORGAN CHASE BANK, N.A., *et al*.,	
Defendants.	

DECLARATION OF NEIL S. BINDER
IN OPPOSITION TO DEFENDANTS' MOTION
FOR AN ORDER ESTOPPING PLAINTIFF FROM ASSERTING THAT
ASSETS LEFT WITH OLD GM SHOULD BE ASSIGNED KPMG OLV VALUES

I, Neil S. Binder, declare as follows:

1. I am a Partner with Binder & Schwartz LLP, counsel for plaintiff Motors Liquidation Company Avoidance Action Trust ("**Plaintiff**"), by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee. I make this declaration in support of Plaintiff's Opposition to Defendants' Motion for an Order Estopping Plaintiff from Asserting That Assets Left with Old GM Should Be Assigned KPMG OLV Values (the "**Motion**"). Capitalized terms not defined herein shall have the meaning ascribed to them in Plaintiff's Memorandum of Law in Opposition to the Motion.

2. Attached hereto as Exhibit A is a true and correct copy of an excerpt of the corrected Direct Testimony of David K. Goesling, dated as of April 14, 2017, the complete version of which was admitted into evidence in blackline form at the Representative Assets Trial.

3. Attached hereto as Exhibit B are true and correct copies of excerpts of the May 5, 2017 trial transcript from the Representative Assets Trial.

4. Attached hereto as Exhibit C is a true and correct copy of the transcript of the deposition of Patrick Furey (Volume 2) taken on October 15, 2018.

5. Attached hereto as Exhibit D is a true and correct copy of the memorandum regarding Fair Value Analysis of Certain Tangible Assets of General Motors, from KPMG to General Motors Management, dated October 26, 2009, Bates stamped KPMG-GM0092553 through KPMG-GM0092562, produced by KPMG in this action.

6. Attached hereto as Exhibit E is a true and correct copy of an excerpt from the Third Edition of Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, published by the American Society of Appraisers, the complete

version of which was admitted into evidence at the Representative Assets Trial as Plaintiff's Exhibit PX-0163.

7. Attached hereto as Exhibit F is a true and correct copy of an excerpt from the Expert Witness Report of David K. Goesling, issued November 23, 2016 and amended February 6, 2017, the complete version of which was admitted into evidence at the Representative Assets Trial as Exhibit A to the Direct Testimony of David K. Goesling.

8. Attached hereto as Exhibit G is a true and correct copy of an excerpt of the April 27, 2017 trial transcript from the Representative Assets Trial.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 9, 2018

/s/ Neil S. Binder
Neil S. Binder

Exhibit A

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

Chapter 11

MOTORS LIQUIDATION COMPANY, f/k/a GENERAL MOTORS CORPORATION, *et al.*,

Case No. 09-50026 (MG)
(Jointly Administered)

Debtors.

----------x

MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST, by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee,

Adversary Proceeding

Plaintiff,

Case No. 09-00504 (MG)

against

JPMORGAN CHASE BANK, N.A., *et al*.,

Defendants.

----------x

DIRECT TESTIMONY OF DAVID K. GOESLING

I, David K. Goesling, declare as follows:

1. I submit this declaration pursuant to the *Stipulation and Order Amending and Superseding Certain Prior Orders Regarding Discovery and Scheduling* entered by the Court on December 2, 2016. Adv. Pro. Dkt. No. 805. This declaration constitutes the direct testimony I would give if called to testify on behalf of the Motors Liquidation Company Avoidance Action Trust ("**Plaintiff**" or the "**Trust**").

2. On November 23, 2016, I submitted my initial expert report in this adversary proceeding setting forth my analysis, conclusions, and opinions in this matter. I amended my initial report on February 6, 2017 (as amended, the "**Goesling Initial Report**"). A true and correct copy of the Goesling Initial Report is attached hereto as Exhibit A. On December 21, 2016, I submitted my Appraisal Review Report (the "**Goesling Appraisal Review Rebuttal Report**"), which responds to the Retrospective Sampling Inspection and Appraisal Report that was submitted by Defendants' appraiser in this case, Carl C. Chrappa (the "**Chrappa Appraisal**"). A true and correct copy of the Goesling Appraisal Review Rebuttal Report is attached hereto as Exhibit B. Finally, on January 9, 2017, I submitted a rebuttal report (the "**Goesling Classification Rebuttal Report**"), which responded to certain analyses contained in the expert reports of Eric Stevens, John Buttermore, Daniel Deeds, Max Miller, John Thomas, and Steven Topping (the "Former GM Employee Reports"). A true and correct copy of the Goesling Classification Rebuttal Report is attached hereto as Exhibit C.

I. PROFESSIONAL BACKGROUND

3. I am a Managing Director in the Valuation & Financial Opinions Group at Stout Risius Ross ("**SRR**") and am currently a senior member of the Machinery & Equipment Group, after managing the group for more than nine years.

4. Prior to joining SRR, I was the president and owner of Sigma Appraisals, Inc., in Palatine, Illinois. Prior to the formation of Sigma Appraisals, Inc., I had served as Director of Corporate Services at Dovebid Valuation Services, Inc., Senior Manager of Valuation Services at KPMG, LLP, Senior Vice President at Valuation Counselors, Inc., and Vice President of Machinery and Equipment Appraisal at Merrill Lynch Business Brokerage & Valuation.

5. I have more than 35 years of experience performing valuations on behalf of a diverse client base for purposes including, but not limited to, financial reporting, federal income tax reporting, asset-based lending, property tax disputes, condemnation, leasing, insurance, litigation and bankruptcy. My appraisal work has involved valuation services to clients in various industries, including in the manufacturing (automotive, food, electronics, steel production, metalworking, pharmaceuticals, chemicals, textiles), communications (voice and data, television, print), mining, energy, transportation (rail, marine and trucking) and retail sectors.

6. I have extensive experience valuing tangible assets used in almost every area of automobile manufacturing and have previously appraised automotive manufacturing assets for purposes including bankruptcy reorganization (fresh-start accounting), mergers and acquisitions, property tax appeals, leasing and asset-based lending. Specifically, I have appraised automotive manufacturing assets used in the production of items ranging from small to large components (spark plugs, drum brake drums and pads, disc brake rotors and pads, door and window seals, leather seat coverings, wheels, transmission gears and housings, carpets and headliners) to subassemblies (electric motors, throttle bodies, instrument panels, seats, engines, transmissions, inner body structural components, and radiators) to entire vehicles, including automotive assembly plants in the United States, Germany, Belgium, and Romania. My clients have included Tier I and

Tier II components/subassembly suppliers and original equipment manufacturers (OEMs), including Ford, Chrysler, and Mitsubishi.

7. My appraisal experience includes numerous assignments that have required the sorting of tangible assets into real and personal property classifications.[1] I have often performed personal property valuations where tangible assets need to be classified into real and personal property categories, including purchase price allocations, goodwill and long-lived asset impairment valuations, property tax appeals, and condemnations.

8. Purchase price allocation refers to the allocation of the total purchase price paid by an acquiring entity for a business to the individual assets of the acquired business, typically for financial and/or tax accounting purposes. Because land is non-depreciable and other real property assets—including buildings, building improvements, and site improvements—have much longer lives than personal property, the classification of tangible assets as either real or personal property can have a significant impact on financial earnings and/or taxable cash flows. In addition, the Internal Revenue Code has different depreciation periods and rates depending on the property classification. Accordingly, purchase price allocation requires consideration of the different kinds of assets that constitute the acquired business, as well as a working understanding of the criteria used by the IRS to classify property as real or personal. Elements of my work in the purchase-price allocation context overlap with what I have been asked to do here, including consideration of whether an asset is essentially an item of machinery or equipment as commonly defined in the

[1] Appraisals first identify the subject assets being valued. For personal property appraisals, this requires a determination of what is and is not personal property. See, e.g., PX-0121 (2015 Duff & Phelps Shreveport appraisal for RACER) at DUFF00000127; PX-0123 (2012 Duff & Phelps appraisal for RACER) at DUFF00000041-42; PX-0124 (2013 Duff & Phelps appraisal for RACER) at DUFF00000092; PX-0239 (2013 Duff & Phelps Shreveport appraisal for RACER) at RT00006.

industry; whether the building in which an asset sits is used exclusively for certain specific manufacturing activities; and whether the use of the building is so closely related to the use of the asset that the building cannot effectively be used without the asset.

9. When SRR is hired to conduct an appraisal for a purchase price allocation, the personal property and real estate appraisers discuss and agree upon the classification of tangible assets after giving consideration to the client's historic classifications, performing physical inspection of the assets, and holding discussions with on-site personnel regarding the nature and use of the assets. In 2015 alone, SRR's personal property group performed more than 125 purchase price allocation appraisals. As a member of the personal property group, I was involved in approximately 50 of the purchase price allocation appraisals and participated in determining whether to classify an asset as personal or real property for tens of thousands of assets.

10. I have also appraised personal property for goodwill and long-lived asset impairment valuations. These appraisals, like purchase price allocation appraisals, require careful and accurate classification of real and personal property. In 2015 alone, SRR's personal property group performed more than 20 such goodwill and long-lived asset impairment valuations, and I was personally involved with eight of them.

11. Appraisals for property tax appeal purposes also require categorization of assets as real or personal property. Typically, the tax assessor will divide the real and personal property of a commercial or industrial facility into separate real estate and personal property parcels, allowing the taxing authority to apply various assessment factors, tax exclusions or exemptions, equalization rates, and tax multipliers. Accordingly, property tax appeals often turn on the accuracy of the tax assessor's classifications of real and personal property, as that determination affects not only the

value of the assets but also whether a particular group of assets is taxable at all. I have personally performed several dozen such appraisals of manufacturing assets for property tax appeal purposes.

12. When categorizing assets for tax appeal purposes, appraisers apply the legal standard for real property/fixtures of the relevant jurisdiction. For example, I have testified as an expert before the Michigan Tax Tribunal about whether assets at a food processing plant were properly considered real property/fixtures or personal property.[2] As with the purchase price allocation work described above, I considered the client's historic classifications, performed physical inspection of the assets, and consulted with on-site personnel regarding the nature and use of the assets. My analysis included consideration of whether each item (1) was actually attached to the realty or something appurtenant thereto; (2) was appropriated to the use or purpose of that part of the realty with which it was connected; and (3) was intended to be made permanent by the party that placed it on the property. In reaching my conclusion as to the intentions of the party, I considered the nature of the article affixed, the relation and situation of the party making the annexation, the structure and mode of annexation, the difficulty of removal, whether such removal would cause damage, and the purpose or use for which the annexation had been made. I have testified on four other occasions, as part of my valuation work in tax valuation disputes, as to whether assets should be classified as personal or real property.

13. Finally, valuation in the condemnation context typically requires the appraiser to classify property as movable personal property or real property in order to allow the court to determine just compensation. In a condemnation proceeding, for eminent domain purposes, a fixture is an item that is affixed to the realty and therefore condemned along with the realty. Again,

[2] PX-0058 (*Yoplait USA – General Mills v. City of Reed City*, Final Opinion and Judgment, Nov. 20, 2015).

the typical classification process involves reviewing the client's historic asset classifications, performing a physical inspection of the assets, and holding discussions with on-site personnel regarding the nature and use of the assets. The key criteria considered for condemnation appraisals are annexation and intention. Consideration is given to whether (and, if so, how) an asset is attached; and whether the asset, if removed, could generally be used elsewhere or whether removal would leave the part unfit for use. In condemnation proceedings, I have also considered whether the property owner intended to have permanent use of the item.

14. In short, I have extensive prior experience with machinery and equipment appraisals in which I have applied a fixture definition similar to the definition at issue here. I also have substantial experience applying real and personal property standards to a wide range of manufacturing assets. As explained below, application of the relevant fixture definition that was supplied to me by counsel in this action required me to consider criteria with which I have substantial experience.

15. I have provided expert testimony regarding appraisal matters in courts and other tribunals in Delaware, Illinois, Michigan, Oklahoma, Texas, Colorado and West Virginia, and I have successfully defended my valuations before the Internal Revenue Service and other third parties. Based on my more than thirty-five years of experience classifying and appraising manufacturing assets, I am competent to classify assets as real or personal property and as fixtures or non-fixtures, and to perform a valuation of the assets.

II. ASSET CLASSIFICATION

A. Asset Classification Assignment

16. In this litigation, I was asked to provide my opinion as to whether each of the 40 Representative Assets was or was not a fixture. As part of reaching that opinion, I also formed

369. In reaching my classification conclusion, I put weight on the fact that the GG1 Clearing Transfer Press was removed from Grand Rapids and sold separately before the Grand Rapids realty was sold, demonstrating that GM did not consider the GG1 Clearing Transfer Press to be part of the realty. Further evidencing GM's treatment of its presses, including the GG1 Clearing Transfer Press, as personal property, is the language in the leases discussed above relating to the Schuler and B3-5 Transfer Presses. Although Maynards sold this particular press for scrap, there is a secondary market for similar transfer presses illustrating the movement of similar presses. PX-0350 (Reviewed Asset Auction Lots) & PX-0348 (Similar Asset Auction Lots). I conclude based on my understanding of the equipment market in 2010 and the deposition testimony from Maynards that the lack of a sale for reuse was likely related to the old vintage and technology of the press coupled with the bad economic conditions in 2010, not because of a lack of a market for presses.

VI. VALUATION OF THE SURVIVING COLLATERAL

370. In addition to rendering an opinion as to the classification of each of the Representative Assets, I was also asked to provide an expert opinion of the value of the 40 Representative Assets as of June 30, 2009 (the "**Valuation Date**"), without regard to their classification. In other words, I appraised all 40 of the Representative Assets regardless of whether or not I classified the asset as a fixture.

371. My initial expert report that was submitted in this case, a copy of which is attached hereto as Exhibit A, sets forth in detail the process and assumptions that I employed in conducting my appraisal of the Representative Assets. I prepared my appraisal of the Representative Assets in conformance with the relevant sections of the current Uniform Standards of Professional Appraisal Practice ("**USPAP**") of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

372. The Competency Rule of USPAP mandates that, as a prerequisite for each assignment performed by an appraiser under USPAP, the appraiser must: (i) have the experience and ability to properly identify the valuation problem to be addressed; (ii) possess the knowledge and experience to complete the assignment competently; and (iii) have the ability to recognize and comply with the laws and regulations that apply to the specific valuation assignment. Prior to performing the appraisal of the Representative Assets, I analyzed the USPAP Competency Rule and, based on my experience and qualifications set forth in Section I above, determined that I was competent to perform the assignment.

A. Market Conditions on the Valuation Date

373. My appraisal was a retrospective appraisal, which valued the assets as of June 30, 2009.[21] In order to put my appraisal in the appropriate context, it is important to understand the state of affairs of Old GM at that time, as well as overall market conditions that impacted the values of automotive machinery and equipment as of the Valuation Date.

374. In June 2009, the United States was experiencing a large-scale financial crisis that threatened the country's financial system and the U.S. economy was in the worst condition it had been in for a very long time. In connection with my appraisal work, I examined the economic indicators that existed as of the Valuation Date and reviewed data about Gross Domestic Product, unemployment rates, the Industrial Production Index and U.S. light vehicle sales. A more detailed summary of my findings is set forth in Section III of my Initial Expert Report.

[21] Because my appraisal was a retrospective appraisal, I made the extraordinary assumption (as defined by USPAP) that, unless informed otherwise and except for normal physical deterioration, the observed condition of the assets that were inspected in May and June 2016 was not materially different than the condition as of the Valuation Date. If this assumption is found to be false, my appraisal of the Representative Assets could be affected.

375. As of the Valuation Date, much like the U.S. economy as a whole, the U.S. auto manufacturing industry was in deep trouble and had been for some time. There were several significant existing and emerging trends that impacted the vehicle manufacturing industry, including:

- *Increased competition from foreign-owned automakers*. For example, starting around the time of the 1979 global oil crisis, Japanese and other foreign automakers began to erode the U.S. market share of the domestic OEMs by importing vehicles into the U.S. Shortly thereafter, foreign manufacturers started to build U.S. plants – there have been at least 20 foreign-owned auto assembly or powertrain facilities build in the U.S. between 1980 and 2009. During that time frame, GM, Ford and Chrysler lost half of their domestic market share.

- *Passage of new legislation*. With the passage of new legislation requiring stricter average fuel economy standards, stricter safety standards, and tighter emissions standards, the OEMs were forced to invest capital in new technologies, including diesel applications and hybrid engines, which allowed the OEMs to comply with these increasingly stringent regulations.

- *Increased cost of raw materials*. Prior to the Valuation Date, there were significant increases in the global prices of aluminum, copper, lead, nickel, platinum, resins, and steel leading to increased pressures on the OEMs' profits.

- *Tightened credit markets*. Credit markets had become increasingly tight as of the Valuation Date, and restricted borrowing was preventing potential customers from buying new cars and light trucks in the U.S. and throughout the world.

376. Since mid-2007, the Big Three U.S. OEMs – including GM – were suffering. GM recorded a net loss of $38.7 billion in 2007 and $30.9 billion in 2008. In 2008, Chrysler, which had revenues that were only 1/3 of GM's revenues, lost $16.8 billion. And Ford's automotive operations lost $5.1 billion and $11.9 billion in 2007 and 2008, respectively.

377. General Motors' 2008 10-K filing with the SEC stated that due to goodwill impairments in 2008, it no longer had any goodwill on its balance sheet as of the end of 2008. The 10-K also contained the following statement:

> Our significant recent operating losses and negative cash flows, negative working capital, stockholders' deficit and the uncertainty of UST approval of the Viability Plan, the UST

> funding of the Viability Plan and successful execution of our Viability Plan, among other factors, **raise substantial doubt as to our ability to continue as a going concern**.[22]

378. In December 2008, Treasury announced that it would provide up to $13.4 billion in loans to General Motors using authority provided under the Troubles Asset Relief Program (TARP). The loan closed on December 31, 2008, and required General Motors to submit a detailed restructuring plan demonstrating long-term viability. In February 2009, General Motors presented its restructuring plan to Treasury. The plan reported considerable deterioration in the economic outlook and forecasted significantly worse U.S. auto industry volume for 2009 than previously predicted. At the end of March 2008, Treasury deemed the restructuring plan not viable and required GM to go back to the drawing board and create another plan.

379. On April 30, 2009, Chrysler filed for bankruptcy. With the support of Treasury, under Section 363 of the Bankruptcy Code, Chrysler sold most of its assets to a new entity in which Fiat had a 20% interest, the autoworker's union retirement health care trust (voluntary employee benefit association "VEBA") owned 55%, and the U.S. and Canadian governments were minority stakeholders.

380. By May 2009, General Motors successfully presented to Treasury a restructuring plan that President Obama deemed viable. The restructuring plan required about $30 billion of additional federal assistance to support the plan and contemplated the use of Section 363 of the Bankruptcy Code to "clear away the remaining impediments to its successful relaunch."[23]

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[22] Form 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the year ended December 31, 2008 General Motors Corporation, page 20.

[23] "FACT SHEET: Obama Administration Auto Restructuring Initiative General Motors Restructuring" 30 March 2009, U.S. Department of the Treasury, 30 March 2009, available at: https://www.treasury.gov/presscenter/pressreleases/ Pages/tg179.aspx.

381. On June 1, 2009, immediately after the Government's approval of GM's viability plan, GM filed for bankruptcy. Two days later, the Obama Administration provided a $30.1 billion Debtor-in-Possession loan to General Motors.

382. In sum, as of the Valuation Date, the U.S. economy was in dire straits and without the U.S. government's intervention, two of the former Big Three automakers would likely have been dissolved. With this as the backdrop, below I discuss my appraisal of the Representative Assets in greater detail.

B. The Appropriate Premise of Value

383. The first step in performing any appraisal is to determine the appropriate premise of value to use. Consideration of the highest and best use of an asset (or group of assets) dictates the appropriate premise of value to apply in valuing the property. Determining the highest and best use of the 40 Representative Assets includes an analysis of the current use and alternative uses of the property, considering what is legally permissible, physically possible, financially feasible, and maximally productive. The highest and best use of the property is a use that meets all four of these criteria.

384. With regard to the 40 Representative Assets, there appear to be no legal issues that would prevent the subject assets from being used in automotive manufacturing operations and the past use of the assets by Old GM demonstrates that it was physically possible to use all of the 40 Representative Assets in automobile manufacturing operations as of June 30, 2009, except perhaps for the Gas Cleaning System at Defiance. Thus, the focus of the highest and best use analysis for the appraisal of the Representative Assets is whether as of the Valuation Date, continued use of the assets was financially feasible and maximally productive.

385. Generally speaking, value can be broadly classified into the two premises of value: value in exchange and value in use. *See generally* Initial Expert Report at 334. Value in exchange

represents the amount that could be realized from a sale of the asset as if removed from use and available on the open market, and is often determined by consideration of actual sales of similar assets. On the other hand, appraising machinery and equipment under the in use premise requires adding the costs (direct and indirect) required to get the equipment installed in the plant and ready to operate to the market value of the asset. By adding these additional costs, the appraiser converts the market price of the asset to the in-use value of the asset.[24]

386. To value assets in continued use, the collective assemblage of the company's assets must have going-concern value and there must be an adequate return on investment to justify the continued use of the assets. Otherwise, the continued use of the assets is not considered to be "financially feasible" or "maximally productive" under the highest and best use analysis:

> A positive income stream indicates that the business enterprise is a going concern, with future benefits of ownership. **If the forecasted income stream is negative or zero, implying that the business is losing money, or at best breaking even, the assets must be valued under a premise of removal (net salvage). In theory, the assets should be deployed elsewhere to maximize their value**.[25]

387. In connection with my appraisal, I was asked to assume that, absent a substantial government subsidy, Old GM would have been unable to continue as a going concern. As part of understanding why I was asked to make this assumption, I reviewed the Expert Report of Daniel Fischel, which concluded, among other things, that there was "no basis to attribute any value related to Old GM's assets as part of a going concern" and, further "since there are insufficient cash-flows to support the operations of the firm, the value of the firm is estimated based on the prices one would expect to receive for the firm's assets as part of a disposition of those assets on

[24] PX-0163 (Machinery and Technical Specialties Committee of the American Society of Appraisers, *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*, 3d ed. (Washington, DC: American Society of Appraisers, 2011) (the "**ASA**")) at 117.

[25] PX-0163 (ASA) at 108 (emphasis added).

a piecemeal basis through the secondary markets." In addition to the support for the assumption that I found in Mr. Fischel's report, I note that the assumption that Old GM did not have going concern value on the Valuation Date also comports with my own understanding of the state of Old GM's business enterprise as of June 30, 2009, and the poor state of the automotive industry on the Valuation Date. Because Old GM's assets did not have value as part of a going concern as of the Valuation Date, value in exchange, which is based on the market prices that would be received from the sale of the assets on the secondary market, is the appropriate premise to use in a valuation of the Representative Assets and has been used in my analysis.

388. After selecting the appropriate premise of value – here, value in exchange – I then had to determine whether to apply Fair Market Value, Orderly Liquidation Value or Forced Liquidation Value. The primary consideration in selecting the applicable definition of value is the amount of time available for the sale of the asset or assets. Fair Market Value is defined as a situation where there is no compulsion to buy or sell, and thus no time limitation for the sale.[26] Orderly Liquidation Value is defined as: "[a]n opinion of gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date."[27] Finally, Forced Liquidation Value is appropriate in circumstances where a seller is forced to sell in a severely restricted timeframe, such as a quick sale auction occurring in 30 to 60 days.

[26] Specifically, Fair Market Value is defined in the M&E literature as "an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts." PX-0163 (ASA) at 10. In this Declaration, when I refer to Fair Market Value as a defined term, I am referring to the definition set forth in the ASA.

[27] PX-0163 (ASA) at 555.

389. Here, Old GM plainly was under compulsion to sell its assets. More than that, I think it is unreasonable to contend that Old GM did not have any compulsion to sell. GM was in bankruptcy and was on a tight timeframe to complete a 363 sale of most of its assets to avoid having to liquidate. As a managing director of Evercore Group, L.L.C., Old GM's financial advisors, stated in a sworn statement to the Bankruptcy Court:

> The availability of financing, or lack thereof, is a principal factor in GM's decision to pursue the 363 Sale. The combination of (a) the fact that no bona fide potential buyers other than Vehicle Acquisition Holdings LLC have expressed an interest in acquiring GM, (b) that there is no alternative source to finance a restructuring for GM, either in or out of bankruptcy, and (c) that the DIP Financing proposal offered by the U.S. Treasury and Export Development Canada is conditioned on the 363 Sale, support the Conclusion that **the Company is faced with a choice between the 363 Sale or the immediate liquidation of the business**.[28]

390. Under the Orderly Liquidation Value premise of value, the seller has a reasonable but limited amount of time to sell the assets. I determined that this was the most appropriate premise of value under the circumstances as of the Valuation Date (hereinafter, I refer to the Orderly Liquidation Value in exchange premise of value as "**OLV**"). More specifically, in appraising the Representative Assets, I assumed that Old GM would have between nine and eighteen months to dispose of the property.

391. Generally speaking, OLV is less than Fair Market Value because the concept behind Fair Market Value is that you can allow unlimited time for a sale to find the right buyer and maximize proceeds. "It is, however, possible for the value to be very close to fair market value, with the difference being that under the premise of orderly liquidation there is a limited period in which to sell. The seller is compelled to sell, although without the same sense of

[28] JX-0003 (Declaration of J. Stephen Worth, dated May 31, 2009 (Case No. 09-50026, Docket No. 3031) (emphasis added).

immediacy or urgency that is assumed in a forced liquidation."[29] Given how depressed the market for automotive machinery and equipment was at the end of June 2009, there was not a significant difference between buyers at the retail level and buyers at the wholesale level, thereby narrowing any potential gap between Fair Market Value and Orderly Liquidation Value. Further, because of the dire state of the market, an extended period of time would have been required – perhaps several years – to maximize the proceeds of the sale of each of the Representative Assets. When you consider the significant holding costs and other costs that would have been associated with keeping the equipment for an extended period of time while waiting for the perfect buyer, it is likely that Fair Market Value would have yielded about the same values as Orderly Liquidation Value and, in some cases, Fair Market Value may even have been lower.

392. To be clear, OLV is not a "fire sale" or foreclosure value of the assets, which would yield much lower values as a result of the associated time pressure of a sale. Specifically, there are usually two types of buyers of automotive assets: end users, who purchase the assets for their own use, and used machinery dealers or brokers, who purchase the assets in anticipation of future resale. End users are more likely to pay a higher price for automotive assets than speculative dealers, who must take into consideration holding costs, including warehousing; any necessary repair or rebuild; marketing; and warranty expense. The less time that a seller has to sell an asset, the more likely it is that the seller will be forced to sell to dealers or brokers at a lower price. In the absence of either end users or used machinery dealers, certain assets (or portions thereof) may be sold for scrap. Here, because I am applying OLV, I have assumed that the buyers would be a mix of end users, speculative purchasers, and scrap dealers. Had I used a Forced Liquidation Value

[29] PX-0163 (ASA) at 110-11.

premise, I would have assumed a higher percentage of speculative purchasers and scrap dealers, resulting in lower values for the assets.

393. It is my view that for purposes of this appraisal, OLV most closely approximates a market-based valuation of the Representative Assets. Of course, because my approach is a market-based approach, the state of the economy as of the Valuation Date had a significant impact on the value of Old GM's assets. As discussed above, as of the Valuation Date, the manufacturing sector was significantly affected by poor economic conditions. Many manufacturers had curtailed production and/or closed plants and investment in capital equipment had slowed dramatically. Liquidations of automotive machinery and equipment in early 2009 produced mixed results: machinery that had experienced good demand and marketability in the past had become difficult to sell and equipment remained unsold due to an excessive amount of similar assets available in the marketplace, a lack of buyer interest, or unreasonable expectations on the seller's part regarding the value of the assets.

394. In the next section, I discuss the appraisal techniques that I used to value the Representative Assets employing the OLV premise of value and discuss in greater depth the appraisal of each of the Representative Assets.

C. Appraisal Techniques

395. In order to determine the OLV of the Representative Assets, I considered the potential applicability of the three standard appraisal techniques: the Income Approach, the Cost Approach, and the Market (or sales comparison) Approach.

396. Although I considered the Income Approach, I ultimately determined that it was not an appropriate way to value the Representative Assets because it is not possible to reliably allocate earning capacity when valuing individual assets. Even when income or earnings for a business are known (or can be forecast), it is highly unlikely that some small portion of earnings

can be reasonably attributed to an individual piece of machinery. For that reason, the Income Approach is rarely used when valuing individual pieces of machinery.

397. Accordingly, I applied the Cost and Market Approaches, but ultimately determined that the Market Approach yielded the most accurate values and, where possible, relied on the Market Approach.[30]

398. I have made every effort to reach value conclusions that are supportable and representative of the automotive market as it was at the time, based on the best information available. In cases where there had been little or no recent activity involving transactions of similar equipment capacity, I have relied heavily on my experience, judgment, and opinion in reaching the value estimates. The assigned value estimates for the equipment are my best-informed opinion regarding the level of value at which a knowledgeable buyer would be motivated to purchase.

[30] "The used equipment market is an established means of buying and selling equipment. The used market consists of used machinery dealers, auctions, and public and private sales, and is often (but not always) the most reliable method of determining certain types of value for certain types of value for certain types of properties." PX-0163 (ASA) at 93.

1. The Cost Approach

399. To value the Representative Assets under the Cost Approach, I first determined the replacement cost new ("**RCN**") of the assets using the historic cost trending method. Under this method, a cost index, used to measure changes in prices over time, is applied to historical cost data to determine RCN. The reliability of the results in using the historic cost trending method depends heavily on the quality of the historical cost information used. I chose to apply this method because I believe that the costs and acquisition dates reported by General Motors in the eFAST system were accurate. The other methods for estimating RCN that I considered, but ultimately did not use in my analysis, are discussed in my Initial Expert Report. See pp. 336-37.

400. In order to calculate the RCN, I first segregated the Representative Assets into 15 different categories based on asset type, such as industrial furnaces, metal forming presses, cranes, etc. The cost of each item was then increased to a current cost using price indices from the United States Department of Labor's Bureau of Labor Statistics. A list of the indices and class codes used for each asset class is set forth in the table below:

Class Code	Asset Class	Cost Index Source	Producer Price Index
1 or 31	General Equipment	Bureau of Labor Statistics - Producer Price Index	WPU114
5	Software	Bureau of Labor Statistics - Producer Price Index	PCU511210511210502
7	CNC Machining Equipment	Bureau of Labor Statistics - Producer Price Index	WPU1137
8	Leasehold Improvements - Central States	Marshall Valuation Service	Class S Bldgs
11	Metal Forming Presses	Bureau of Labor Statistics - Producer Price Index	WPU1138
15	Cranes	Bureau of Labor Statistics - Producer Price Index	WPU114404
18	Conveyor Systems	Bureau of Labor Statistics - Producer Price Index	PCU333922333922
19	Switchgear and Electrical Equipment	Bureau of Labor Statistics - Producer Price Index	WPU1175
37	Metal Tanks	Bureau of Labor Statistics - Producer Price Index	PU1072
38	Industrial Furnaces, Kilns, Ovens	Bureau of Labor Statistics - Producer Price Index	PCU333994333994

40	QC/Test Equipment	Bureau of Labor Statistics - Producer Price Index	PCU334516334516
43	Concrete block and brick	Bureau of Labor Statistics - Producer Price Index	WPU1331
44	Process Piping	Bureau of Labor Statistics - Producer Price Index	WPU101706
45	Utilities	Bureau of Labor Statistics - Producer Price Index	PCU221

Exhibit D.1 to my Initial Expert Report summarizes the Cost Approach as applied to each of the Representative Assets and identifies the class code used for each asset. A table summarizing the information obtained from the cost indices is attached hereto as Exhibit E. The trend factor column in Exhibit D.1 to my Initial Expert Report is derived from dividing the price index for applicable class code for the base year (here, 2009 because that is the Valuation Date) by the price index for the year the asset was capitalized. To take one example, Representative Asset No. 4 (the ELPO Process Waste Lines), which was placed into service in 2006 and for which I have assigned a class code of 44 (process piping), to calculate the trend factor of 1.07, I would divide 215 (row N39) by 200.85 (row N36).

401. To the extent possible, I verified the accuracy of the trending analysis through discussions with industry equipment dealers, publicly available data, and recognized industry cost sources. Finally, I compared the trended costs to the cost of assets newly acquired in 2009 to further test the accuracy of the trending process.

402. Since the Representative Assets were not brand new as of the Valuation Date, all forms of accrued depreciation – physical deterioration, functional obsolescence and economic obsolescence – then had to be deducted from the RCN. The depreciation factors were derived from studies of actual retirements of similar assets, discussions with current manufacturers, and my experience with similar assets and the automotive industry more generally.

403. To estimate physical depreciation, I considered the following information regarding the appraised assets: age of the asset as of the Valuation Date, current physical condition, current utilization, operating history, maintenance history, and planned future utility. This information was collected during the physical inspection of the assets and/or through discussions with New GM personnel knowledgeable about the Representative Assets. For each of the Representative Assets, I was able to obtain information regarding the actual age of each asset through numerous sources, including, but not limited to, the eFAST asset listing, discussions with New GM personnel, and serial number research.[31] Next, I estimated the remaining useful life of each asset by subtracting the effective age of each asset from my estimate of the normal useful life of the asset. For example, looking at the first line of Exhibit D.1, Representative Asset No. 2, Pits and Trenches, I subtracted 2.9 from 35 to calculate a remaining useful life of 32.1 years. I then calculated one minus the remaining useful life (here, 32.1 years) divided by the normal useful life (35 years) times one hundred to arrive at the percentage of physical deterioration (here, approximately 8.4%:

$$\left[\left(1-\left(\frac{32.1}{35}\right)\right)x100\right]=8.4$$

One hundred minus the physical deterioration is called the "percentage good" of the asset, as reflected in Exhibit D.1.

404. Next, I considered the other two forms of depreciation: functional and economic obsolescence. Functional obsolescence is a loss in value attributable to the development of new

[31] Sometimes when conducting appraisals, I also estimate the effective age of assets based on a number of factors, including amount of use, regularity and extent of maintenance, and wear and tear. The effective age for a given asset may be more than, less than, or equal to, the actual age of the asset. In this case, except for the 100 ton furnace (Representative Asset No. 28), we did not have any factual information regarding the assets that would cause me to estimate the effective ages of the assets as different from the chronological ages.

technology that allows for more efficient or less costly replacement property. Economic obsolescence includes any economic or external factors that may have impacted the value of the assets. Signs of economic obsolescence can include: (i) reduced demand for a company's products; (ii) overcapacity in the industry; (iii) dislocation of raw material supplies; (iv) increasing costs of raw materials, labor, utilities, or transportation, while the selling price of the product remains fixed or increases at a much lower rate; (v) government regulations that require capital expenditures to be made, but offer no return on investment; and (vi) environmental considerations that require capital expenditures to be made, but offer no return on investment. The research I conducted for the Market Approach (discussed in detail below) indicated that as of the Valuation Date the market for manufacturing machinery was depressed, with little activity for many types of assets. Thus, additional depreciation was applied to account for economic obsolescence due to general market conditions.

405. The adjustment I made for obsolescence is based on discussions with equipment dealers, as well as a review and comparison of the values indicated under the Cost Approach (before obsolescence adjustments were made) to the value indicated by the Market Approach (discussed below).[32] The difference in the values determined by the two approaches has been deemed to be due to unmeasured functional and economic obsolescence since the market prices for similar assets takes into consideration advances in technology and external market factors. Using market prices to quantify economic obsolescence makes intuitive sense given that one would expect the market price of an asset to capture and reflect all of the extrinsic factors that impact the

[32] For any assets for which I was unable to locate market comparable transactions, I examined transactions involving assets with similar characteristics, and made any necessary adjustments, in order to estimate the obsolescence factor for those assets.

value of the asset. Thus, I adjusted the Cost Approach value indications to account for the additional depreciation that caused those differences in value.

406. For each of the Representative Assets, I quantified ~~the~~ deprecation due to physical deterioration and obsolescence (functional and economic), and deducted the total amount of depreciation from the RCN. Finally, I deducted the loss in value of installation and the cost of deinstallation in arriving at my indication of value under the Cost Approach for each asset. The adjustments for removal are based on estimates from knowledgeable industry experts, as well as my own experience with the installation and removal of similar assets. The depreciated value of installation costs was also deducted.

2. The Market Approach

407. In developing my opinion of OLV using the Market Approach, I considered the following three techniques to estimate the value of the assets: (1) a direct match of a recent sale in the used market; (2) a comparable match, which determined value based on the analysis of similar used equipment sales; and (3) the percent to cost technique.

408. For the direct match and comparable match techniques, values of the Representative Assets were estimated based on market prices in actual transactions and on asking prices for similar assets. After searching numerous sources and databases for sales or offerings of assets similar to the 40 Representative Assets, I selected the sales or offerings I deemed to be most comparable with the property being valued.[33] I then had to make adjustments to account for differences in factors such as time of sale, location, type, age, condition of the equipment and prospective use.

[33] For the convenience of the Court and the parties, attached hereto as Exhibit F is Exhibit E to the Goesling Initial Report, annotated to include references to PX exhibit numbers where appropriate.

409. The third technique, the percent to cost technique, involved an analysis of the ratio of used sales prices to the RCN of the asset, derived by reviewing transactions in assets similar to the 40 Representative Assets in nature and age. The relationships between age, selling price, and replacement cost were then analyzed to develop a percent to cost factor. These percent to cost factors were then applied to the cost of similar assets for which only limited or no market data was available. This procedure involves direct application of the percent to cost factor if the subject asset is of the same vintage and utility as the assets from which the factor was extracted. If the subject asset is similar but a different age, the appropriate percent to cost factor is developed through a relationship analysis. The percent to cost technique was used at least in part to estimate the market value of Representative Asset Nos. 1 (Shim Select and Placement Machine), 5 (Paint Mix and Circulation Electrical System), 11 (the Central Utilities Complex), 14 (the Leak Test System), 23 (Coolant Filtration System), 27 (Cupola No. 4 Emissions System), 34 (4 Speed Build Line), and 38 (the Gas Cleaning System).

410. I applied all three techniques in applying the Market Approach. In addition, in instances where there were no comparable sales of assets (or portions of assets), I considered whether there was any scrap value for the asset or a portion thereof. I also used these Market Approach techniques to validate and modify the results of the Cost Approach. Market data was obtained from *"Data Ref" Machinery & Equipment Pricing Guide*, by L & M Publications, and various new and used automobile machinery and equipment dealer websites. In addition, values were estimated on the basis of contact with manufacturers' representatives, used machinery dealers, internal databases, discussions with other knowledgeable experts, and my experience with cost/value relationships. The market data sources for each asset are set forth in the Goesling Initial Report in Exhibit A.

D. Reconciliation of Approaches

411. To the extent possible, the values indicated by the Cost and Market Approaches have been reconciled into a single conclusion of value for each asset. Based on my experience as an appraiser, I determined that the unique situation of the 40 Representative Assets as of the Valuation Date made it too difficult to reasonably estimate depreciation from all causes. When both approaches were applied, I placed all weight on the Market Approach indication of value.[34] It is my opinion that the Market Approach provides a far more reliable indication of value as of the Valuation Date, as the adjustments can be more reliably calculated to develop an indication of value as compared to the Cost Approach.

412. A chart summarizing the approaches to value and indicating which approach was ultimately applied is below:

Summary of OLV

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
1	100006527	GM POWERTRAIN WARREN TRANSMISSION	OP-150 SELECT; CHECK PLACE SHIMS AUTO STATION	14,500	3,000	3,000	Market Approach
2	100017544	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA PITS & TRENCHES	0	0	0	Cost Approach
3	100033438	GM POWERTRAIN WARREN TRANSMISSION	POWER ZONE ROLLER CONVEYOR AUTOMATION TCH MOD 3	23,000	3,000	3,000	Market Approach
4	100037892	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT BLDG LINES - PROCESS WASTE ELPO	0	0	0	Cost Approach
5	100037940	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT MIX & CIRCULATION - ELECTRICAL	105,150	152,000	152,000	Market Approach
6	100037954	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT DIP CONVEYOR - ELPO OVEN IMC	25,035	7,000	7,000	Market Approach

[34] I did not apply the Market Approach where I was unable to identify comparable sales transactions. In those circumstances, I had no alternative but to rely on the Cost Approach and to make necessary deductions to account for depreciation and obsolescence.

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
7	100038004	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT TC AUTOMATION SOFTWARE	0	0	0	Cost Approach
8	100038035	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA EOL PAINT SPOT REPROCESS SYS PAINT MIX ROOM	82,500	0	82,500	Cost Approach
9	100038119	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT TC2 CC BELL ZONE	263,400	0	263,400	Cost Approach
10	100041920	GM MFD LANSING REGIONAL STAMPING	OPTICELL - ROBOTIC MEASUREMENT SYSTEM	73,000	0	73,000	Cost Approach
11	100045909	GM ASSEMBLY LANSING DELTA TOWNSHIP	LANSING DELTA TOWNSHIP ASSEMBLY UTILITY SERVICES	2,625,000	2,367,000	2,367,000	Market Approach
12	100048169	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS ROBOT LAZN-150R1	30,100	25,000	25,000	Market Approach
13	100050513	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS WELD BUS DUCTS	650,000	681,000	681,000	Market Approach
14	100053677	GM POWERTRAIN WARREN TRANSMISSION	LEAK TEST BASE MACHINE QTY = 1	43,750	9,000	9,000	Market Approach
15	100060623	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA T/W: SOAP; MOUNT AND INFLATE	63,050	59,000	59,000	Market Approach
16	100061079	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS SKID CONVEYOR - LAZA	56,100	15,000	15,000	Market Approach
17	100061614	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS P&F CONVEYOR - BODY SIDE INNER LH DEL	37,250	24,000	24,000	Market Approach
18	100062269	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR: VERTICAL ADJUSTING CARRIER (VAC) SYS - CARRIERS (QTY 87)	91,800	59,000	59,000	Market Approach
19	100064667	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS CMM FULL BODY MACHINE - LY90	46,000	39,000	39,000	Market Approach
20	100065640	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR SUB-ASM RECEIVING (SAR): WTD1000 - WHEEL & TIRE DELIVERY	25,900	5,000	5,000	Market Approach
21	100066809	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR: SKILLET - FINAL - LEG 1	33,600	1,000	1,000	Market Approach
22	100069322	GM POWERTRAIN WARREN TRANSMISSION	FANUC M-710IB/70T ROBOT - ASSEMBLY	72,500	32,000	32,000	Market Approach
23	100070012	GM POWERTRAIN WARREN TRANSMISSION	ALUMINUM MACHINING SYSTEM	65,000	14,000	14,000	Market Approach
24	100071009	GM POWERTRAIN	LFS220 BASE SHAPING MACHINE-OP 20 TRANSFER DRIVE GEAR	160,000	224,000	224,000	Market Approach

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
		WARREN TRANSMISSION					
25	100071022	GM POWERTRAIN WARREN TRANSMISSION	LIEBHERR HOBB MACHINE FROM ST. CATHARINES	180,000	244,000	244,000	Market Approach
26	100095344	GM POWERTRAIN DEFIANCE	CORE DELIVERY CONVEYOR SYSTEM CB116 & 122	6,750	1,000	1,000	Market Approach
27	100098085	GM POWERTRAIN DEFIANCE	EMISSIONS SYSTEM #4 CUPOLA	386,500	131,000	131,000	Market Approach
28	100099125	GM POWERTRAIN DEFIANCE	100 TON VERTICAL CHANNEL HOLDING FURNACE	44,200	8,000	8,000	Market Approach
29	BF2016822 01	GM MFD GRAND RAPIDS	TRANSFER PRESS-GG-1	510,000	261,000	261,000	Market Approach
30	BGI20163301	GM MFD MANSFIELD	TP-14 CS1-1 TRANSFER PRESS DANLY ET-2	710,000	800,000	800,000	Market Approach
31	BUY11820901	GM MFD LANSING REGIONAL STAMPING	DANLY 4000 TON PRESS	540,000	276,000	276,000	Market Approach
32	BUYR503469FA	GM MFD LANSING REGIONAL STAMPING	AA-11 SCHULER #1 AA CROSSBAR TRANSFER PRESS	3,925,000	3,675,000	3,675,000	Market Approach
33	BUYR503481FA	GM MFD LANSING REGIONAL STAMPING	B3-5 TRANSFER PRESS SYSTEM INCL. DESTACKER AND EOL	3,250,000	2,400,000	2,400,000	Market Approach
34	NIT219381	GM POWERTRAIN WARREN TRANSMISSION	BUILD LINE W/FOUNDATION	17,500	45,000	45,000	Market Approach
35	NITC03340	GM POWERTRAIN WARREN TRANSMISSION	BUTTON UP AND TEST CONVEYOR SYSTEM	58,400	2,000	2,000	Market Approach
36	NITC03507	GM POWERTRAIN WARREN TRANSMISSION	HELICAL BROACHING EQUIPMENT	187,750	150,000	150,000	Market Approach
37	NITW0S11026A	GM POWERTRAIN WARREN TRANSMISSION	COURTYARD ENCLOSURE	0	0	0	Cost Approach
38	NJL2924414P	GM POWERTRAIN DEFIANCE	SYSTEM GAS CLEANING NO.4 CUPOLA	29,000	24,000	24,000	Market Approach
39	NJL2983009	GM POWERTRAIN DEFIANCE	CB 91 ROBOT	intentionally omitted			
40	NJL6084400	GM POWERTRAIN DEFIANCE	P & H 7 1/2 TON CHARGER CRANE 6E CUPOLA	25,000	10,000	10,000	Market Approach

E. Detailed Description of the Appraisal of Representative Asset No. 36 (Helical Broach) Under the Orderly Liquidation Value in Exchange Premise of Value

413. I am now going to walk through one example of the application of the Cost and Market Approaches to a single Representative Asset to help illustrate the steps followed in my analysis.

414. Representative Asset No. 36 (Asset ID NITC035071) is a vertical broaching machine located at the Warren Transmission plant (discussed above). Broaching is a metalworking operation that uses a toothed cutting tool to remove metal, much like a saw cuts through wood as it is pushed forward. The broaching machine pushes the cutting tool against a metal surface; each tooth on the tool is a little longer and removes a little more metal.

415. The subject broaching machine was manufactured by Federal Broach and was placed in service in June 2006 ("Federal Broaching Machine"). This is a powerful broach, with two stations and a broaching force of 450 kilonewtons, or approximately 45 tons. It is used to cut interior helical splines in transmission components. Based on the inspection of the Federal Broaching Machine in June 2016, it appears to be in good condition overall, and was likely in very good condition in June 2009.

1. The Cost Approach

416. Following the steps described above, I estimated the value of the Federal Broaching Machine using the Cost Approach:

ASSET ID NITC035071 HELICAL BROACHING EQUIPMENT COST APPROACH		
Original cost		$1,472,023

Date acquired			1-Jun-06
Cost indices applied	CNC Machining Equipment		
Cost Index	(Jan 2009)	173.8	
Cost Index	(2006)	163.4	
Trend Factor		(173.8/163.4)	1.0636
Trended RCN			$1,565,618
Normal Useful Life (years)		10	
Age (years)		3.1	
Calculated Remaining Useful Life		6.9	
Appraiser's estimated RUL		6.9	
Percent Good		(6.9 ÷ 10)	69.2%
RCN less depreciation			$1,083,407
Adjust for Installion and Removal			-30%
Adjust for functional obsolescence			0%
			$758,385
Estimated economic obsolescence			-75%
RCN less depreciation			$189,596
Rounded Cost Approach value indication			**$187,750**

417. Under the indirect Cost Approach method, the historic cost was indexed up to a reproduction cost of $1,565,618. I have assumed the effective age of the Broaching Machine is equal to its chronological age. Accordingly, physical deterioration is estimated to be approximately 30.8%.

418. Since the Federal Broaching Machine is being valued under a value in exchange premise, further reductions in value were made to account for the lost value of installation as well

as the cost of deinstallation that will be incurred by the buyer. The adjustment for lost installation value and deinstallation was estimated to be 30%.

419. No deduction in value has been made for functional obsolescence because a 3 year old machine tool such as the Federal Broaching Machine is unlikely to be significantly affected by changes in technology.

420. The final depreciation factor applied is economic obsolescence. The indicated value for the Federal Broaching Machine by the Cost Approach before consideration of EO is approximately $758,000. However, market research indicates that nearly identical machines sold on the open market for hundreds of thousands of dollars less than $758,000. The difference between $758,000 and the selling prices of similar machines is due to EO, which was estimated at 75%, based on the observed differences between the Cost Approach calculated value (before EO) and the selling prices for similar broaching machines.

2. The Market Approach Applied to Representative Asset No. 36

421. The Federal Broaching Machine described in the Cost Approach section was also valued by the Market Approach using the direct match and comparable match techniques. I located sales of two Federal broaching machines sold from Old GM's Ypsilanti, Michigan plant in August 2010. One sale was a 2006 Federal model 450Kn X 2250 MM, serial number 07-S-103, reported to be a 2007 vintage machine in good operating condition. *See* PX-0103 (List of assets to be sold at auction at Willow Run Transmission held on 8/3/2010). It was sold at auction for $150,000, even though it had a total installed cost of $1,535,729 when placed in service on September 15, 2007. I determined that this broaching machine is comparable in that it is essentially the same age as the subject Federal Broaching Machine and has the same capacity. An upward adjustment for conditions of sale was required because the comparable machine was sold at auction and auction prices are typically lower than orderly liquidation values. Finally, a 10% downward adjustment

was made to the comparable broaching machine to account for the used equipment market being somewhat better in August 2010 than as of the Valuation Date.

422. The second sale is also a Federal broaching machine, a 2004 model 90KN X 1000MM, serial number 04-S-102~~, with a working area of 56 cubic feet~~. *See* PX-0103 (List of assets to be sold at auction at Willow Run Transmission held on 8/3/2010). This machine was reportedly in good operating condition and sold for $100,000, even though it had a total installed cost of $476,728 when placed in service on September 1, 2005. This comparable broaching machine sale is older than the subject, so a small upward adjustment to the selling price is required for age and condition. Because the subject Federal Broaching Machine is more powerful than the comparable broaching machine, I adjusted the price of the comparable broaching machine up by 30% to account for its smaller capacity. The same upward adjustment for conditions of sale and downward adjustment for date of sale were made as with the other comparable broaching machine.

423. The Market Approach for Helical Broaching Machine is below:

	Subject Asset ID NITC03507	Comparable No. 1	Comparable No. 2
Description	Helical Broaching Machine	Helical Broaching Machine	Helical Broaching Machine
Manufacturer	Federal Broach	Federal Broach	Federal Broach
Model	450KN X 2250	450KN X 2250MM	90KN X 1000MM
Serial Number	12-S-105	07-S-103	04-S-102
Vintage	2006	2007	2004
Effective Age (Years)	3	3	6
Condition	Good	Good	Good
Other	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller
As of	6/30/2009	8/3/2010	8/3/2010
Consideration		150,000	100,000
Consideration Type		Sale Price (Auction)	Sale Price (Auction)
Source		MAYNARDS001952 (RACER Willow Run Auction)	MAYNARDS001952 (RACER Willow Run Auction)
Location	GM Powertrain Warren Transmission	GM - Ypsilanti, MI	GM - Ypsilanti, MI
Age/Condition			20%
Capacity			30%
Other equipment			
Financing terms			

Conditions of sale		10%	10%
Market conditions (sale date)		-10%	-10%
Indicated Orderly Liquidation Value	**150,000**	$150,000	$150,000

424. For this particular asset, the first comparable sale (listed in the chart as "Comparable No. 1") was an exact model match, meaning that no adjustments were required for physical characteristics. Because both comparable sales occurred on the same day, both were subject to the same adjustments for conditions of sale and market conditions. Because Comparable No. 1 broaching machine is such a close match physically, it is considered to be most comparable to the subject broaching machine, and so I relied on the value indicated by that sale.

3. Reconciliation of Cost and Market Approaches for the Helical Broach

425. For Representative Asset No. 36, discussed above, the value indicated under the Cost Approach was $187,750 and the value indicated under the Market Approach was $150,000. I concluded an Orderly Liquidation Value of $150,000 for the asset, relying exclusively on the Market Approach value indication because the comparable broaching machine was such a close match to the subject asset. I considered, but ultimately disregarded, the Cost Approach analysis because it required significant adjustments to account for economic obsolescence that would render the concluded value less reliable.

F. Appraisal Review of Mr. Chrappa's Appraisal and the Alternative Valuation

426. Defendants' appraiser, Carl C. Chrappa, values the Representative Assets using the Fair Market Value in Continued Use ("**FMVICU**") with Assumed Earnings premise of value for 38 of the 40 Representative Assets (the "Chrappa Report"). For all of the reasons set forth in my Appraisal Review Report attached hereto as Exhibit B, it is my opinion that Mr. Chrappa's premise, methodologies and value conclusions are wrong and generally unreliable.

427. While there were many flaws in Mr. Chrappa's approach, all of which are set out in detail in my Appraisal Review, his four most egregious errors include: (1) use of an inappropriate, unsupported premise of value; (2) failure to use the Market Approach for any of the Representative Assets; (3) failure to appropriately consider market conditions in connection with his Cost Approach; and (4) relying exclusively on inutility data in his calculation of economic obsolescence. Each of these errors is discussed in greater detail below.

1. Inappropriate, Unsupported Premise of Value

428. It is my opinion that Mr. Chrappa's use of FMVICU with Assumed Earnings as the premise of value was inappropriate in light of the circumstances that existed as of the Valuation Date. FMVICU with Assumed Earnings is defined as "an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification."[35] Mr. Chrappa's premise of value ignores the precarious financial condition of Old GM as of the Valuation Date and incorrectly applies "fair market value" in continued use even though Old GM had filed for bankruptcy and was clearly under compulsion to sell its assets. In my opinion, even if the Court determines that an in use valuation is appropriate for 38 of the Representative Assets, the proper premise of value would be Liquidation Value in Place ("**LVIP**")– not FMVICU (as defined by the ASA).

429. In response to Mr. Chrappa's flawed valuation of the Representative Assets on an in-use basis, I was asked to perform an alternative valuation in which I valued the Representative Assets using a LVIP premise of value. LVIP is defined as "an opinion of the gross amount,

[35] PX-0163 (ASA) at 10.

expressed in terms of money, that typically could be realized from a properly advertised transaction, with the seller being compelled to sell, as of a specific date, for a failed, non-operating facility, assuming that the entire facility is sold intact."[36]

430. In my alternative valuation, I assumed that the assets would have been sold by Old GM to a typical market participant, with full knowledge of all relevant facts, and paying for the assets with cash (or conventional financing), as installed and ready for use in the plants where they were located as of June 30, 2009.[37] In other words, the alternative valuation indicates the amount a typical buyer would pay as of the Valuation Date to purchase the Representative Assets in connection with a transaction to purchase all of the plants where the assets are located and assuming that the assets would be left in place at those plants. Since, in reality, there were no market purchasers and there was no market for the purchase of the Representative Assets in place on the Valuation Date, I consider my alternative valuation to be a hypothetical valuation because it uses conditions that are contrary to what is known about the market for automotive assets as of the Valuation Date. For all the reasons set forth above, I continue to believe that the appropriate premise of value is OLV because it is more consistent with actual market conditions as of the Valuation Date.

[36] PX-0163 (ASA) at 11.

[37] Mr. Chrappa does not use or even consider in his valuation the sale price paid by New GM in connection with the 363 sale, which is an implicit acknowledgement that the sale does not represent a market transaction. It is my understanding, confirmed by my review of Dan Fischel's opinion, that the 363 sale involved highly unconventional government financing, an unconventional government buyer, and a seller under significant duress. It is my opinion that a competent appraiser would never consider the 363 sale price as representative of fair market value.

2. Alternative Valuation: Liquidation Value in Place

431. Similar to the valuation that I conducted under the OLV premise of value, in estimating LVIP, I considered the potential applicability of the three standard appraisal techniques. I ultimately did not use the Income Approach because of the difficulty in determining the potential cash flow associated with the individual assets (or even with individual plants as a whole). Thus, I applied both the Cost and the Market Approaches and ultimately relied on the approach that I deemed to be most reliable for each Representative Asset.

a. Application of Cost Approach

432. My application of the Cost Approach for the alternative valuation involved the same basic steps described above: calculation of RCN using the historic cost trending method and then deducting for all forms of depreciation (physical depreciation and functional and economic obsolescence). There were two key differences in my application of the Cost Approach under an "in place" premise as compared to an "in exchange" premise.

433. First, when applying the Cost Approach to the in-exchange premise of value, I made a downward adjustment for the installation and removal of the asset, but for the in-place valuation, this adjustment was no longer necessary because the assets were to remain in place.

434. Second, because an in-place value is premised on a sale of an entire facility, while my calculations of physical depreciation for each asset remained the same, my calculation of functional and economic obsolescence used a different approach. As discussed in greater detail above, the research that I conducted indicated that, as of the Valuation Date, the market for manufacturing machinery was depressed, with little activity for many types of assets. In connection with my in-place valuation, it was necessary for me to determine what market conditions indicated to be the appropriate obsolescence factor in connection with the sale of an

entire, intact facility, as compared to the obsolescence factor appropriate to individual assets sold in exchange.

435. To estimate economic obsolescence for purposes of the alternative in-place valuation, I considered sales of two former GM assembly plants located in Shreveport, Louisiana and Wilmington, Delaware. These were instructive data points because both transactions involved market participants purchasing entire Old GM facilities with the manufacturing assets remaining in place. In order to quantify depreciation in each of these transactions due to economic obsolescence, I performed a Cost Approach analysis on all of the assets transferred in each transaction.

436. The first step in the analysis was to estimate RCN for each asset using the historic cost trending method described earlier. Next, depreciation due to physical deterioration and functional obsolescence was deducted from each asset's RCN. The aggregate RCN less physical deterioration and functional obsolescence for all of the assets at each facility was then compared to the respective selling price of each facility. The difference between the aggregate RCN less physical deterioration and functional obsolescence, on the one hand, and the selling price, on the other, is due to economic obsolescence. The economic obsolescence dollar amounts were then converted to a percentage of aggregate RCN less physical deterioration and functional obsolescence to derive an economic obsolescence factor to apply to the Cost Approach analysis of the 40 Representative Assets.

437. In February 2013, the former GM Shreveport, Louisiana assembly plant equipment was purchased by Elio Motors for $26.0 million.[38] The Shreveport plant was not acquired by New

[38] In the transaction with Elio, the real estate was sold separately from the personal property. PX-0297 (Purchase and Sale Agreement between RACER Trust and Elio Motors).

GM in the Section 363 sale; instead, it was retained by Motors Liquidation Company (Old GM) and leased to New GM for a 3-year term that expired in July 2012. Most of the equipment remained in place, with the exception of most of the stamping plant equipment. Elio Motors acquired the assets with the intention of using the plant to manufacture a low cost, three-wheeled vehicle. The following table provides a brief description of the physical characteristics of the facility, summarizes the Cost Approach analysis, and shows the derivation of the economic obsolescence imputed from the Shreveport facility transaction.

Obsolescence Estimation (2013 Sale of GM Shreveport)

General Property Information [a]				
Subject Property:	GM Assembly & Stamping Plant in Shreveport, Louisiana			
Year Built:	Original in 1978 (~1.5M S.F. paint shop & trim assembly), addition in 2002 (~1.8M S.F. - including general assembly and stamping plant).			
Main Property Features:	Main plant including assembly and stamping areas, associated paint shop and sludge building, wastewater treatment plant, and power house.			
M&E Included in Sale: (assumed installed)	Complete paint shop with applicators, paint mix system, paint booths, ovens, phosphate & ELPO system, and all necessary conveyance; complete assembly systems including robots, welding equipment, skillet/P&F/inverted conveyors, transfers, automated sub-assembly cells, testing equipment, hem presses, etc. (most stamping equipment was removed prior to sale).			
Total Floor Area (S.F.):		3,387,000		
Land Area (Acres):		530		
Total Sales Price:	$	33,500,000	[b]	(as of February 28, 2013)
Sales Price of M&E	*$*	*26,000,000*	[b]	
Sales Price of Premises	*$*	*7,500,000*	[b] →	*(implies $2.20 per S.F.)*
Estimation of Obsolescence - GM Shreveport				
********Assets and values shown below only consider machinery & equipment assets included in the sale********				
Number of assets (entries)		4,817		
Original Cost	$	446,085,544		
Net Book Value		n/a		
Weighted Average Age		12	[c]	
RCN	$	624,781,000	[c]	
RCN less physical deterioration & functional obsolescence	$	129,470,000	[c] →	
Obsolescence (GM Shreveport)		**80%**	=	1 - (26,000,000 / 129,470,000)

[a] GM Shreveport property information was obtained from Racer Trust marketing brochure for Shreveport found at: http://www.racertrust.org/files/shreveport-marketing-brochure.pdf (accessed December 15, 2016) (PX-0341).

[b] Based on information contained in RT01060 (PX-0279); RT04473 (PX-0377); RT04474 (PX-0378).

[c] Based on an analysis of the machinery & equipment assets included in the sale of GM Shreveport.

438. In July 2010, GM's Wilmington, Delaware assembly plant was sold to Fisker Automotive, Inc. for $20.0 million. The plant had been closed in late July, 2009, but the equipment remained intact and installed as it had been when in operation.[39] A press release from Fisker indicated that Fisker intended to use the Wilmington plant to manufacture a hybrid gas/electric automobile, beginning in 2012. The following table provides a brief description of the physical characteristics of the facility, summarizes the Cost Approach analysis, and shows the derivation of the economic obsolescence imputed from the Wilmington facility transaction.

[39] In the sale to Fisker Automotive, the real estate was sold separately from the personal property. PX-0333 (Closing Documents for Sale by Motors Liquidation Corporation to Fisker Automotive of Wilmington).

Obsolescence Estimation (2010 Sale of GM Wilmington)

General Property Information [a]				
Subject Property:	GM Assembly Plant in Wilmington, Delaware			
Year Built:	Original in 1947 (general assembly and former paint shop), various built outs through the years, addition in 1984 (new paint shop), major plant upgrade in 1996 (automation).			
Main Property Features:	Main plant including assembly, associated paint shop, wastewater treatment plant, and power house.			
M&E Included in Sale:	Complete paint shop with applicators, paint mix system, paint booths, ovens, phosphate & ELPO system, and all necessary conveyance; complete assembly systems including robots, welding equipment, skillet/P&F/inverted monorail conveyors, lifts, automated sub-assembly cells, testing equipment, mobile equipment, etc.			
Total Floor Area (S.F.):		2,500,000		
Land Area (Acres):		142		
Total Sales Price:	$	20,000,000	[b]	(as of July 13, 2010)
Sales Price of M&E (est)	*$*	*16,250,000*	[c] →	*(residual sales price after premise estimate)*
Sales Price of Premises (est)	*$*	*3,750,000*	[d] →	*(estimate based on $1.50 per S.F.)*
Estimation of Obsolescence - GM Wilmington				
******Assets and values shown below only consider machinery & equipment assets included in the sale******				
Number of assets (entries)		4,849		
Original Cost	$	475,707,494		
Net Book Value	$	28,807,178		
Weighted Average Age		15	[e]	
RCN	$	676,553,000	[e]	
RCN less physical deterioration & functional obsolescence	$	122,587,000	[e] →	
Obsolescence (GM Wilmington)		**87%**	=	1 - (16,250,000 / 122,587,000)

[a] As shown in Exhibit B to the Goesling Appraisal Review Rebuttal Report
[b] Based on information contained in RT00969. (PX-0333)
[c] Estimated sales price attributable to machinery & equipment based on the total sales price less the estimated price of the "premises".
[d] Estimated sales price attributable to the "premises" (assumed to include land, building, and certain improvements) based on SRR's previous valuations of GM properties held by the RACER Trust. The above amount is based on a selling price of $1.50 per square foot multiplied by 2.5 million square feet.
[e] Based on an analysis of the machinery & equipment assets included in the sale of GM Wilmington.

439. From my analysis of these two sales of Old GM plants with the manufacturing assets in place, I determined that aggregate economic obsolescence ranged from 80% to 87% of RCNLD. However, since the two sales occurred one year and three-and-one-half years after the Valuation Date, respectively, when market conditions were generally considered to be better, I made modest upward adjustments to the EO penalties to account for the improvement in market conditions after the Valuation Date. I adjusted up the Shreveport EO from 80% to 85%, and adjusted up the Wilmington EO from 87% to 90%.

440. I then checked this economic obsolescence number on the asset level by looking at commonly traded assets valued by the Market Approach. I made adjustments to the comparable sales information collected for my initial November 23 report to account for differences in physical characteristics and conditions of sale. I also adjusted the comparable sales to account for installation. The in-place values determined by the Market Approach were then compared to the RCN less physical deterioration and functional obsolescence for those assets to estimate economic obsolescence.

Obsolescence Estimation (Certain of the 40 Representative Assets)

Asset ID	Description	RCNLD	Estimated LVIP	Obsolescence
100048169	BS ROBOT LAZN-150R1	$ 61,701	$ 29,000	53%
100064667	BS CMM FULL BODY MACHINE - LY90	272,382	58,000	79%
BUY11820901	DANLY 4000 TON PRESS	1,265,262	356,000	72%
NJL2983009	CB 91 ROBOT	138,160	14,000	90%
100069322	FANUC M-710IB/70T ROBOT - ASSEMBLY	228,883	55,000	76%
100071009	LFS220 BASE SHAPING MACHINE-OP 20 TRANSFER DRIVE GEAR	811,466	274,000	66%
NITC03507	HELICAL BROACHING EQUIPMENT	1,041,517	200,000	81%
100071022	LIEBHERR HOBB MACHINE FROM ST. CATHARINES	1,034,846	298,000	71%
	Total Value	**$ 4,854,217**	**$ 1,284,000**	
	Obsolescence (Certain of the 40 Representative Assets)			**74%**

441. From the individual asset analyses, a wider range of economic obsolescence was determined to be present (74% to 87%) than that indicated by the two complete plant sales (80% to 87%). It is my opinion that the range is attributable to several factors. First, some of the assets are more desirable than others because they fulfill more universal functions, and so have more utility to more potential buyers. Second, some of the assets were less desirable simply because they are older and are likely to need more maintenance, or are simply out of fashion. Based on the plant sales and individual asset sales, a range of economic obsolescence factors has been developed to allow for application of economic obsolescence to the 40 Representative Assets on an individual

basis. The following table summarizes the economic obsolescence factors developed, and how they have been applied to the different assets as of the Valuation Date.

Conclusion of Obsolescence Range

Consideration	Indicated Obsolescence	Adjustment [a]	Adjusted Obsolescence
2013 Sale of GM Shreveport	80%	5%	85%
2010 Sale of GM Wilmington	87%	3%	90%
Certain of the 40 Representative Assets	74%	0%	74%
Concluded Range of Obsolescence		**70%** **to**	**95%**

Relevant asset and asset group examples of how the obsolescence range is intended to be applied.

newer more desirable	→	*older and less desirable*
new transmission plant	→	*old foundry*
common and flexible use	→	*highly specialized application and use*

[a] Adjustments to Indicated Obsolescence are based on Exhibit E.35 (Sales Comparable Market Condition Adjustments) in Expert Witness Report of David K. Goesling, issued on November 23, 2016. Comparable sales during 2013 are estimated on average to have a sales price 25% greater than on June 30, 2009. Similarly, comparable sales during 2010 are estimated on average to have a sales price 10% greater than on June 30, 2009.

442. As illustrated by the chart below, which calculates the LVIP of Representative Asset No. 36 (the Helical Broach) using the Cost Approach, the only difference in applying the Cost Approach under the two difference premises of value is eliminating the deduction for installation and removal costs and the way in which economic obsolescence is calculated.

ASSET ID NITC035071 HELICAL BROACHING EQUIPMENT COST APPROACH			
Original cost			$1,472,023
Date acquired			1-Jun-06
Cost indices applied	CNC Machining Equipment		
Cost Index	(Jan 2009)	173.8	
Cost Index	(2006)	163.4	
Trend Factor		(173.8/163.4)	1.0636
Trended RCN			$1,565,618
Normal Useful Life (years)		10	
Age (years)		3.1	
Calculated Remaining Useful Life		6.9	
Appraiser's estimated RUL		6.9	
Percent Good		(6.9 ÷ 10)	69.4%
RCN less depreciation			$1,086,539
Adjust for functional obsolescence			0%
			$1,086,539
Estimated economic obsolescence			-75%
RCN less depreciation			$271,635
Rounded Cost Approach value indication			**$270,000**

443. An asset-by-asset breakdown of the application of the Cost Approach to each Representative Asset, including the economic obsolescence factor that I applied, is set forth in Exhibit C to my Goesling Appraisal Review Rebuttal Report.

b. Application of Market Approach

444. My application of the Market Approach was very similar for both my in-exchange and in-place valuations: I considered and applied the same three techniques (direct match, comparable match, and percent to cost) in order to arrive at market values for the Representative Assets.

445. In general, for purposes of the in-use alternative valuation, I used the same market data (direct and comparable matches) for the Representative Assets. However, switching from an in-exchange premise of value to an in-place premise of value changed the relevance and applicability of some of the market data. Specifically, for assets that cannot be sold in their entirety, but portions of which can be sold in the market, I typically used the Market Approach to value the saleable portions of such assets for the in-exchange valuation. However, using an in-use premise of value, I had to consider the asset in its entirety. If there was no comparable market data for any of the assets in their entirety, I used the Cost Approach to assign a value to such assets under the LVIP premise. In addition, under my in-exchange appraisal, I considered scrap value as part of the Market Approach for certain assets either in addition to the comparable sales, or in cases where comparable sales did not exist. Since the in-place premise assumes that the assets remain in place, I did not consider scrap value as part of the Market Approach for the LVIP valuation. Because there were fewer market comparables available to conduct the in-place valuation, by necessity, I applied the Market Approach less frequently than I did under in connection with the OLV valuation.

446. For any Representative Assets for which I used the Market Approach to estimate the value both under OLV and LVIP, the only difference in the calculation was a final, upward adjustment for removal and installation costs for LVIP. This final adjustment is necessary because buyers in the market who purchase the assets "as is, where is" with the intention of moving them elsewhere will deduct estimated costs of removal and installation of the asset that they are purchasing from the market price they are willing to pay. Since the LVIP valuation is meant to approximate a market price for the installed asset, this final adjustment brings the market price in line with an in-place value of the asset.

447. As illustrated below, applying the Market Approach to Representative Asset No. 36 (the Helical Broach) under the LVIP premise leads to the same indicated value as under the OLV premise because it relies on the same sales comparables and makes the same adjustments to the market prices. What makes the LVIP value for this asset higher is the additional $20,000 for removal costs and $30,000 for installation costs.

	Subject Asset ID NITC03507	Comparable No. 1	Comparable No. 2
Description	Helical Broaching Machine	Helical Broaching Machine	Helical Broaching Machine
Manufacturer	Federal Broach	Federal Broach	Federal Broach
Model	450KN X 2250	450KN X 2250MM	90KN X 1000MM
Serial Number	12-S-105	07-S-103	04-S-102
Vintage	2006	2007	2004
Effective Age (Years)	3	3	6
Condition	Good	Good	Good
Other	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller
As of	6/30/2009	8/3/2010	8/3/2010
Consideration		150,000	100,000
Consideration Type		Sale Price (Auction)	Sale Price (Auction)
Source		MAYNARDS001952 (RACER Willow Run Auction)	MAYNARDS001952 (RACER Willow Run Auction)
Location	GM Powertrain Warren Transmission	GM - Ypsilanti, MI	GM - Ypsilanti, MI
Adjustments for:			
Age/Condition			20%
Capacity			30%
Other equipment			
Financing terms			
Conditions of sale		10%	10%
Market conditions (sale date)		-10%	-10%
Adjusted Price		$150,000	$150,000
Indicated Value of comparables	$150,000		
Adjust for removal costs	20,000		
Adjust for installation	30,000	*estimated as 20% of base equipment value*	
Indicated Liquidation Value in Place	**$200,000**		

448. Because I had reliable market data for Representative Asset No. 36 (the Helical Broach), I relied exclusively on the Market Approach in valuing the asset and considered, but ultimately disregarded, the Cost Approach analysis.

c. Reconciliation of Cost and Market Approaches

449. To the extent possible, the values indicated by the Cost and Market Approaches have been reconciled into a single conclusion of value for each Representative Asset. When both approaches were applied, I placed all weight on the Market Approach indication of value because, as discussed above, I believe that the Market Approach provides a far more reliable indication of value as compared to the Cost Approach.

450. There are two significant differences in the reconciliation process when valuing assets in exchange as compared to in place. First, for assets that are not removable, such as Pits and Trenches (Representative Asset No. 2), there would be no market – and therefore no value – for such assets under an in exchange premise. But such assets do have a value under an in-use premise of value. I used the Cost Approach to assign a value to these assets.

451. Second, because I was unable to use the Market Approach for certain assets, as discussed above, I was forced to rely more heavily on the Cost Approach for the alternative valuation than for the OLV appraisal. Specifically, the following is a list of assets that I valued using the Market Approach for the in-exchange valuation, but had to rely on the Cost Approach for purposes of assigning a value under the LVIP valuation: Representative Asset Nos. 1 (Shim Select and Placement Machine); 3 (Torque Converter Housing Conveyor System); 5 (Paint Mix and Circulation Electrical System); 6 (ELPO IMC System); 11 (Central Utilities Complex); 14 (Leak Test System); 16 (BS Skid Conveyor); 17 (B&S P&F Conveyor); 18 (Vertical Adjusting Carriers); 20 (Wheel & Tire Delivery Conveyor); 21 (Skillet Conveyor System); 23 (Aluminum Machining System); 26 (Core Delivery Conveyor System); 27 (Cupola No. 4 Emissions System); 28 (Ajax 100 Ton Holding Furnace); 34 (4 Speed Build Line); and 35 (Button Up and Test Conveyor).

452. As discussed above, the Cost Approach has its limitations, particularly in this hypothetical appraisal because of the inaccuracies in deriving economic obsolescence for each individual asset based on the sale of the plant as a whole. But for many of the Representative Assets, since no comparable sales information could be located, I did not have the option of considering two value indications, and had to exclusively rely on the Cost Approach.

453. A chart summarizing the approaches to value and indicating which approach was ultimately applied is below:

Summary of Liquidation Value In Place [a]

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
1	100006527	GM POWERTRAIN WARREN TRANSMISSION	OP-150 SELECT; CHECK PLACE SHIMS AUTO STATION	37,000		37,000	Cost Approach
2	100017544	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA PITS & TRENCHES	231,000		231,000	Cost Approach
3	100033438	GM POWERTRAIN WARREN TRANSMISSION	POWER ZONE ROLLER CONVEYOR AUTOMATION TCH MOD 3	186,000		186,000	Cost Approach
4	100037892	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT BLDG LINES - PROCESS WASTE ELPO	79,000		79,000	Cost Approach
5	100037940	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT MIX & CIRCULATION - ELECTRICAL	352,500		352,500	Cost Approach
6	100037954	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT DIP CONVEYOR - ELPO OVEN IMC	198,300		198,300	Cost Approach
7	100038004	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT TC AUTOMATION SOFTWARE	10,000		10,000	Cost Approach
8	100038035	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA EOL PAINT SPOT REPROCESS SYS PAINT MIX ROOM	170,000		170,000	Cost Approach
9	100038119	GM ASSEMBLY LANSING DELTA TOWNSHIP	PAINT TC2 CC BELL ZONE	550,000		550,000	Cost Approach
10	100041920	GM MFD LANSING REGIONAL STAMPING	OPTICELL - ROBOTIC MEASUREMENT SYSTEM	113,000		113,000	Cost Approach
11	100045909	GM ASSEMBLY LANSING DELTA TOWNSHIP	LANSING DELTA TOWNSHIP ASSEMBLY UTILITY SERVICES [d]	10,212,000		10,212,000	Cost Approach
12	100048169	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS ROBOT LAZN-150R1	19,000	29,000	29,000	Market Approach
13	100050513	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS WELD BUS DUCTS	903,000	873,000	873,000	Market Approach
14	100053677	GM POWERTRAIN WARREN TRANSMISSION	LEAK TEST BASE MACHINE QTY = 1	165,000		165,000	Cost Approach
15	100060623	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA T/W: SOAP; MOUNT AND INFLATE	158,000	127,000	127,000	Market Approach
16	100061079	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS SKID CONVEYOR - LAZA	446,000		446,000	Cost Approach

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
17	100061614	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS P&F CONVEYOR - BODY SIDE INNER LH DEL	295,000		295,000	Cost Approach
18	100062269	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR: VERTICAL ADJUSTING CARRIER (VAC) SYS - CARRIERS (QTY 87)	551,000		551,000	Cost Approach
19	100064667	GM ASSEMBLY LANSING DELTA TOWNSHIP	BS CMM FULL BODY MACHINE - LY90	68,000	58,000	58,000	Market Approach
20	100065640	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR SUB-ASM RECEIVING (SAR): WTD1000 - WHEEL & TIRE DELIVERY	205,000		205,000	Cost Approach
21	100066809	GM ASSEMBLY LANSING DELTA TOWNSHIP	GA CONVEYOR: SKILLET - FINAL - LEG 1	264,000		264,000	Cost Approach
22	100069322	GM POWERTRAIN WARREN TRANSMISSION	FANUC M-710IB/70T ROBOT - ASSEMBLY	57,000	55,000	55,000	Market Approach
23	100070012	GM POWERTRAIN WARREN TRANSMISSION	ALUMINUM MACHINING SYSTEM	246,000		246,000	Cost Approach
24	100071009	GM POWERTRAIN WARREN TRANSMISSION	LFS220 BASE SHAPING MACHINE-OP 20 TRANSFER DRIVE GEAR	277,000	274,000	274,000	Market Approach
25	100071022	GM POWERTRAIN WARREN TRANSMISSION	LIEBHERR HOBB MACHINE FROM ST. CATHARINES	310,000	298,000	298,000	Market Approach
26	100095344	GM POWERTRAIN DEFIANCE	CORE DELIVERY CONVEYOR SYSTEM CB116 & 122	53,000		53,000	Cost Approach
27	100098085	GM POWERTRAIN DEFIANCE	EMISSIONS SYSTEM #4 CUPOLA	1,434,000		1,434,000	Cost Approach
28	100099125	GM POWERTRAIN DEFIANCE	100 TON VERTICAL CHANNEL HOLDING FURNACE	580,000		580,000	Cost Approach
29	BF2016822 01	GM MFD GRAND RAPIDS	TRANSFER PRESS-GG-1	600,000	261,000	261,000	Market Approach
30	BGI20163301	GM MFD MANSFIELD	TP-14 CS1-1 TRANSFER PRESS DANLY ET-2	334,000	800,000	800,000	Market Approach
31	BUY11820901	GM MFD LANSING REGIONAL STAMPING	DANLY 4000 TON PRESS	253,000	356,000	356,000	Market Approach
32	BUYR503469FA	GM MFD LANSING REGIONAL STAMPING	AA-11 SCHULER #1 AA CROSSBAR TRANSFER PRESS	4,603,000	5,016,000	5,016,000	Market Approach
33	BUYR503481FA	GM MFD LANSING REGIONAL STAMPING	B3-5 TRANSFER PRESS SYSTEM INCL. DESTACKER AND EOL	3,823,000	3,285,000	3,285,000	Market Approach

Rep. Asset No.	Asset ID	Company Name (Location)	Asset Description	Cost Approach Value Indication [b]	Market Approach Value Indication [c]	Concluded Value	Concluded Approach
34	NIT219381	GM POWERTRAIN WARREN TRANSMISSION	BUILD LINE W/FOUNDATION	70,000		70,000	Cost Approach
35	NITC03340	GM POWERTRAIN WARREN TRANSMISSION	BUTTON UP AND TEST CONVEYOR SYSTEM	228,000		228,000	Cost Approach
36	NITC03507	GM POWERTRAIN WARREN TRANSMISSION	HELICAL BROACHING EQUIPMENT	271,400	200,000	200,000	Market Approach
37	NITW0S11026A	GM POWERTRAIN WARREN TRANSMISSION	COURTYARD ENCLOSURE [d]	612,100		612,100	Cost Approach
38	NJL2924414P	GM POWERTRAIN DEFIANCE	SYSTEM GAS CLEANING NO.4 CUPOLA	37,000	24,000	24,000	Market Approach
39	NJL2983009	GM POWERTRAIN DEFIANCE	CB 91 ROBOT	intentionally omitted			
40	NJL6084400	GM POWERTRAIN DEFIANCE	P & H 7 1/2 TON CHARGER CRANE 6E CUPOLA	38,000	40,000	40,000	Market Approach

[a] As stated in Section IV of the Goesling Appraisal Review Rebuttal Report, the valuation and above conclusions are considered hypothetical, since it uses conditions that are contrary to what is known to have happened.
[b] Reference Exhibit C.1 to the Goesling Appraisal Review Rebuttal Report
[c] Reference Exhibit D.1 to the Goesling Appraisal Review Rebuttal Report.
[d] Value considers the total capitalized cost of the asset. For purposes of the alternative valuation, I have not made a distinction as to what portion of the cost/value relate to components classified as fixtures, personal property or real property.

3. Mr. Chrappa's Improper Rejection of the Market Approach

454. In applying the FMVICU premise of value, Mr. Chrappa's most egregious error is that he overlooked relevant current and retrospective comparable sales for commonly traded assets and Representative Assets that were actually sold, and valued the 40 Representative Assets instead solely using the Cost Approach. Ultimately, his disregard of the Market Approach resulted in a number of his concluded values being either significantly overstated or understated.

455. Mr. Chrappa's abbreviated consideration of comparable market data for only one of the 40 Representative Assets (Representative Asset No. 12, the BS Framing Robot) does not give the proper credence to the approach the ASA deems as one of the "most reliable methods" of

determining value for certain assets.[40] His report states his singular reliance on the Cost Approach is due to "the inability to gather a significant quantity of retrospective secondary market data for an analysis based on market comparables, given both the passage of time and the customized nature of many of the assets." As shown below, his statement is proved inaccurate based on his misunderstanding of an asset's customized nature and the omission of available comparable sales information.

456. It is true that certain assets that were designed and fabricated for a specific use, such as the emissions system for the No. 4 cupola furnace (Representative Asset No. 27), which was designed and fabricated specifically for use with a particular type and size of cupola, are not readily marketable on the used machinery and equipment market. However, an appraiser should not disregard the Market Approach for more commonly traded assets with active markets, as Mr. Chrappa has done in his appraisal. The 40 Representative Assets include certain presses, robots, gear hobbers, gear shapers, broaches and inspection equipment that are all commonly traded pieces of equipment having active markets as of the Valuation Date. I provided four examples of critical market data ignored by Mr. Chrappa at pp. 20-25 of my Appraisal Review Report.

457. In failing to use the Market Approach when valuing commonly traded equipment with active markets, Mr. Chrappa makes no mention of, much less considers, the over 23,000 auction lots and resulting sales of GM equipment that occurred between 2006 and 2012.[41] Most notably, Mr. Chrappa ignored the actual market prices paid for two of the subject presses that were sold in a private treaty sale and at auction (Representative Asset Nos. 29 and 30). In most cases,

[40] Mr. Chrappa initially had a discussion of market comparables for Representative Asset No. 31, the Danly Tryout Press, but subsequently revised his report to delete the information regarding the market data for the Danly Tryout Press.

[41] PX-0350 (Reviewed Asset Auction Lots).

Mr. Chrappa's disregard of the Market Approach results in his values being significantly overstated. The fact that Mr. Chrappa has so blatantly disregarded an applicable approach that the ASA deems to be reliable and often the best indication of value undermines the credibility of his appraisal and the concluded values therein.

4. Mr. Chrappa's Erroneous Calculation of Economic Obsolescence

458. As stated above, perhaps one of the most critical steps involved in applying the Cost Approach is the estimation of economic obsolescence to adjust for depreciation of the value of property due to "external factors," including the economics of the industry, reduced demand for the product, increased competition, and other similar factors. Mr. Chrappa's exclusive use of the Cost Approach and unsupportable rosy view of the economy and automotive outlook as of the Valuation Date resulted in his very limited consideration of economic obsolescence and, ultimately, in concluded values that were overstated.

459. Specifically, inutility was the only form of economic obsolescence that was considered by Mr. Chrappa for 38 of the Representative Assets. Mr. Chrappa made no attempt to acknowledge or verify the existence of other possible forms of economic obsolescence despite specific guidance provided by the ASA to the contrary.[42] While a competent appraisal might consider inutility as a component of economic obsolescence, there is no possible justification for an appraiser to ignore the other economic obsolescence factors, described in detail in my premise of value discussion above, including, among other things, the severe financial distress of General Motors and the poor general state of the economy as of the Valuation Date. A competent appraisal

[42] Specifically, the ASA states: "Developing an inutility penalty is a way of measuring one form of economic obsolescence within the Cost Approach. In practice, when dealing with relatively new assets that are not operating at their capacity because of economic reasons, additional economic obsolescence is probably present. To measure this may require a detailed analysis of the business and a subsequent allocation of any economic penalties to the individual assets or groups of assets." (ASA at 79).

would also need to objectively investigate the economics of the industry, reduced demand for the product, and increased competition as possible additional forms of economic obsolescence. When valuing assets under a FMVICU premise, this would likely require a detailed analysis of the business using the Income Approach and a subsequent allocation of economic obsolescence to the individual assets. Mr. Chrappa did not do any of this, and thus his economic obsolescence factors do not meet professional appraisal standards and are entirely unreliable.

460. Mr. Chrappa's inutility penalty was developed based on a comparison of the forecasted production for 2009 through 2014 to capacity at the plant in which the asset was located. The inutility penalties calculated and applied in Mr. Chrappa's appraisal were: 62% at Defiance; -16% at Warren; and no penalty for economic obsolescence was taken for the Lansing Delta Township assets. For example, Mr. Chrappa determined that utilization at the Defiance foundry was projected to average 25% of capacity in the future, and so computed a 62% inutility penalty that he has applied to five of the six Defiance assets included in the 40 Representative Assets. (The asset where he has not applied the penalty is the Gas Cleaning System for the #4 Cupola, which he has valued at zero.) Presumably, he would apply this penalty to all production-related assets at Defiance if he were to appraise them. Based on the inspection at Defiance, all five of the penalized Defiance assets were observed to be in use but I also observed numerous assets that had been permanently idled or abandoned in place. Clearly, there is inutility at the Defiance plant. While an inutility penalty is often considered and rightfully applied in determining the aggregate value of an entire group of assets used for a given process, it is my opinion that misguided application of the inutility penalty to individual assets results in unintentional distortion of individual asset values, causing some to be overvalued and others to be undervalued. This is confirmed by the circumstances I observed at Defiance.

461. Examination of the two Representative Assets located at plants that were not expected to be part of New GM and were planned for future shutdown and liquidation highlights the absurdity of his approach. Plant specific capacity and utilization information was not available for these two locations, so Mr. Chrappa estimated the economic obsolescence adjustment at -30%, stating, without further explanation or support, that the adjustment would be "reflective of the conditions affecting the industry." A competent appraisal would question why assets temporarily operating in a plant planned for closure and liquidation would receive an unsubstantiated -30% adjustment for economic obsolescence when asset values in the ongoing operation of GM's operating Defiance plant were reduced for economic obsolescence by over double the amount. On the other hand, Mr. Chrappa attributes no economic obsolescence to the assets at the Lansing plants.

462. In sum, Mr. Chrappa's application of economic obsolescence is erratic and so partial as to be entirely unjustifiable. Mr. Chrappa's concluded values, which are completely divorced from the market realities at the time, significantly overstate the concluded values and are not reliable. For a more in-depth discussion of my criticism of Mr. Chrappa's calculation of economic obsolescence, please see Section II of my Appraisal Review Report.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: April 14, 2017
Chicago, Illinois

Exhibit B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST, by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee,
Plaintiff.
v.
JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent for various lenders party to the Term Loan Agreement described herein; ADVENT GLOBAL OPPORTUNITY MASTER FUND; AEGON/TRANSAMERICA SERIES TRUST MFS HIGHYIELD; ALTICOR INC., et al.,
Defendants.

PROCEEDINGS OF
Hearing Day 10
May 5, 2017
New York, New York

BEFORE
Judge Martin Glenn

FINAL REVISED ON 5/16/17 [Pages 3385 - 3566]
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P R O C E E D I N G S (9:01 a.m.)
THE COURT: All right. Good morning, everyone. We are here in the matter of Motors Liquidation Company Avoidance Action Trust v. JPMorgan Chase Bank, et al., Adversary Proceeding 09-00504.
Mr. Wolinsky.
MR. WOLINSKY: Yes. Thank you, Your Honor. May I proceed?
THE COURT: No. First, I want to know whether the two of you agreed on an allocation of the time for the day?
MR. WOLINSKY: We have.
THE COURT: What is it?
MR. WILSON: We will have two hours. Excuse me, Your Honor, we will have -- defendants will have two hours between cross and recross and any re-recross, which I'm sure we all hope we avoid, and plaintiff's counsel will have 2.5 hours for redirect and re-redirect. We think that will leave an hour for evidentiary issues, if there are that many, and then just a half hour buffer in case we need

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it.
THE COURT: All right. And what about Mr. Duker?
MR. FISHER: Your Honor, I wanted to report on that. We were able to reach an agreement that Mr. Duker's testimony may be admitted into evidence based on deposition designations.
Yesterday we had talked about how that might be a loose end to be tied up early next week with the Court's permission. I am optimistic or hopeful, maybe I should say, that if we get our designations to the defendants by noon today, perhaps we can get counter-designations and get this loose end tied up as well.
THE COURT: I have another trial on Monday. My weekend is devoted to preparing for that. If you get your designations in by Monday, that would be fine. Designations and counter-designations and objections to the deposition.

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Goesling - cross/Wolinsky
MR. WOLINSKY: Your Honor, with respect to documents, the two people who are in the best position to work everything out are sitting in the room right now to do that.
THE COURT: All right.
MR. FISHER: Your Honor, you should not infer from that that we are uncooperative.
THE COURT: That, I wouldn't at all and let me introduce you to your colleague Mr. Wilson.
Proceed.
MR. WOLINSKY: Good morning, Mr. Goesling.
THE WITNESS: Good morning.
D A V I D G O E S L I N G,
having been duly sworn by a Notary Public, was examined and testified as follows:
CROSS-EXAMINATION CONTINUED
BY MR. WOLINSKY:
Q. Let me start with your witness statement at paragraph 383, page 157.

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Goesling - cross/Wolinsky
MR. WOLINSKY: Bunky, are you going to put that up?
BY MR. WOLINSKY:
Q. Do you have it, Mr. Goesling?
A. I do.
MR. WOLINSKY: Your Honor, I will wait for the Court.
THE COURT: Go ahead.
BY MR. WOLINSKY:
Q. In your witness statement, you say that "Consideration of the highest and best use of an asset (or group of assets) dictates the appropriate premise of value to apply in valuing property."
Then you identify four factors that have to be satisfied in order to determine the highest and best use. What is legally permissible, physically possible, financially feasible and maximally productive?
That's your view?
A. Correct.
Q. So let me just ask you as a threshold, you went to the Lansing Delta Township plant with the Court. You saw a

A. Correct.

Q. And when you found a comp, you had to adjust it for age and condition and all the other factors to make the comp relevant to the asset that you were valuing, true?

A. That's true.

Q. So for example, your comp might be a 50-ton crane and you were trying to value a 7 1/2-ton crane and you'd have to adjust for the size of the crane, the condition of the crane, the age of the crane and on and on, correct?

A. That's correct.

Q. And then you had to estimate the installed cost of the crane and the cost to remove the crane to come to your market value estimate?

A. If I was looking at a market comp, depending on how the comp was sold, those factors may have already been built in to the sale and price.

Q. Just so we are clear, if you look at the liquidation price for a helical broach for Maynards and you wanted to transfer that to a helical broach on GM's EFAST ledger, you would

have to back out the installation cost associated with that broach on the EFAST ledger, correct?

A. Under the cost approach, yes. Not under the market approach.

Q. Well, that's the starting point. And then you would -- okay. So you have -- let me make sure I am clear and I understand your answer.

You have a market transaction for a helical broach of $50,000, take an example. You have an EFAST ledger entry of a million dollars. You are trying to transfer that $50,000 market comp to a million dollar broach on the ledger. So you have to translate that million dollar EFAST ledger, you have to take out the installed cost, and you would have to estimate the cost of removing that asset at GM in order to adjust your market comp?

A. Well, I am sorry, but now I am confused. I thought initially you were talking about our market approach valuation, but now it sounds like you are talking about our cost approach valuation.

Q. Maybe I have confused myself. Let's start all over.

You have a $50,000 market comp for a helical broach, and you have got a helical broach at GM. You have -- just go through the adjustment factors that you have to go through to take your market comp to apply it to the asset that you are valuing.

A. So if I have a market comp that shows a helical broach, such as the one that was installed at Willow Run and it was actually sold by Maynards Hilco, then the selling price of that would have to be adjusted for age, condition, market conditions between the date of sale and the date of valuation.

However, since the broach that I am valuing is in place at the Warren facility and the broach that was sold was in place at the Willow Run facility, I would not make any adjustment for removal. Both are being sold as is/where is and so presumably, that is what a buyer would pay for the asset as is/where is at Warren.

Q. So the adjustments you have to make there for condition, age -- condition, age and time of sale?

A. Correct.

Q. And that's why the kind of analysis the market comp analysis took you sometimes hours, sometimes days?

A. The biggest problem was actually finding comparable sales information.

Q. They just weren't there, right?

A. Correct.

Q. So if the Court were to conclude that liquidation value on the basis of market comps was the way to go, you have no idea how long it would take to go through that exercise, do you?

A. No.

THE COURT: Mr. Goesling, if the sale is as is/where is, it's installed Warren, another facility, who pays for the removal?

THE WITNESS: The buyer does, Your Honor.

THE COURT: And what about restoring

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Goesling - cross/Wolinsky
the property, if that's necessary to do?
THE WITNESS: Given that this would come about in a liquidation, there would be no requirement for restoring the property. As part of the removal process, GM required the use of specific riggers that they trusted to remove the assets in a reasonable manner to minimize damage.
THE COURT: Okay. Thank you, go ahead.
MR. WOLINSKY: This is the easiest question you will get all day.
BY MR. WOLINSKY:
Q. If the Court would decide liquidation value in exchange was the appropriate premise of value and we had to go through the exercise of valuing 100,000 assets and litigating them, you are not signing up for that, are you?
THE COURT: Be careful what you ask for.
A. I would reserve judgment.
BY MR. WOLINSKY:

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Goesling - cross/Wolinsky
Q. Let me ask you some questions about how you calculated liquidation value in exchange on the market approach.
MR. WOLINSKY: If you can pull up, Bunky, DX 104.
BY MR. WOLINSKY:
Q. This is a document that I showed you at your deposition and asked you some questions about, and do you remember seeing this?
A. Not offhand but I see that it's marked so obviously I did see it.
Q. So for example, for the asset paint mix and circulation, electrical -
THE COURT: Could you enlarge it?
MR. WOLINSKY: Excuse me?
THE COURT: Enlarge it.
BY MR. WOLINSKY:
Q. So for example -- let's look at the ELPO system. The ELPO system is a -- remind me what that is?
A. Are you referring to the second line here?
Q. Yes.

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Goesling - cross/Wolinsky
A. The ELPO IMC is the converted monorail conveyor system that transports the bodies from the ELPO dip tanks through an oven system to dry the bodies.
Q. That's the large conveyor we saw in the LTD paint shop?
A. Correct.
Q. And you valued that as scrap using the market approach, correct?
A. That's correct.
Q. And as you go down this list, what I did was I pulled out all the assets that you valued as scrap using the market approach in whole or part, correct?
Do you remember that now?
A. Yes.
Q. Now, we have taken this exhibit and we revised it to DX -- what's the correct number? I have DX 104. That's not right. I am sorry. DDX 2511. This is all --
MR. FISHER: Your Honor, we would like to see a copy of the exhibit.
MR. WOLINSKY: Sure. It's tab 54 in the binder.

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Goesling - cross/Wolinsky
Here you go, Mr. Goesling, if you want to work from the hard copy. Can you hand it up?
THE COURT: All right. I see it in the binder at tab 54.
BY MR. WOLINSKY:
Q. DDX 2511. Let's go through the columns. The far left column is the representative asset number.
Do you see that?
A. Yes.
Q. The next column is asset description. It's what it is. We talked about the ELPO system, right?
A. Correct.
Q. And value of the scrap, that would indicate that the ELPO system was valued as scrap and that's how you valued it?
A. Correct.
Q. Adjusting for installation and removal, 50 percent. If you can explain for the Court what that adjustment -- what adjustment you made in your market value assessment of the ELPO asset.

rather than a joint submission, each party should decide to just prepare their own submission but the project should be to try on that joint submission to reflect what it is that the Court has requested.

THE COURT: It will make my life easier if whatever each of you submit I get one piece of paper. Large, whatever it is, that reflects the views of each of you so I can look across and down and understand. I am not going to be throwing darts. I want to see this array of values to the extent they are available with different methodology you think is supported by the evidence and the briefings and findings of fact you get to do that. I would rather not have to hunt between what each of you do separately. I am sure in your proposed findings of fact and brief you will address your views on each of these more elaborately. It would be helpful to me to get something that reflects both

sides' views.

MR. FISHER: Yes, Your Honor. The only small resistance I suppose you hear to the idea of a joint submission, and it's maybe hard to anticipate, is that even in trying to report to the Court about the values that others have arrived at, there may be -- I don't even know for sure -- there may be disagreements, for example, as to whether using KPMG values you can or cannot arrive at a specific value for a specific one of the 40 representative assets. And so it could be that if we work on it on a joint basis you end up with many footnotes and caveats explaining the parties' respective positions on a question like that.

THE COURT: I have no problem with a footnote that makes clear that you -- the plaintiff disagrees that either KPMG didn't reach a value or it did. You both -- this is an unusual case. You like parts of the KPMG report and you dislike

parts of the KPMG report. That's true for both sides.

MR. FISHER: I'm not sure, Your Honor, that I agree with that characterization of our position. We have no quibble whatsoever with the KPMG report as fresh start accounting for new GM as of July 10th. That's our position on the request you put to us.

THE COURT: I view the KPMG report to the extent it has values for the 40 assets or 33 of the assets as a data point. You will address why you don't believe it provides an appropriate value for purposes of this case. I'm not trying to get anybody to buy into that. I would just like to see this array of numbers.

Look, at one point I asked one of the witnesses about it. What I would like to be able to do, and I may not be able to do it, I'm searching for an approach, whatever the numbers are, that would provide some meaningful guidance to

both sides when you try to deal with the vast number of assets that are not involved in this trial. And it may not be possible. I don't know. But the one thing that's clear me is you are not -- it's obvious you are not going to try what values to assign to 200,000 plus assets. It just isn't going to happen.

MR. FISHER: Your Honor that's clear to us as well.

THE COURT: When I ask a witness is there any rule of thumb, he said no. So.

MR. FISHER: Your Honor, many of these issues are sure to come up in mediation. Some of the questions the Court is asking relate to questions of mass appraisal. When you just can't value each and every asset on an asset-by-asset basis, what's the best way to do it. We have ideas about that for purposes of mediation. We think that for purposes of a trial outcome, though, that it would be helpful to the parties to know what this Court thinks is a correct

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way.

THE COURT: I will tell you that. I don't know what it is yet. I am not shying away from doing that. Let me hear from Mr. Wolinsky about -- we will call it the chart for shorthand.

MR. WOLINSKY: Your Honor, Marc Wolinsky from Wachtell for JPMorgan. We actually thought about it over the break and we didn't think this was that big a task. I am just making a list of the fields and it would start with installed cost, net book value, KPMG RCNLD, KPMG -- then whatever is on General Motors' books and records. Evercore did an enterprise valuation.

THE COURT: Evercore didn't do an asset-by-asset.

MR. WOLINSKY: No, but they did an enterprise valuation that's comparable to the TIC, to the total invested capital calculation that --

THE COURT: I am not telling -- I'm not saying you shouldn't include it.

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MR. WOLINSKY: We don't think it's that hard and we are prepared obviously to work with the plaintiff to get you what you want.

THE COURT: Dean Hubbard said what, the break point on WACC, which there would be no TIC adjustment, 15.9?

MR. WOLINSKY: 15.6 or 15.9. 15.9. I'm sure a smart person could even do a spreadsheet that would show you what happens if you pick 14 and if you pick 20.

THE COURT: Okay. When you do your -- Mr. Fisher, I would like you to -- I am not forcing anybody to do it. It would be helpful to me to get a chart. You can put disclaimers on the footnotes or whatever and I want to see -- at least have a sense of where each of these -- from the evidence no one knows what conclusion will be reached from it -- I don't know whether it's in the evidence or not at this point.

So just focusing on the KPMG again

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for a moment, I was told before lunch that they put a value on 33 of the 40 assets and there was testimony about direct approach on some assets, indirect approach on others. I don't know what approach was used on the 33 that they do have numbers for.

Can you tell me that?

MR. FISHER: Your Honor, there are people on my team who are more specialized to answer that particular question.

THE COURT: Mr. Binder.

MR. BINDER: Neil Binder for the Avoidance Action Trust. First of all, KPMG has values as part of their calculation and you saw for approximately 36 of the assets, they don't have their final concluded value. They did not provide individual numbers. So for some of these interim numbers we could, I believe, identify the approach that was used if that's helpful.

THE COURT: It would be.

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MR. BINDER: The final numbers, KPMG didn't do it. General Motors, I think as Mr. Wolinsky alluded to, did take information from KPMG and then applied them to all of the assets and we can provide that to the Court as well.

THE COURT: Do you know at this point with respect to all of the disputed assets what value new GM applied to them as part of their fresh start accounting? Not just the 40 but all of them, all of the disputed -- assuming that you dispute lots of assets. So do you know what value new GM assigned to them?

MR. BINDER: I think we do have that information. I think because some the assets were leased so they took some of the KPMG information. They did not assign values to the leased assets. But for most of them there is a GM ledger that reflects their --

THE COURT: Is that in evidence? We are not looking at all the assets here.

MR. WOLINSKY: Yes, Your Honor, we

Exhibit C

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US Bankruptcy Court - New York

Motors Liquidation Company
Avoidance Action Trust
v.
JPMorgan Chase Bank, NA

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Video Deposition of:
Patrick Furey, Volume 2
October 15, 2018

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE:
MOTORS LIQUIDATION COMPANY, et al.,
Debtors.

Chapter 11
Case No.: 09-50026 (REG)
(Jointly Administered)

MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST, by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee,
Plaintiff.
v.
JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent for various lenders party to the Term Loan Agreement described herein; ADVENT GLOBAL OPPORTUNITY MASTER FUND; AEGON/TRANSAMERICA SERIES TRUST MFS HIGHYIELD; ALTICOR INC., et al.,
Defendants.

VIDEO DEPOSITION OF
Patrick Furey, Volume 2
October 15, 2018
Houston, Texas
Lead: Neil Binder, Esquire
Firm: Binder & Schwartz

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P-R-O-C-E-E-D-I-N-G-S
THE VIDEOGRAPHER: Here begins Media Number 1, Volume 2, of the deposition of Patrick Furey in the matter of Motors Liquidation Company, et al, versus JPMorgan Chase Bank. Today's date is October 15th, 2018. The time is 9:07 a.m.
This deposition is being taken at the offices of Willkie Farr & Gallagher and was made at the request of Jones Day.
I am Darryl Russell, the legal videographer. The court reporter is Linda Russell from Jane Rose Reporting New York.
Counsel, please introduce yourselves. And will the court reporter please swear in the witness.
MR. BINDER: Neil Binder with Binder & Schwartz, on behalf of the Avoidance Action Trust.
MS. HARVEY: Tessa Harvey also Binder & Schwartz, on behalf of Avoidance Action Trust.
MR. TENHUISEN: Kyle TenHuisen from Stout, on behalf of the Avoidance Action Trust.
MS. BURKE: Erin Burke with Jones Day on behalf of the group of GM term loan lenders.

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MR. KLEINHAUS: Emil Kleinhaus, Wachtell Lipton Rosen & Katz on behalf of JPMorgan Chase Bank.
MR. CELENTINO: Joseph Celentino Wachtell Lipton on behalf of JPMorgan Chase Bank.
MR. LEVANDER: Ben Levander, Wachtell Lipton on behalf of JPMorgan Chase Bank.
MR. BESSLER: Nicholas Bessler, Analysis Group, on behalf of JPMorgan Chase Bank.
MS. BOWER: Elizabeth Bower, Willkie Farr & Gallagher, on behalf of the witness Mr. Furey.
MR. KAUFMAN: Joseph Kaufman, Willkie Farr & Gallagher, on behalf of the witness Mr. Furey.
(The witness was sworn.)
(A brief interruption occurred.)
MR. BINDER: We're wondering whether someone on -- who is listening in is not on mute? Thank you.
(Discussion off the record.)
MR. BINDER: Before we begin, just for the record, the videographer said this was noticed by Jones Day. I don't know whether it was noticed by Jones Day, but Mr. Furey is here

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was served a subpoena by the Avoidance Action Trust for his appearance today, and I believe JPMorgan as well.
PATRICK FUREY,
having been first duly sworn, testified as follows:
EXAMINATION
BY MR. BINDER:
Q. Good morning, Mr. Furey.
A. Good morning.
Q. Nice to see you again.
A. Yeah, good to see you again as well.
Q. And, again, thank you for being here. I just -- just want to fill in whether there were any changes since you testified at trial now in this case. So, you're still employed by KPMG?
A. Yes, I am.
Q. Okay. And has your position changed?
A. I am now principal with KPMG.
Q. Okay. And what about your -- what group within KPMG do you work within?
A. I'm still within the Economic and Valuation Services practice.
Q. And that's the group you were in when

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you testified at trial?
A. That's correct.
Q. And that's the group you were in when you did the valuation work for Old GM and New GM?
A. That's correct.
Q. Okay. And the certifications that you had at the time that you did your valuation work for Old GM and New GM, those are still in place?
A. They are, yes.
MR. BINDER: What I want to have marked -- and we're going to resume the marking from the prior -- Mr. Furey's last deposition, and so the AAT -- our last exhibit was --
THE COURT REPORTER: It will be 3.
MR. BINDER: So we're AAT-KPMG 3.
(Exhibit AAT-KPMG 3 marked for identification.)
Q. And, Mr. Furey, that's -- that is a copy of the transcript from the first time we were all gathered for your deposition.
(A brief interruption occurred.)
MR. BINDER: Okay. So we'll just put on the record. So, there's a -- Mr. Kleinhaus and I agreed, and Ms. Burke, that we'll continue

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without the audio feed to the outside world.
MS. BURKE: Yes, we're in agreement.
MR. BINDER: Okay.
Q. Okay. So, Mr. Furey, can you just take a look at the prior -- the transcript of your prior deposition in this case. And I just want to draw your attention to page 152 of the transcript. It's in the lower right quadrant. Do you see that?
A. Yes, I do.
Q. Okay. And what I'm going to ask you to do in a moment is just to review -- well, let me ask you, have you reviewed the transcript before your testimony today?
A. I reviewed the transcript closer in time to the -- when the testimony was given. I haven't reviewed the transcript recently.
Q. Okay. So, actually, before we do that, let me ask you. What did you do to prepare for your deposition today?
MS. BOWER: And here I will caution the witness just to answer the question high level. Don't get into the substance of communications that you had with counsel.
THE WITNESS: Okay.

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A. I was involved in producing some of the documents for discovery, as well as reviewing the high-level methodology memo that described your valuation procedures.
Q. And how many memos -- well, when you say the high-level methodology memo, how many memo -- are you referring to a single memo?
A. Primarily the memo that covered the evaluation of the OldCo analysis.
Q. Do you remember the date of that memo or the month of the memo?
A. I don't remember the specific date.
Q. Okay. Did you review other memos as well?
A. Not in preparation for this deposition.
Q. Okay. You say in preparation for this deposition. Did you review your trial testimony?
A. I did not.
Q. Did you -- you did not review as well your deposition transcript?
A. I did not.
Q. Okay. What else did you review?
A. Reviewed summary schedules that were

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provided as part of the OldCo analysis, as well as I believe two or potentially three different versions of the OldCo memo to our files describing the methodology, as well as the final deliverable for the OldCo valuation, which included the asset details with our valuation conclusions, as well as the supporting models.
Q. And when you say a supporting model, what is that?
A. The valuation was conducted within a Microsoft Excel valuation model which performed all the calculations that were used in our valuation of the OldCo assets. So reviewing the underlying calculations as well as the summary of all those results also within Excel spreadsheet.
Q. So did you actually open up some of the Excel spreadsheets and look around?
A. Yes, I did.
Q. Okay. Do you remember how many there were?
A. I don't specifically remember, but I probably opened half a dozen of them.
Q. Okay. And were all of these related to the valuation of the OldCo assets?
A. Yes, they were.

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Q. Okay.
A. I did also look at the final summary of asset details for the NewCo valuation, but I did not re-review the models that supported the NewCo analysis.
Q. When you say the final summary of asset value for NewCo analysis, what type of document was that?
A. It was a large Microsoft Excel document with tens of thousands of rows. It included the -- the discrete fair value estimates for each asset of NewCo.
Q. And is this the document that has the supporting valuation analysis for the fresh start accounting that you testified at trial at?
A. It's a summary of the analysis. The actual analysis happens in underlying models, which I believe there were approximately thirty of them. And so I only reviewed -- as part of this review only reviewed the summary, not the underlying models.
Q. And how large a -- there's a document that we refer to as KPMG 4070. Are you familiar with that?
A. Yes, I am.

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Q. And is that the document you're referring to --
A. That's the document I'm referring to.
Q. Okay. That makes it easy.
A. Thank you.
Q. Okay. And who did you meet with specifically in preparation for your deposition?
A. I met with Liz Bower and Joe Kaufman.
Q. Anyone else?
A. I had a discussion with Andrew Basso at KPMG.
Q. And who is Mr. Basso?
A. Mr. Basso was a manager who also assisted in the -- primarily in the NewCo valuation of GM.
Q. And what was the purpose of your conversations with Mr. Basso?
MS. BOWER: And, again, I caution you not to disclose the substance of conversations where I or Joe were present.
THE WITNESS: Okay.
A. I asked Mr. Basso to direct me to certain supporting files, primarily for the real property analysis on the KPMG network --
Q. Okay.

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A. -- as part of the discovery process.
Q. Was his assistance -- you said he provided you with assistance, was it substantive or just about locating --
A. It was primarily about locating documents.
Q. Okay. So if you can look now to page 152 at line 10. You see the line numbers are indicated on the left.
I asked a question: "So this liquidation analysis for MLC in which you were involved, I want to ask you about that." Okay?
A. Yes.
Q. Okay. So, my question for you -- and I'd like you actually just to take the time just to look through here through page 161, at line 3. If you could just review it. And my question is going to be whether this is the OldCo liquidation valuation analysis that -- what that is.
A. Can I take a minute to --
Q. Yeah, yeah, please do. No, you should take as long as you need to read it.
(Witness reviewing document.)
A. And, sorry, up until what page?
Q. 161.

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A. 161. Okay.
Q. And you can stop at line 3 on page 161.
A. Okay.
Q. Just the third line.
(Witness reviewing document.)
Q. Mr. Furey, I see you are reading further, and if you want to read further, go right ahead.
A. Okay.
Q. I was just wanted to make sure you're --
A. I was just finishing the --
Q. No, no, that's fine. Read as much as you want. I just didn't want you to go on.
A. It's a very gripping read. I'm ready.
Q. Okay. So do you recall this testimony?
A. Yes, I do.
Q. Okay. And having reviewed it now, is it accurate?
A. Yes, it is.
Q. Okay. And are you -- the MLC value liquidation analysis that you were discussing in

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this testimony, is that the same liquidation analysis that you were preparing for in preparation for your deposition today?
A. Yes, it is.
Q. Okay. And you -- at the end you make reference to a white paper; did you see that?
A. Yes, I did.
Q. Okay. You said, "There was a white paper outlining the methodology and, you know, providing some context to the company for their understanding as well as for their external auditors to understand the process that we undertook to come up with those numbers."
You saw that testimony?
A. I do.
Q. Okay. Is the white paper you're referring to at page 160 in your prior deposition transcript this document that you were referring to as the high-level methodology memo that you had reviewed?
A. Yes, it is.
Q. Okay. So, I want to, I guess, pick up on where we left off in September of 2016, when -- when you last gave a deposition. Can you describe what the MLC liquidation analysis

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entailed?
A. The -- from -- I'm assuming you mean from a valuation perspective?
Q. Let me step back. What was it -- high level, what did KPMG do?
A. KPMG provided a Fair Value Estimate for all of the assets that were remaining behind at what we referred to as OldCo or Motors Liquidation Company. And I -- my understanding was that it was to support their financial reporting in the context of an asset -- asset write-down or asset impairment.
Q. Okay. And when you say, "support their financial reporting," what did you understand that to mean?
A. Their financial reporting for, you know, SEC reporting purposes. And the context was that the -- they felt that there was a possibility that the fair value of the assets was less than their book value, so they were doing a test under the accounting rules. And our role was supporting that with fair value estimate.
Q. What accounting rule in particular?
A. I believe the accounting rule is now called ASC 360. At the time it was -- there was

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a different numbering system at the time, which I can't recall. But our analysis didn't include the accounting advisory piece of it, it was only limited to providing a fair value estimate.
Q. Okay. And the process of providing a fair value estimate for the OldCo assets, that is the assets that would remain at OldCo or MLC, how long -- how long was that process?
A. The process took approximately three to four months. I don't remember the exact timeline, but I think about three to four months is probably a reasonable estimate.
Q. Uh-huh. And do you remember when it started and when it ended?
A. I believe it started around late May of -- I'm trying to remember the year that that was.
Q. Does 2009 help?
A. 2009, yeah. And would have gone through late summer or potentially into early fall of that same year.
Q. And what was your role in this valuation exercise?
A. I was the senior manager overseeing specifically the machinery and equipment, or what

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we called the personal property analysis. But I was also involved in coordinating with our real estate team to produce the overall deliverable for valuation.
Q. When you say overseeing machinery and equipment, does that mean overseeing the valuation of the machinery and equipment?
A. Yes. Yes.
Q. Okay. Is that the same role that you performed at KPMG in connection with the fresh start valuation of New GM?
A. Yes, a very similar role.
Q. Okay. And how -- how large was your group? How many people were involved in the project?
MS. BOWER: Object to form.
Q. Okay. How many people were involved in the valuation of the OldCo assets for KPMG?
A. The personal property team that I directly oversaw for OldCo was approximately six or seven people, with potentially some others who may have provided minor assistance through the course of the engagement.
Q. Okay. And the six or seven, were they working on the project full-time?

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A. Yes, I believe. Although some were involved in both OldCo and NewCo, as there was some overlap between those projects.
Q. Well, who were the six or -- who were the people that you recall?
A. The -- I would need -- honestly, I would need to pull the timesheet reporting. I remember having a team of about six people. Some of the key people would have been Jeffrey Doyle, Ann Walter. They would have been two of the primary ones. I would need to pull a timesheet to give you a full -- full listing.
Q. Okay. What was Mr. Doyle's role?
A. He was a manager in our machinery and equipment valuation practice and so he was -- he was involved in some of the day-to-day -- day-to-day activities.
Q. And Ms. Walter?
A. Ms. Walter was primarily involved in helping us collect data and coordinating with General Motors to gather the information that was -- formed the basis of our valuation.
Q. And I believe you testified previously that during this project you spent around ninety percent of your time on this

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analysis; it that correct?
MS. BOWER: Object to form.
MR. KLEINHAUS: Object to form.
Q. Let me ask -- withdrawn.
How much -- how much time did you spend on the MLC valuation work?
A. The -- while I was on the MLC valuation project, it was taking up the majority of my time. I was also assisting with the team that was starting up the NewCo analysis. So 90-plus percent of my time was spent on MLC during the course of that engagement.
Q. And you saw through to the end?
A. Yes, I did. The OldCo valuation, yes.
(Exhibit AAT-KPMG 4 marked for identification.)
Q. Mr. Furey, in front of you is a document marked AAT-KPMG 4. It's Bates numbered KPMG-GM0092553 and goes through 92562. It's dated October 26, 2009. It's an e-mail to General Motors Management from KPMG. Do you have that in front of you?
A. Yes, I do.
Q. Okay. Is this the document you were

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referring to as the white paper?
A. Yes, it does appear to be.
Q. Okay. And this -- what is this document?
A. This was a memo that we put together to document the major assumptions and methodologies that were used in coming up with the fair values that were supporting the OldCo valuation.
Q. Okay. And I see that it says from KPMG and in parentheses there are two names, Michael Crismyre and Kevin Steckel. Do you see that?
A. I do.
Q. What was your role in connection with this memo?
A. So, I was -- my role was I was involved in actually authoring some sections of this memo, but primarily involved in gathering the information from the various team members who were assembling this memo and reviewing it prior to providing it to Mr. Crismyre and Mr. Steckel.
Q. Okay. And prior to delivery to General Motors, did you review the final version of this memo?

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A. I -- I reviewed most versions of it. I'm not a hundred percent certain that this is the final version, but I have reviewed this memo.
Q. You're familiar with the contents of the memo?
A. Yes, I am.
Q. And you were involved in the preparation of the memo?
A. Yes, I was.
Q. Okay. And you had a chance to review it before you came here today, correct?
A. Yes, I did.
Q. Okay. And is it -- is it accurate?
A. Yes.
Q. I mean, is there anything in there that was a mistake, as far as you're aware?
A. I believe this version is -- is correct.
Q. Okay. And you've seen other versions -- earlier versions of this memo?
A. Yes, I have.
Q. Okay. And this was a memo prepared by KPMG in the ordinary course of its business?
A. Yes, it was.
Q. And it was ultimately delivered to

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General Motors?
A. I believe that it was. The purpose in putting this specific memo together was that our scope of work for OldCo did not include a full narrative report, so we wanted to make sure that the assumptions were documented.
I don't specifically recall if this document was sent to General Motors or if it was put together primarily as a work paper and put in our files.
Q. Okay. But it -- but it reflects the work done for the Fair Value Analysis of the personal -- the property plant and equipment that remained at OldCo?
A. Yes, it does.
Q. And the ultimate valuations that were performed pursuant to the methodology described in AAT-KPMG 4 were provided to old -- OldCo, correct?
A. Yes, they were.
Q. Can you describe for me the process of the valuation exercise?
MS. BOWER: Objection --
Q. Well, like how did it get started, how did you go about it?

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MS. BOWER: Object to form.
Just for clarity, you're referring to the OldCo valuation that is addressed in the memo?
Q. Well, let me ask this. Was there a valuation of OldCo assets separate from what's addressed in the memo in front of you?
A. Not that I'm aware of.
Q. Okay. So, yes, for the valuation -- what was the process -- sort of how did it get started for KPMG's role in valuing the OldCo assets?
A. Well, KPMG was engaged by General Motors. Our understanding was that the fair value estimate was going to be used for their asset impairment calculations for financial reporting purposes.
So we were engaged. Our process was to first understand the scope of the assets that were going to remain with OldCo, as well as understanding the what we refer to as the premise of value, so understanding the what we call highest and best use and premise of value consistent with the FAS 157 or ASC 820 guidance to help us develop a plan and scope of work to

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come up with an estimate of value for the OldCo assets.
Q. So what was your understanding as to why an asset impairment analysis was necessary at this time?
MS. BOWER: Object to form.
A. My understanding was that the certain group of assets of General Motors had been identified to remain behind at what we call OldCo or Old GM, and that certain newer assets -- excuse me -- certain newer assets were going to be sold to NewCo. And so our scope for the OldCo valuation was to value the assets that were being left behind as management felt that their fair value was potentially less than their carrying value on their books.
Q. In the new assets -- the new -- withdrawn.
The newer assets that were going to be sold to NewCo -- that's New GM, correct?
A. That is -- correct.
Q. The newer assets that were going to be sold to New GM, are you referring to the assets that were part of operating facilities or assets that were being taken from non-operating

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facilities?
A. That distinction is a little bit unclear. There was a process undertaken by General Motors management as part of their viability plans to identify certain facilities that would be part of the company going forward and would continue to operate. So we valued those assets as part of the NewCo analysis on a value in use premise.
The assets associated with the older facilities that were either shut down as of our valuation date or planned to be shut down in the near future were valued on more of an in exchange or orderly liquidation value based on a future intended use or lack of use of those assets.
Q. So just -- just to be clear, when you're referring to the newer assets that were going to be sold to New GM, would that include -- in your answer were you including assets, say, that were at Lansing Delta Township?
A. I don't specifically remember if Lansing Delta Township was OldCo or NewCo.
Q. Okay. So Lansing Delta Township was part of NewCo, the whole plant was part of the transfer. And I'm just trying to see whether

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there's a distinction as to those plants where it was always understood that the entire plant was going to be transferred and some other category or whether you're describing the assets that were going to be sold to NewCo as anything that was purchased by NewCo.
A. I'm describing it as anything that was purchased by NewCo.
Q. So you said you had to determine the scope of the assets to review. How did you go about that?
A. The scope of the assets was primarily developed through conversations with General Motors management and the discussions primarily around the viability plans that they were developing to identify which assets would be part of the NewCo company versus which would remain at OldCo.
Q. So at the time you began the engagement, had any decisions as to which assets were going to NewCo been made? I mean, were you discussing just some subset or was it -- were all of the plants in play?
A. By the time I became involved, there was some identification of the assets, although

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that identification did change during the course of our valuation as certain assets were moved either from OldCo to NewCo or vice versa.

Q. Physically moved or just moved on a ledger?

A. Just on a ledger. Our -- the data was provided to us as a listing of unique assets that were part of OldCo. That list did change from the first version we received to what was ultimately in our valuation report.

Q. Okay. If you look at AAT-KPMG 4 in front of you, just on the first page under the header, "Scope." Do you see that?

A. Yes.

Q. It reads, "The PP&E assets included in this analysis as identified by management include certain real and personal property assets associated with certain GM manufacturing facilities, engineering sites, and vacant land parcels transferred to Motors Liquidation Company, MLC or OldCo. The manufacturing facilities with both real and personal property are identified in the table below." Do you see that?

A. Yes, I do.

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Q. Okay. And then there's a table that lists various facilities, right?

A. Yes.

Q. Okay. Is this the full list of facilities that contained assets that were subject to the valuation exercise?

A. No, it is not.

Q. Okay. So there are -- okay. So what is this list?

A. These lists -- this list is the primary manufacturing locations that were part of OldCo.

Q. Okay. And then I guess if I read on, it reads, "In addition to the manufacturing sites, there are additional engineering and vacant land sites identified by GM management that were also transferred to MLC." Is that the additional that you are referring to?

A. Yes, it is.

Q. Okay. So those additional facilities, they are non-manufacturing facilities, correct?

A. Yes, I believe that's correct.

Q. So this table, then, in this section "Scope" on page 1 is the list of manufacturing

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facilities in which there were property, plant and equipment that was valued at Old GM by KPMG?

A. That's correct. The other sites did include some engineering locations, which may have had some machinery and equipment, but not to the extent as the locations on page 1.

Q. Okay. And the last one listed is GM Strasbourg. That's not part of GMNA, is it?

A. No, it is not.

Q. Are the others?

A. Yes, they are.

Q. And you said that after you determined the scope, you had to determine a premise of value; is that correct?

A. That's correct.

Q. Okay. And the premise of value, that's fair value?

A. Yes, it is.

Q. Okay. And that's come up before, but the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; is that correct?

A. That's the definition per the

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financial reporting guidelines.

Q. Okay. And so this valuation exercise for the OldCo assets was a fair value exercise under FAS 157?

A. Yes, it was.

Q. And the fresh start valuation that KPMG performed was also a fair value premise of value under FAS 157, correct?

A. Yes, it was.

Q. And under the fair value premise, you determined the highest and best use of the assets, correct?

A. That is correct.

Q. Okay. And did you make a determination of what the highest and best use of the assets that were remaining at OldCo would be?

A. Yes, through -- through discussions with management we developed a premise -- premise of value that we felt reflected highest and best use.

Q. Okay. And what was that premise of value?

A. It was orderly -- orderly liquidation but with consideration for certain facilities that remained in operation as of our valuation

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date.
Q. So some -- some assets were coming from facilities that KPMG understood were not going to remain in operation as of the valuation date and others the understanding was that the facility was to remain in operation as of the valuation date?
A. They would -- certain facilities were closed as of the valuation date. Other facilities were going to remain in operation for a set duration of time, for the most part, as I recall, those were all less than about two years, to support NewCo, and then would be -- then would be closed down.
Q. And you said in order to determine the premise of value, you consulted or it was done in consultation with GM management, correct?
A. Yes.
Q. Okay. What was the nature of the consultation that you -- that KPMG had with GM management in connection with determining the premise of value?
A. So the first part of the conversation involved understanding the future use for the facilities if -- you know, if they were already

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shut down; if not, when they would be shut down. So that was -- that was the first part of the conversation.
The second was discussing with them their recent experience around selling assets into the secondary market to understand if there was a liquid secondary market for the assets as assembled or if a piecemeal or asset-by-asset valuation process would be more -- a more reasonable approach.
Q. And is the idea that -- well, what did they -- what did you conclude with GM?
A. Our -- our conclusion was that the orderly liquidation value premise was the highest and best use, given that these facilities had no future utility beyond the Transition Service Agreement timeline, which stated that some of the facilities would remain open for a given number of months.
And a review of the secondary market showed us that there was a limited market and limited market participants who would be able to purchase these facilities intact. And the only sales we could identify were individual piecemeal sales of assets.

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Q. In your answer, you said that these facilities had no future utility beyond the Transition Service Agreement timeline, right?
A. Yes.
Q. So in that answer you were referring to those assets that were at facilities that were subject to some Transition Service Agreement and it was anticipated would continue in use for some period of time even if it's short, correct?
A. That's correct.
Q. Okay. The other facilities where you understood there were the -- were not going to be continued in use, the premise of value there was orderly liquidation value as well?
A. That's correct.
Q. Okay. And in both cases you concluded that there was no market to purchase the facilities as a whole, correct?
A. That's correct.
Q. And is the reason for that inquiry to determine whether the valuation premise should be orderly liquidation value in exchange versus orderly liquidation value in place?
A. Yes, that's -- that's correct.
Q. Okay.

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A. If I could clarify my answer. The orderly liquidation value premise was primarily specific to the personal property or the machinery and equipment. The real property was valued on an in exchange basis through a sales comparison method.
Q. Okay. So -- and for now, we may get to real property later, but for now my questions are directed to personal property. Okay?
A. Okay.
Q. So why don't you explain for assets at OldCo that were subject to a Transition Service Agreement how they were valued and how that compares to those that were not.
A. The assets that were at locations with Transition Service Agreement, our thought process there was that those assets should have an incrementally higher value than assets that are just going to be liquidated or sold into the secondary market as of our valuation date.
So in that analysis we gave consideration for the what we called the remaining future utility of those assets. I don't recall the specific calculations, but it would take into consideration the future cash

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flow generating capability of those assets as well as what we call the remaining useful life of those assets to come up with an incremental amount of value above just a straight liquidation premise.

Q. Okay. So before you got to the point where you had to decide whether it was -- withdrawn.

You consulted with New GM to determine whether there was a market to sell plants wholesale. And where there wasn't, you concluded liquidation value in place didn't make sense and orderly liquidation value in exchange is the appropriate premise of value, correct?

MR. KLEINHAUS: Objection to form.

A. That's correct.

Q. And before you got to orderly liquidation value, though, there were other possible premises of value, correct?

A. That is correct.

Q. And going concern, for instance, is one of them, right?

A. Yes.

Q. Okay. And is it right that going concern was not the appropriate premise of value

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for the assets that were going to remain at Old GM because they weren't going to be part of a going concern business?

A. That -- that was our working assumption, yes.

Q. Okay. In other words to the extent that they -- as of the valuation date, you understood they weren't going to be part of an operating business, they were appropriately valued on an orderly liquidation value in exchange premise?

A. That's correct.

Q. Okay. And if one of the assets was taken and placed at New GM in an operating facility, that asset would be valued on a going concern basis as part of that New GM facility; is that correct?

A. The -- in our NewCo analysis, if there were assets moving from an OldCo facility to a NewCo facility, those assets were valued on a going concern basis with an adjustment for value -- a downward adjustment in value to reflect the installation of that original asset, which we felt wouldn't have value if the asset needed to be moved.

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Q. I just want to make sure I understand. So it's a going concern value, but you took account in the valuation the fact that it wasn't actually at the facility as of the valuation date and needed to actually be installed?

MS. BOWER: Objection.

A. That's correct.

Q. Thank you.

In the report, the top of page 2 of the actual document, the sentence, "Additionally, within each of the remaining twelve facilities, selected assets have been identified by management that will be transferred and continued to be used at other NewCo facilities." Do you see that?

A. Yes, I do.

Q. Is that what you were just referring to a moment ago, that is there were certain assets at OldCo that were going to be moved to NewCo and were -- yes?

A. That's correct, yes.

Q. So those are the one values of going concern taking into account the installation cost?

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A. Correct.

Q. And those assets were not valued as part of the OldCo valuation?

A. That is correct.

Q. When you met with people at GM, do you recall who you met with?

A. I don't recall the specific names off the top of my head, but there were many -- many people that we -- that we met with over there.

Q. How frequently did you meet over the three months with GM folks?

A. I would say we communicated with them probably almost daily and met with them probably a couple times a week.

Q. And where would you meet?

A. Generally at the headquarters building, Renaissance Center.

Q. And you said there were -- there were many, many people. Just order of magnitude, dozen, half dozen, twenty?

A. Probably approximately a dozen.

Q. And did they represent various groups within GM?

A. Primarily our contacts -- contacts were within what we called the GFS group, which

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was their -- the group that maintained their fixed asset ledgers. But there were a variety of folks within that group as well as some other people who were more knowledgeable about specific areas who provided input to varying levels.

Q. And as we've all learned through you and others, there are three approaches to valuation, correct?

A. That is correct.

Q. All right. Why don't you remind us what they are.

A. So, as the memo shows, the three primary approaches that any appraiser would consider in doing a valuation are the market approach, the income approach, and the cost approach.

Q. And for valuing the assets at Old GM, what approach or approaches did KPMG use?

A. We -- we considered all three approaches. Our modeling was framed up as a combination of the cost and market approaches, but we also considered the income approach specifically for the locations with the Transition Service Agreements, as we felt that the ability to generate some income during those

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Transition Service Agreements gave us a value above and beyond what the market comparables would show us.

Q. Okay. And putting aside the assets that were subject to Transition Servicing Agreement, you say the model was set up to consider both a market approach and a cost approach; is that right?

A. The primary approach is what we would call -- it's a subset of a market approach, it's called the percent -- Percent of Cost method. It's a -- we used a slightly modified variant of that approach, given the size of the population of assets and the data that was available to us. But our primary valuation conclusion was driven as a percentage of the reproduction cost of the assets and those percentages were driven by the available market data that was provided to us.

Q. Okay. So, the determination of a value conclusion based on the percentage of the reproduction cost of the assets is called the percent of cost method?

A. That is -- that's a broader term, but that was -- you know, the method that we used was a -- was a subset of that methodology.

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Q. Okay. And that's a market approach?

A. Yes, it is.

Q. You said the model was I think set up to include a cost approach. Does that -- what did you mean by that?

A. The -- because of the data that was available to us and the age of some of the assets, a true percent of cost method we didn't feel would accurately give us the correct value for the assets, so to get an equal basis of valuation we took the historical costs, which for some of these assets was cost recorded 50-plus years ago, and we trended those numbers up to our effective date of our valuation to get what's referred to in appraisal terminology as a reproduction cost for those assets and we used that baseline as a starting point for our analysis.

Q. And tell me if I'm understanding what you're saying. The methodology was a market methodology, but to get your reproduction cost new numbers as you're starting point you used what would be described as a cost approach?

A. A portion of -- the trending methodology that we used was more -- is more

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normally considered to be part of a cost approach, but we utilized it in our purposes to give us an equal baseline as a starting point.

Q. So the process of looking at historical costs for older assets and trending the numbers up to derive a reproduct -- pre-production cost new number is a methodology that's associated with a cost approach?

A. Re --

MS. BOWER: Objection.

A. Reproduction cost new is generally considered to be a cost approach terminology, yes.

Q. But the ultimate valuation conclusion was a market approach used by this cost percent approach that you described?

A. That's correct.

Q. And what was -- you said that you trended numbers up of older -- of all assets or just particularly old assets?

A. All assets would be -- would have their costs trended based on their inservice date to reflect a reproduction cost that's as of our effective valuation date.

Q. Okay. And what was the reason for

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doing that?
A. The reason for doing that was to get an equal basis for all assets.
For example, you could have two similar assets, one acquired as of the valuation date, one that was acquired fifteen years ago. The cost of those would be different because of inflation. So to get an equal starting basis for those, we trended up the historical costs of the older asset to get a similar starting basis for similar assets.
Q. Throughout this report, Exhibit 4, this memo, the term RCN refers to reproduction cost new, correct? And you can see on page 4 it's defined that way.
A. Yes, that's correct.
Q. And all of the RCN in this document is reproduction cost new, not replacement cost new; is that correct?
A. That's -- I believe that's correct, yes.
Q. Okay. And the only reason I highlight it is -- and I'll show you, if you don't recall -- in the Fresh Start Report, which was Trial Exhibit DX-141, and was JPM-KPMG 1 at

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your deposition, "reproduction cost new" is defined as CRN. Do you recall that?
A. I do.
Q. Okay. It's the same -- RCN in KPMG 4 that you're looking at now and KPMG -- JPM-KPMG 1 -- let me withdraw that.
The document that you have in front of you now, AAT-KPMG 4, that references reproduction cost new, and the term that's abbreviated CRN in JPM-KPMG 1, which was Trial Exhibit PX-141 in this report is the same concept, correct?
MS. BOWER: Objection.
A. That is correct.
MR. BINDER: What's the objection?
MS. BOWER: It might be better to show him the document.
MR. BINDER: I can show him the document.
Does anyone in the room want a copy of this? Everyone is saying know.
(Exhibit JPM-KPMG 1, having been previously marked was referenced.)
Q. I'm putting in front of you JPM-KPMG 1, which was admitted at trial DX-141.

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I think it's at page 127 and 128. It's at 127. You see "Cost of Reproduction New"?
A. Yes, I do.
Q. Okay. And it says, "CRN is the current cost of reproducing a new replica of property with the same or closely similar materials." Do you see that definition in the Fresh Start Report?
A. Yes, I do.
Q. Okay. And that's the same definition of "RCN" at page 4 -- well, the same definition of "reproduction cost new," it's on page 6, and "reproduction cost new" is, "A current cost of reproducing a new replica of the property being appraised using the same or closely similar material"?
A. Yes.
Q. Same concept?
A. Yes.
Q. Okay. Thank you.
Is the method of trending numbers for assets in order to determine a reproduction cost new value that was used in the OldCo valuation the same approach that was used in the fresh start valuation?

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A. The methodology was the same. I -- I can't tell you with a hundred percent accuracy if every assumption was identical, but the methodology was the same.
Q. Okay. And so I don't have to keep referring to the Exhibit 4 in front of you, is it reasonable to call this the KPMG Tangible Asset Memo?
A. Yes, that's a reasonable name.
Q. Okay. At page 9 of the Tangible Asset Memo, I think it's -- it would be the fourth paragraph. It says, "In the development of fair value, we relied exclusively on the market approach." Do you see that?
A. Yes.
Q. Okay. Why did KPMG rely exclusively on the market approach?
A. Given the premise of value that we were considering, we felt that the market approach was ultimately the, you know, the best approach for giving us the baseline orderly liquidation value.
The word "exclusively" may be a little strong there, because the Transition Service Agreements did layer in some additional

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value for certain assets.
Q. And we'll get to this a bit later, but the -- the additional value that was added in connection with assets subject to a Transition Services Agreement, what method was used for that?
A. I don't recall the specifics of the methodology, but it would have considered the -- you know, the future remaining utility being longer than the other population of assets, as well as the ability to generate some -- some cash flow associated with those assets.
Q. Do you recall -- putting aside what you call it, do you recall the methodology?
A. I don't, specifically.
MR. BINDER: Okay. Why don't we take a short break.
THE VIDEOGRAPHER: Going off the record. The time is 10:15.
(A break was taken from 10:14 a.m. to 10:33 a.m.)
THE VIDEOGRAPHER: Media Number 2. On the record at 10:35.
Q. (BY MR. BINDER) Mr. Furey, you -- earlier we were discussing the percent of cost

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method, correct?
A. That's correct.
Q. You had said there was a slightly modified version, so I just wanted to ask -- try to understand a little more.
And so we just -- I'm looking at what was -- it's the Valuing Machinery and Equipment, the Fundamentals of Appraising Machinery and Technical Assets. It was introduced at trial as Plaintiff's Exhibit 0163-0001.
MR. BINDER: And we have copies, if anyone wants it. But let me just quote you a sentence and then if anyone wants a copy.
Q. The sentence reads, under "Percent of Cost," "This technique establishes a ratio between the selling price and the current cost new of a property at the time of sale.
Is that your understanding of the definition of percent of cost approach?
A. That's -- that's correct.
Q. Okay.
A. It's also -- in practice, I've also seen it applied against the historical cost of the asset, but in our practice we applied it against the reproduction cost of the asset.

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Q. Okay. And that's what's being described in that sentence, correct?
A. That's correct.
MR. BINDER: Okay. Let me just hand it to you. Let me just mark it. It's in front you you. No, here it is. We'll mark it as KPM -- AAT-KPMG 5. And it's the document --
MS. BOWER: The court reporter needs to mark it.
THE COURT REPORTER: Just one second.
(Exhibit AAT-KPMG 5 marked for identification.)
Q. And so, again, this KPM -- AAT-KPMG 5 was PX-0163-0001 at trial. I'm at page 98. You'll see the header, "Percent of Cost." And it's the first sentence that I just read to you. Do you see that?
A. Yes, I do.
Q. Okay. So using this definition of percent of cost, that's what KPMG did, that was the percent of cost work KPMG did, correct?
A. Effectively, yes.
Q. Okay. And there was no modification from this approach -- right -- as described here?
A. Well, in this description it's a

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single asset, but we -- we performed that approach across a large population of assets.
Q. Without modification, correct?
A. I would need to read this entire section, but essentially we utilized that -- a similar approach to that.
Q. Okay. I guess what I'm trying to get, there's nothing out of the ordinary out of the approach that KPMG did when it did its percent of cost approach, correct?
A. That's correct.
Q. Just standard market approach methodology?
A. Yes, that's correct.
Q. Okay. And let me just ask you, who is Michael Crismyre?
A. Michael Crismyre was the managing director who was ultimately in charge of the personal property valuation analysis.
Q. Okay. What was his role in the OldCo valuation and exercise?
A. He was what we refer to internally at KPMG as the engagement partner on that portion of the analysis. So he oversaw -- oversaw the overall project and was sort of our point person

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in communicating with General Motors management.
Q. Was he involved in the day-to-day analysis?
A. He was. I was more -- I was more directly involved day to day, but I would communicate with Mr. Crismyre on practically a daily basis.
Q. Okay. And Kevin Steckel, who is he?
A. Kevin Steckel was the managing director who was in charge of the real property valuation.
Q. Okay. Was -- was his role closer to your role as an analog or to Mr. Crismyer's role?
A. I -- the hierarchy was I ultimately reported to Mr. Crismyre. Mr. Steckel's operation was somewhat in parallel and more focused on the real property. So Mr. Steckel and Mr. Crismyre were at equal levels. I was a senior manager one level below.
Q. I just mean in terms of the actual work, who's doing the work.
A. Oh, his -- Mr. Steckel's involvement would have been probably somewhere between me and Mr. Crismyre. And the reason for that is he didn't -- Mr. Steckel didn't have a senior

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manager on the job. I believe his staff was a little bit more junior. So he probably had more involvement on a day-to-day basis --
Q. Okay.
A. -- specific to the OldCo analysis.
Q. And specific to the real property?
A. Correct. On NewCo there was additional team members who were brought in.
Q. What I would like to talk a bit about how KPMG actually performed the orderly liquidation value analysis. The -- so turning to page 9 of the KPMG Tangible Asset Memo. And you see just at the top it says, "The following is a discussion of the valuation methodology employed and applied to the personal property analysis." Do you see that?
A. Yes, I see that.
Q. And what follows is just what it says, correct?
A. Correct.
Q. Okay. There's a series of bullet points with asset categories, do you see that?
A. Yes I do.
Q. It starts with, "Assembly of Equipment" and then ends at, "Welding Equipment."

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What is that list?
A. These were the asset categories that we put the underlying assets into to assist in our valuation analysis. The purpose was to put assets of like-kind into groups so that we could apply consistent valuation methodology at the group level rather than going through at the individual asset level.
Q. Was this the same approach used for the valuation exercise in the fresh start accounting for New GM?
A. The methodology is similar, yes.
Q. And the groupings are similar, too?
A. I believe they're similar. I don't know if they're exactly the same, but it's a similar concept.
Q. Okay. And how was this list -- how were these groupings put together?
A. The groupings would have take into consideration GM's asset categories for their own financial reporting purposes as well as our review of the fixed asset ledgers that were provided to us and discussions with the company to come up with a reasonable number of asset categories.

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Q. And so within any -- say within the asset category Cranes, that would include all cranes, correct?
A. Yes, I believe it would.
Q. Okay. And for purposing -- purpose of valuing cranes as part of this exercise, is it appropriate to sort of lump all cranes into a single asset category?
A. For our purposes, yes, because these categories primarily drive the input assumptions, so we felt that the similarities of the assets within each of the groups were sufficient that we could apply consistent assumptions across each -- each group.
Q. Okay. And returning to a paragraph I think we discussed a little earlier that begins, "In the development of fair value, we relied exclusively on the market approach." Do you see that?
A. Yes, I do.
Q. Okay. The next sentence says, "We relied primarily on auction data provided by Maynards (auctioneers and liquidators) who are GM's primary sources related to the disposition of excess personal property assets."

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Could you just explain what Maynards is and what their role was in the process? "This process" being the valuation of the OldCo assets.

A. So -- so our understanding of Maynards was that they had historically worked with General Motors to sell individual assets from their manufacturing facilities through the normal course of business prior to -- prior to our valuation analysis.

Their involvement in our analysis was essentially in providing some historical information around the results of their sales of assets into the secondary market.

The data they provided reflected disposal proceeds for individual assets and map those into the legacy fixed asset records of General Motors that ultimately served as one of the primary sources of data in developing our liquidation percentages for each asset category.

Q. So how did it work with Maynards; I mean, what was the process of getting the data from them?

A. The -- so, the majority of our conversations with -- or the majority of our interaction with Maynards was through GM

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management, since they had the, you know, the existing relationship with Maynards. So the Maynards data that came across came across to us at the request of GM's management.

They provided several spreadsheets, somewhere between maybe half a dozen to a dozen spreadsheets that reflected various categories of disposal proceeds for a variety of different assets.

In addition to that, we had I believe several -- several conference calls with them to understand the data, what was being reflected, and, you know, try to understand if there were any, you know, additional pieces of information that they had that would be useful in our analysis.

Q. And the "they" in that sentence is Maynards?

A. That's correct.

Q. Do you recall who you spoke with at Maynards?

A. I don't remember their specific names.

Q. And then how many times did you speak with them?

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A. We didn't have a lot of conference calls with Maynards, but maybe three or four.

Q. Through the course of the conversations, did you feel you had an accurate understanding of the data that they had provided?

A. Yes, I did.

Q. Okay. And did you use all the data they provided?

A. No, we did not use all of the data that was provided.

Q. So what did they provide?

A. They provided -- it was historical -- it was a historical listing of their actual sales of assets into the market. I don't remember the exact time frame that they provided, but it was maybe a year or more worth of data.

And they also -- they provided it to us in multiple spreadsheets, including I believe it was showing some sales with proceeds, other assets that they were not able to sell which were abandoned in place, and some other categories of assets that we considered in our -- in our analysis.

Q. So there was the sales with proceeds. That's just an asset that was sold and GM got

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money for it, correct?

A. Correct.

Q. There's assets which were -- they were not able to sell and which were abandoned in place. That means just that, they tried to sell it but they couldn't?

A. That's correct.

Q. And there are other categories of assets. What are the other categories that you considered?

A. The one other that I recall was there were certain assets that were sold for scrap.

Q. Okay.

A. Those -- as I recall, those were the three primary ones. But there were several spreadsheets that were provided to us by Maynards.

Q. Okay. Do you know what -- do you recall whether or not you saw data going back to 2007?

A. We potentially did. I don't recall the specific time window of all the data we were provided.

Q. Did you gather from Maynards sales data that went back further in time than you

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ultimately determined should be considered?
A. Yes, I believe we did.
Q. And do you recall the time frame of the sales that KPMG ultimately relied on?
A. As I recall, I believe we settled on a three-month time frame prior to -- prior to the effective date of our valuation.
Q. If you look at page 9, the last paragraph, it says, "EVS compared the sale of assets similar in nature to the personal property that GM had disposed of through Maynards during the time period from March of 2009 through May of 2009." Do you see that?
A. Yes, I do.
Q. Is that the time period that KPMG used?
A. That sounds -- sounds approximately right. I don't remember the specific dates.
Q. Okay. What was the reason for using just three months of data when KPMG was provided data going back prior to March of 2009?
A. The purpose in looking at the liquidation data was to develop a picture of what the market looked like as of the effective date of our valuation. Given that the automotive

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market in North America had deteriorated pretty significantly up to the time leading up to our valuation date, we felt that by pulling data that was too old, we would potentially be not accurately reflecting the market as of our valuation date, so we felt that three months was picking up kind of the current market dynamics of the current automotive market, given the struggles of, you know, two of the big three automotive manufacturers at the time.
And so the three-month window was -- we felt was providing a good representation of the market, but also providing us with enough data to be able to draw some reasonable conclusions.
Q. And the data from this three-month period, what does it reflect?
A. The -- our understanding of the data from the three-month period was those were sales that were actually closed during the three months prior to our valuation date. So they could have been listed for sale prior to that, but the transactions actually closed and proceeds were brought in during that three-month period or not brought in, but the sale was closed for whatever

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reason during that three months.
Q. Typically when assets are put up for sale there is a close date; is that your understanding?
A. That's -- the two concepts are there's a close date and there's generally a marketing period. So when you put an asset for sale, it doesn't always sell that first day, so there's a period of time where you have to put the asset out to market and then the sale closes on a specific close date.
Q. Okay. So where there's an actual sale price, the sale closed within that three-month March to May 2009 window, correct?
A. That's correct.
Q. And for assets where there was no sale, the sale concluded within the March to May 2009 window?
A. That's our understanding, yes.
Q. But the assets -- the sales process and the putting them out into the market could have occurred well before that time window?
A. That's my understanding, yes.
Q. And that's an understanding based on your conversations with Maynards and the GM

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management?
A. That's correct.
Q. Did you have an understanding of how long the marketing period was, generally?
A. I don't recall the exact marketing period that was used by Maynards. And I wasn't involved in the conversations between GM and Maynards when those assets were placed into the market.
Q. Do you have a general understanding?
A. No, I -- honestly, I don't know.
Q. And in deciding to use this three-month window to capture the what you described as pretty significant deterioration in the market, how did you go about making a determination? In other words, was there conversations with GM management as part of that process?
A. Yes, there were.
Q. Can you just elaborate on sort of what you did to reach that conclusion? Who was involved in the decision-making analysis?
MR. KLEINHAUS: Objection to form.
MR. BINDER: Withdrawn.
Q. Can you just describe for us who was

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involved in the process of reaching the determination that the three-month window was appropriate in light of marketing conditions?
A. Those conversations would have involved myself, Mr. Crismyre, as well as GM management and, you know, some of the -- some of our team members.
Q. And who in GM management was involved in the process?
A. I don't specifically remember who was involved in those conversations.
Q. Did you have conversations with people at GM's Asset Disposal Group?
A. It's possible that we did. I don't remember that specific name for that group. Most of our contacts came, like I mentioned, came through the Financial Services Group, and they did pull in specialists as needed.
Q. Do you know a woman named Sara Webb?
A. That name does sound familiar, yes.
Q. Was she involved in the conversations?
A. She likely was, because the name sounds familiar.
Q. Okay.

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(Exhibit AAT-KPMG 6 marked for identification.)
Q. Let me show you what's been marked as KPMG-AAT 6. It's Bates numbered KPMG-GM0004121 through 4123. It says at the top Meetings June 18, 2009.
I think this -- this is a prior exhibit from this -- from your prior deposition, although we don't have a copy so we just remarked it.
Do you recognize this document?
A. It looks like it was probably meeting minutes from -- from one of our meetings, but the specific document doesn't look that familiar.
Q. Okay. If you just flip through it you'll see that there are four meetings that are referred to. Do you see that?
A. Yes, I do.
Q. Would all of those meetings have been on June 18th, 2009?
MS. BOWER: Object to form.
A. I -- if the notes say that, I would guess, yes. But I can't recall specifically.
Q. Okay. And do you see it says, "GM Disposal Group," on the second page?

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A. Yes, I do.
Q. Okay. And you see the name Sara Webb and D. Drouillard, D-r-o-u-i-l-l-a-r-d?
A. Yes, I do.
Q. Okay. Do you remember Mr. or Ms. Drouillard?
A. That name doesn't sound familiar to me.
Q. Okay. Just taking a look at this "Meeting 2, GM Disposal Group" entry -- just take a look at it and let me know when you're done.
A. Okay. Yeah.
Q. Does this refresh your recollection about conversations with Ms. Webb or a group known as the GM Disposal Group?
MS. BOWER: Objection.
A. I do recall the name Sara Webb, and I do remember having a GM contact. Based on this note, I would imagine that that was her, but I can't recall specifically.
Q. Okay. And you see where it says, "Requested info from January 2007 to present on disposed assets and their proceeds"? Do you see that?
A. Yes, I do.

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Q. Does that refresh your recollection about the time frame from which assets were sought?
A. I do know that we requested more than three months of data. I don't have a reason to doubt that January 2007 was our requested date.
Q. Right.
Returning to the Tangible Asset Memo at page 9. In the middle of the last paragraph there's a sentence that begins -- or reads as follows: "We also compared the average age of the asset dispositions to the average age of the personal property and determined that the asset base was of a similar average age." Do you see that?
A. Yes, I do.
Q. What does that mean?
A. We looked at the comparable sales that we were provided by Maynards and we looked at the average age of the assets within that population and compared them to the average age of the assets that we were trying to value as part of our analysis to get a reasonable level of comfort that we were making a valid comparison between the assets that had been previously sold

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and the assets that we were trying to value.
Q. And you ultimately concluded that the asset pool data from Maynards was fairly representative of the larger MLC assets that you were in fact valuing?
MS. BOWER: Object to form.
A. That's correct.
Q. Was it necessary that the average age be the same for this -- for it to be a reliable sample?
A. It would be unreasonable to expect that you would get the exact same average age, given the volume of data. The purpose of that analysis was to gain comfort that we weren't comparing brand-new assets to very old assets or vice versa. We were trying to just get a high-level comfort level that our assets were generally representative.
Q. So one part of this analysis -- withdrawn.
Would one part of this analysis be simply comparing the average ages?
A. I believe that's how we did it. I believe we did it at the asset category level.
Q. Was there any consideration of sort

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of the effect of age on the value of the assets, in other words, to make some determination whether if -- whether a one-year or two-year average age difference would have a meaningful impact on the value?
A. We -- in our analysis we didn't do a vintage analysis. Part of the purpose of doing the average age analysis between the two pools was to gain comfort that we didn't have to go down that path. So we didn't necessarily go in and look at each vintage year and apply a different value, but we did look at the overall populations to make sure it was an apples-to-apples comparison.
Q. And it was an apples-to-apples comparison?
MR. KLEINHAUS: Objection to form.
A. Like you said, the numbers weren't exactly the same, but we felt that they were close enough to be a representative population.
Q. And it says in the same paragraph, "EVS conducted discussions with Maynards and MLC to validate our findings. They confirmed during these discussions" -- withdrawn.
Following the paragraph of the

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average age, it says, "In addition, EVS conducted discussions with Maynards and MLC to validate our findings." Do you see that?
A. Yes, I do.
Q. And that's referring to the findings concerning the average age?
A. That would be representative of the findings related to the percentages of proceeds relative to the replacement cost.
We -- with General Motors management we would have likely discussed the vintages as well. That wouldn't have been a conversation with Maynards just because it was a straight calculation based on data they provided.
Q. So the sentence, "In addition, EVS conducted discussions with Maynards and MLC to validate our findings," refers to the sentence that follows that, not the one above it?
MR. KLEINHAUS: Objection. Form.
MS. BOWER: Objection.
Q. (BY MR. BINDER) I mean, it relates to the following sentence, correct?
MS. BOWER: Objection.
MR. KLEINHAUS: Objection.
A. I'm sorry, I just don't -- I kind of

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lost you on that sentence what you're talking about.
Q. When you say, "In addition, EVS conducted discussions with Maynards and MLC to validate our findings," you see that, right?
A. Yes.
Q. That's not referring to the comparison of the average age but is concerning the sentence that follows where it's discussing the percentages reasonably represented current market conditions?
MS. BOWER: Objection.
A. Yes. It would have been more referring to that the proceeds for the asset sales average .67 percent of installed cost sentence, because that was the -- that was the key -- those percentages were the key finding. So we would have had more discussions related to that finding relative to the average age.
Q. I see. Okay.
So let me ask you, then, about that. "In summary, the proceeds from the asset sales average .67 percent of installed cost and .52 percent of RCN, as shown on the following page." You see that sentence?

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A. Yes, I do.
Q. Okay. What does that refer to?
A. That is reflective of a comparison of the proceeds that were provided to us by Maynards compared to the original installed cost as booked by General Motors for financial reporting and then also compared to our reproduction cost new calculation at the summary level for the three months of data that we utilized.
Q. So if you took all the data, that the three-month period that you got from Maynards, and you averaged -- and you added up all of the sale proceeds, including zeros where there was no sale proceeds, and you took that total number and you put it as a numerator, and the denominator was the installed cost for all of those same assets, you would get .67 percent?
A. That's correct.
Q. And if the denominator was the reproduction cost new that you had calculated in the aggregate for all those assets, it would be .52 percent?
A. That's correct.
Q. And you shared these findings with Maynards and MLC?

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A. Yes.
Q. Okay.
A. Well, we certainly shared the findings were MLC. We probably discussed the findings with Maynards, but I don't know that we provided any sort of deliverable to Maynards.
Q. Okay. And in your conversations with GM management, they confirmed that the 67 percent of installed cost and 52 percent of RCN were comparable to what market participants would typically anticipate from disposition as of the valuation date?
A. They -- they confirmed for us that that was consistent with their expectations.
Q. Okay. And Maynards as well confirmed that at a higher level that was consistent with what they were seeing in the market as well?
A. Yes.
MR. KLEINHAUS: Objection. Form.
Q. And when you shared the analysis with GM management, did you just show them the summary or did you show them a more granular breakdown?
A. They would have seen a more granular breakdown, I believe at at least the asset category level, so that they could see the

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differences of the concluded proceeds over reproduction cost new for the various categories to make sure that they were comfortable with categories where we were showing more recoverably versus -- versus less for certain other categories.
Q. Okay. And is that breakdown the table that's on the top of page 10 of the Tangible Asset Memo?
A. Yes, this would have been -- this probably would have been one of the files that we would have shared with them. I don't recall if there was a greater level of granularity below this, but this certainly would have been reviewed with GM management.
Q. Okay. And so what exactly is the top table on page 10?
A. So the top table is showing the -- what we call the KPMG asset classes. So those are the classifications of like-kind assets that we use to -- for our analysis.
The Installed Cost is the sum of the historically booked cost for financial reporting from GM's fixed asset ledgers.
The Reproduction Cost New would be

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the installed cost adjusted upward for each individual asset based on the asset category and the age of the asset to reflect the reproduction cost as of our effective valuation date.
The Disposal Proceeds would have been the sum of the actual proceeds that Maynards -- that GM received associated with these transactions that were brokered by Maynards.
Proceeds Divided by Replacement Cost New is exactly that, it's just a ratio of the two prior columns.
And the last two columns represent the high-level summary of the age comparison that we did to get comfortable that our disposal comparable sales was reasonably comparable to our subject assets. And you see the average -- average ages for each of the groups of assets there. And you can see they're not exactly the same, but they are reasonably similar in terms of vintage.
Q. And we'll walk through this in more detail, but just, again, at a high level, the -- was -- is it correct that the way assets were valued was to take the proceeds over RCN number and then multiply it by the RCN of the individual

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asset? So, for instance, if the crane proceeds over RCN number is 2.65 and you were valuing a crane, you would look at the reproduction cost new of a particular crane and then multiply that by 2.65 percent?
A. That's correct.
Q. Okay. So, as it says on the first page of the memo, the effective date of the analysis is July 9, 2009, correct?
A. I believe that's correct, yes.
Q. That's the valuation date?
A. Yes.
Q. The same valuation date for the fresh start accounting?
A. I believe they're either the same or they might be off by one day, if I recall correctly.
Q. You know what, you do. July 10th --
A. I think one is the 9th and one is the 10th.
Q. July 10th is --
A. Yeah.
Q. Okay. Thank you.
So just looking at the disposed asset average age in years, do you see that line?

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A. Yes.
Q. Okay. There are documents that refer to a weighted average age. Are you familiar with that? Do you recall what that is?
A. In this -- in this document?
Q. Well, it's not shown here, but do you recall that KPMG used an average weighted age?
A. I don't recall if it was a straight average or if it was a weighted average.
Q. Okay. And then let me -- so I'm noticing -- I'm looking at the Disposed Assets Average Age and then the OldCo Assets Average Age. The OldCo Assets Average Age is the average age of the assets that were actually valued, correct?
A. Yes.
Q. And the disposed assets were the ones that were separate to the Maynards sales?
A. Correct.
Q. Okay. Some of the ages are closer than others to one another; you see that, right?
A. That's correct.
Q. Okay. So I just want to sort of identify a couple of assets. So robots, the average age of what was disposed was 9.9 years

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and the average age of what was valued was 9.4 years; is that right?
A. Yes, that's correct.
Q. Okay. And that -- in determining whether that age range was sufficiently close, was a determination made specifically with respect to robots? In other words, you didn't look at the average age of all assets and decide they were a reasonable comparison, you did it on an asset-group-by-asset-group basis; is that right?
A. Correct.
Q. Okay.
A. The analysis was done at the category basis.
Q. Okay. And you concluded that it was appropriate to treat -- that 9.9 and 9.4 were close enough with respect to robots?
A. That's correct.
Q. Okay. So some of them are further apart, for instance, conveyors. The average age of the disposed asset was 28.9 years and then the average age of the valued asset was 11.6 years. You see that?
A. Yes.

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Q. Okay. And that's 17 years apart. How is the conclusion made that that's close enough in age for comparative purposes for the MLC valuation?
A. Well, for that -- for that category in particular, as you said, there's obviously a wider -- wider range in the dates there. I guess a couple -- couple of considerations that we would take into account. One is going to be the expected normal useful life of the category. So to the extent that an asset is very new relative to its normal expected useful life versus very old -- you know, 11 years puts those conveyors as fairly significantly into their normal useful life expectation.
So I wouldn't normally consider an almost 12-year-old conveyor to be a brand-new asset that would put it in a significantly different category than another conveyor that is still used and but is -- you know, obviously has more years.
The other consideration would be, you know, look at other sources of secondary market information, to the extent that those are available, that would either support or

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contradict these numbers. Given how specialized these assets are, additional secondary market information was generally not available.

So -- so in this case, obviously it's not an ideal comparison between those two, but we felt it was the best available information that we had to work with.

Q. And did you -- did you also form the view or conclude that given that the average age of say -- of a conveyor, you know, once it's already 11 years old, that the values you would expect to derive from an 11-year-old crane were reasonably comparable for one that would be obtained in the sale of a 28.9-year-old crane?

A. Did we switch to cranes or are we talking conveyors?

Q. I'm sorry. Conveyors. Conveyors. I misspoke.

A. Sorry.

Q. Let me just ask again.

Did you also form the view that the average age of a conveyor that's, you know, 11.6 years old would have -- expect to realize a sale price comparable to a conveyor of 28.9 years?

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A. That was our -- that was our overall viewpoint.

The other -- you know, kind of the key considerations on that is, you know, these conveyors are very specialized conveyors used in an automotive assembly operation, not conveyors that could be sold to a warehousing company or some other use.

So if I look at the percentage recoverability on the conveyors as compared to the assembly equipment, those are reasonably close, so that would be another layer of consideration we would use in getting comfortable with the percentages on the conveyors.

Q. Would another way to say it, that an 11-year-old conveyor is not worth very much and neither is a 28-year-old conveyor?

A. That would be correct, yes.

(Exhibit AAT-KPMG 7 marked for identification.)

Q. So marked as AAT-KPMG 7 is a printout of a native document. The Bates is KPMG-G0092368.

Mr. Furey, do you recognize this document?

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A. Appears to be a pivot -- pivot table from some of the source data. But the specific document doesn't look familiar.

Q. Okay. Is this one of the documents that -- do you recall whether this is something that you reviewed when you were looking at the Excel spreadsheets?

A. I don't specifically recall.

Q. Okay. We're going to put up on the screen the Excel spreadsheet. And if it's helpful for you to manipulate it, we'll just hand over the computer to you.

A. Okay.

Q. So, maybe if we could just sort of flip through a couple of the tabs, it might -- just to see what we're looking at.

And this is the full document that's -- that everyone is looking at. This is the Excel spreadsheet produced by KPMG, which is KPMG-GM-92368, and what we've -- the document that we've marked as just one page from this larger spreadsheet.

So just -- do you recognize this as the -- do you recognize the spreadsheet?

A. Yes. I believe this is something

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that we created from the source documents that were provided to us by Maynards.

Q. This is the Excel spreadsheet that does the calculation applying the percentages to the -- developing the percentages from the Maynards data; is that right?

A. I believe that's -- that's correct.

Q. Okay. And then the Summary by -- by -- by Retirement Year, that's what you're looking at in front of you as Exhibit 7, right?

A. Yes.

Q. Okay. So just to start at the top. So what this document -- and you can compare it, I think, to page 10 of Exhibit 14, if that's helpful.

A. Okay.

Q. So you'll see that Assembly Equipment on page 10 in the top table and also the exhibit KPMG 7 and the spreadsheet we're looking at has an installed cost of 52,600 -- $52,643,263. The disposal proceeds number is the same. The RCN is the same. Do you see that?

A. Yes, I do.

Q. Okay. So is the table in 10 basically a version of what's AAT-KPMG 7?

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MS. BOWER: Objection. You said the table in 10?
Q. The table that's on the top of page 10 of the KPMG Tangible Asset Memo is taken -- well, withdrawn.
What I want to do, Mr. Furey, is just -- we just want to know that the full document that is KPMG 92368 is the spreadsheet that KPMG used to determine its percentages based on the Maynards data.
A. Yes. It appears to be, yes.
Q. Okay. And the document that you have a printout of is the summary of that calculation. Or you can describe it --
A. Yes, I believe that's correct.
Q. Okay. So with that --
MR. KLEINHAUS: Does this have an exhibit number, too?
MR. BINDER: So, the document that you're pointing to on the screen?
MR. KLEINHAUS: Yes.
MR. BINDER: No. No. Yes, it's the -- it's the one we just handed him and you have in your hand, that's AAT-KPMG 7.
MR. KLEINHAUS: Okay.

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MR. BINDER: So just so everyone is clear, AAT-KPMG 7 is the one page which is the Summary By Retirement Year tab that is part of the Excel spreadsheet which in its entirety was produced as KPMG-GM-92368.
MR. KLEINHAUS: Okay.
Q. All right. So you'll see on AAT-KPMG 7, the Summary By Retirement Year tab, on the right it says, "Average Age," and then in paren is says "RCN Weighted"?
A. Yes, I see that.
Q. Okay. And there it's 16.66. Do you see that?
A. Yes, I do.
Q. Okay. And on -- in the Tangible Asset Memo on the table at the top of page 10, it's 16.7. Do you see that? Where this --
A. Yes.
Q. -- shows asset average rate.
And the difference is rounding.
A. I believe so, yes.
Q. Okay. So, let us --
(Sotto Voce Discussion.)
Q. Okay. Well, let me just ask you this. We can -- we can show you this. The

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question is: Now looking at this, do you recall whether KPMG did an RCN weighted average age?
A. It does appear that we applied an RCN weighting to the average.
Q. Okay. Do you recall how that's done or can you explain how that was done?
A. Generally speaking, the average age would be calculated to more heavily weight the higher investment assets so as to not overstate the proceeds received from maybe a very small dollar asset.
So the calculation would affectively consider the age of each individual asset or a calculated reproduction cost new of each asset. Those would be multiplied together for individual assets. And then at the summary level you would divide the product -- sum of that product by the sum of the replace -- reproduction cost new and that would give you a weighted -- the weighted average age.
Q. And -- so before we -- before we talk through the steps to getting to the weighted age, could you just -- just say again or in more detail why you would -- well, withdrawn.
An average age is you take the age of

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all the assets, you divide it by the number of assets and you get an average age, correct?
A. Correct.
Q. Okay. An RCN weighted average age is done the way you just described -- and we'll get into more detail -- but it's different than a straight-up average, right?
A. That's correct.
Q. Okay. And the reason you prefer or you chose to do an RCN average weighted age -- or an RCN weighted average age rather than a straight-up average age is for what reason?
A. The RCN weighted average age would give more consideration to the assets within the group that have a higher investment, feeling that those have more of the value.
We're using -- in this case we're using reproduction cost new as a proxy for value, but we're -- the thought is that those higher investments, those higher reproduction cost new assets should have a greater pull in the overall average as compared to much smaller investment assets that would be within that same group.
Q. Okay. Thank you.
MS. BOWER: Anyone have a pair of

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glasses I can wear?
MR. BINDER: We can put it up behind you, if that would help.
(Exhibit AAT-KPMG 8 marked for identification.)
Q. Okay. So marked as AAT-KPMG 8 is a print out from the same KPMG-GM-92368 which is on the screen. This is from the table, "Assets Disposed of After 2-28-09." And it's -- okay. Oh, and it's filtered by the KPMG Asset Class Robots. So this is just showing whatever is pulled up from that tab under robots.
So just sticking with the weighted average age, just by reference -- we can just start with the first item, which is -- it's the first number in the far left is at A1 is number 1486. Do you see it? It's a robot controller.
A. Yes, I do.
Q. Okay. So can you just explain by reference to this document how the weighted average age is calculated?
A. Okay. So if you look at starting in columns -- column R --
Q. Uh-huh.
A. -- you'll see the installed cost of

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that asset was originally 56 -- call it $56,000. The next column over, column S, is where we calculate our reproduction cost new. So the reproduction cost new there is the installed cost multiplied by an index factor to estimate the reproduction cost as of our valuation date.
Column T is replacement cost new from column S multiplied by the age of the asset. The age of the asset would be calculated as the difference between our effective date valuation and the inservice date that's recorded in column G of this spreadsheet. Those two numbers would be multiplied together to get you the result that is in column T.
And the -- for the category, you would take a sum of the replacement cost new times age in column T and divide that by the sum of the replacement cost new in column S. And that should give you a replacement -- reproduction cost new weighted age for the assets within that category.
Q. Thank you.
So just sticking with this AAT-KPMG 8, which is -- the column V, "Disposal Proceeds," what is that column?

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A. Column V was the data that was provided to us by Maynards. My understanding of the information there was the -- the values there reflected the proceeds back to GM for the sales of these individual assets.
Q. So -- okay. Well, let's -- so we'll look at two. We'll look at the first one, which is a disposal proceed of zero. Do you see that?
A. Yes, I do.
Q. And I guess that means that GM got nothing, zero dollars?
A. That's my understanding, yes.
Q. Okay. And then the last one on page 7 of this exhibit, which is -- the number is 1892, and it's a robot right body side outer epsilon is the description. It has a disposal proceeds of 7,500. Do you see that?
A. Yes, I do.
Q. Okay. And so that's what you under -- and that's the amount that GM would have received in connection with the sale of that particular asset?
A. That's my understanding, yes.
Q. So does that mean it's net of cost to Maynards?

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A. My understanding was that the disposal proceeds were the net return to General Motors after cost of disposal and Maynards commissions or whatever, you know, cut they had in the transaction.
Q. So what -- okay. So let's -- I just want to make sure I get all of the things that would have been deducted.
So it's net of cost to Maynards, meaning Maynards gets some commission for the sales?
A. Generally speaking, yes.
Q. Okay. So that's not reflected in that number, the 7,500, as you understand it?
A. My understanding of column V was that was the net amount that was returned to General Motors after all of those -- any of those adjustments that may or may not apply.
Q. But do you know just as a -- do you know what other adjustments there would have been?
A. No, I don't.
Q. Okay.
A. But as you mentioned, a commission would be a common one that we would see in that

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sort of a transaction.
Q. Okay. And so tying the assets -- well...
(Sotto Voce Discussion.)
MR. BINDER: Withdrawn.
Q. So if AAT-KPMG 8 is the list of all the robots that Maynards sold with the disposal proceeds, can you explain how this tied in -- how this ties into AAT-KPMG 7 and the table on the top of page 10 of the Tangible Asset Report?
A. It appears to me that Exhibit 7 is a summary of the underlying data that's shown in Exhibit 8.
Q. Okay. So the 2.93 percent for robots would be the total disposal proceeds, the sum of all the disposal proceeds for the robots over the total RCN?
A. That's correct.
Q. Okay. And so just looking at the portion of the spreadsheet, the AAT-KPMG 8, there are many assets where there is a zero disposal proceed. Do you see that?
A. I do.
Q. Okay. And were those -- those were included in the calculation?

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A. Yes, they were.
Q. Okay. Was that appropriate to do so?
A. We felt that it was.
Q. And why is that?
A. We felt that the entire listing of assets that GM had provided to Maynards were assets that they wanted to sell into the market. Certain assets obviously had close transactions with proceeds; others did not. But we felt that including all of those assets was representative of the marketplace conditions as of -- as of the time of our effective date. If we only picked the sales that had proceeds, we felt that it would overstate the value -- the value of the overall population of assets.
Q. So is it fair to say -- so, for instance, even though you knew that this robot right body side outer epsilon, that there was a buyer for this particular asset, you also knew that if -- when GM sought to sell all of these robots into the market, they simply wouldn't -- weren't able to do so?
A. That's correct.
MR. BINDER: Okay. Why don't -- let's take a break, if that works.

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THE VIDEOGRAPHER: Going off the record. The time is 11:39.
(A break was taken from 11:38 a.m. to 11:58 a.m.)
THE VIDEOGRAPHER: Media Number 3. On the record at 12:00 o'clock.
MS. BOWER: Mr. Furey would like to clarify a prior answer given to a question posed by Mr. Binder.
A. There was a question about the assets that are showing as zero proceeds on the file from Maynards. And I think the comment that I responded to was that GM was unable to sell assets that had zero proceeds, which I don't think was an accurate representation of the situation.
The actual situation, based on our understanding, was that those were transactions that actually did close yet there were zero proceeds back to General Motors.
So in some cases assets would be sold as a group and the proceeds would be potentially recorded on a single asset, but the other assets in that group would be assigned zero value. So those were actual trans -- our understanding was

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that those were transactions, not -- not assets that were unable to be sold.
Q. (BY MR. BINDER) Is that your understanding for all of the zero?
A. That's my -- that is my understanding of those assets, they could have been either assets that were sold as part of a group or assets that were sold at a price that netted zero proceeds back to General Motors.
Q. And what would be a circumstance where it would be sold but General Motors would get no money for it?
A. If it was sold at a very low scrap value and once Maynards took their commission or other cost associated with the transaction, there were net zero proceeds back to GM.
Q. And for those -- in the situations where they were sold as -- it went together as a group, why would zero value be assigned to some assets and not others?
A. In certain -- in certain cases we had some conversations with Maynards where assets were marketed as a group. So, for example, maybe five robots would be marketed as a package and somebody might buy that package of assets for

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$10,000. You know, just making up a number. And in certain cases the proceeds would be reflected on one asset of that group and not necessarily allocated out amongst the assets within that sale group.

So in some cases you would end up with zero proceeds assets whereas the other -- the other assets in that group would have more value allocated to them or more proceeds allocated to them.

Q. So just to stick with your example. If you sold -- say you sold five robots for $10,000, they might attribute $10,000 to one robot and zero to the other four?

A. Potentially, yes.

Q. Okay. But then in the process of the valuation exercise that KPMG did, the net effect is that the 10,000 would be spread out over all the robots anyway, right?

A. That's correct. That was -- that was our reasoning for using all of the transactional data that was provided by Maynards.

Q. So then the zero does not reflect a situation where an asset simply did not sell at all or there was no transaction at all?

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A. That -- our -- our understanding was that all of the information in the Maynards file reflected some sort of a transaction.

Q. Okay. And does that -- well, maybe this is tied into your answer or not, but the question is did Maynards or KPMG take account of scrap value of assets?

A. Can --

Q. In other words --

A. I'm sorry.

Q. Go ahead.

A. KPMG didn't -- we didn't include any scrap value in our analysis. We utilized the proceeds that were provided in the files provided by Maynards.

Q. I see.

A. Some of those proceeds may have reflected sales with an intended use to scrap the asset, but we didn't -- we didn't necessarily bifurcate between those or other assets that would be used going forward.

Q. But you understood that some of the values in the Maynards data reflected a sale as scrap, correct?

A. Given the low percentage of proceeds

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compared to historical cost and reproduction cost new, it led us to believe that some of those sales were going to be scrap sales.

Q. And then just a cost of the transaction just may have net GM zero?

A. Potentially, yes.

(Exhibit AAT-KPMG 9 marked for identification.)

(Exhibit AAT-KPMG 10 marked for identification.)

Q. So two documents have been placed in front of you, Mr. Furey. One is AAT-KPMG 9 and the other is AAT-KPMG 10. Both of them come from a very large Excel spreadsheet with the Bates number KPMG-GM0092370, which we'll put up on the screen, I hope -- okay. It's up on the screen.

And we're going to be showing you a series of documents. We're trying to just make sure we understand what was in the production from KPMG and whether we're -- we're going to want to know through a series of I think there are five of these, whether these are the documents that actually applied the percentage valuation to the specific MLC assets.

A. Okay.

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Q. Okay?

And so the first document, AAT-KPMG 9, is a single page and it corresponds to the Input Global Data tab. I'm just trying to see whether we have the whole document or just a portion of it.

Okay. So we have a portion of that tab that just goes through the asset classes. And there's stuff about currency rate at the bottom, which is not reproduced. Okay?

A. Yes.

Q. So -- so looking now at AAT-KPMG 9, it says -- on the bottom it says, "Input (Global) Data." It has at the top its Project Client General Motors, valuation date 30 June 09.

Do you recognize this document?

A. Yes, I do.

Q. What is it?

A. This is what we refer to as an input table for our valuation model. So it's a summary of a variety of different assumptions that are being applied at the asset class level in the overall valuation of the assets.

Q. Okay. And the next document, AAT-KPMG 10, is taken -- it's one page of

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53 pages taken from the Asset Details table, and it's filtered by two filters. We applied one we pulled the asset class robots and we did it just for the Moraine assembly. Okay. You see that?

A. Yes, I see that.

Q. Okay. So first -- I'm going to ask you to walk through it a little bit, but is there a way just generally to describe the relationship between AAT-KPMG 9 and the Asset Detail tab of which AAT-KPMG 10 is an excerpt?

A. Sure. So Exhibit 10, the rows in Exhibit 10 are the assets that were provided to us by General Motors management based on their fixed asset ledgers. Some of the columns, I believe the ones primarily with the white headers on them -- well, actually, no, sorry, that doesn't follow.

Some of the -- some of the columns contain information provided to us by GM: Company name, asset class, acquisition date.

The Exhibit 9 input table would drive some of the assumptions that are flowing into the calculations on Exhibit 10. So based on the asset classification of each line item and the inservice date, each of these calculations would

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look up inputs based on this input table to pull in the appropriate asset trend, liquidation percentage, or other assumptions that would drive the fair value for each of the rows in Exhibit 10.

Q. So in terms of determining the orderly liquidation value of the assets -- let me ask you whether this is correct. Taking the very first asset of 1877 on KPMG 10. Okay. It's -- there is an "RCN USD" in column AF, and it's 61,926 --

A. Yes.

Q. -- do you see that?

Okay. And then going to BR there is a liquidation value, and BO as well, there's an orderly liquidation value. Do you see that?

A. Yeah --

Q. 8,810 --

A. Yes.

Q. -- in that first -- in that first row?

A. Yes, I see it.

Q. Okay. So these are robots.

Is it correct that the function of the global input data table is to multiply the

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number in AF for robots by finding the 2.9 percent liquidation percentage in column 7 on AAT-KPMG 9 and multiplying the two to yield the orderly liquidation value in BO?

A. That's correct.

Q. Okay.

A. Yes, that's correct.

Q. So this KPMG 10 is just an excerpt, but to understand the entire document -- well, let me -- rather than me explain it again, let me just ask you to now in a similar way explain how it works, the relationship between the RCN values that are reflected on the entire KPMG-GM-92370, which is up on the screen, and of which KPMG 10 is an excerpt, so how this input data table, AAT-KPMG 9, is used as part of the calculation of the orderly liquidation value of the MLC assets.

A. When you ask that question, do you mean, like, walk through an example or just in aggregate?

Q. You can do it in aggregate and then maybe we'll talk a little bit about the chart.

A. Okay. So Exhibit 9 provides the cost trends that are used by -- for each category to take the historical cost for each individual

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asset and trend that up to or index that up to a reproduction cost new as of our valuation date. And then based on the asset class of each individual line item, there would be -- the lookup table or the input table in Exhibit 9 would be utilized to determine the liquidation percentage for that individual category. And the orderly liquidation value would be the reproduction cost new for that individual asset multiplied by what is called the liquidation percentage on Exhibit 9. The product of those two would result in the liquidation value for that individual asset.

That process would happen over I believe tens of thousands of assets, varying different categories which would utilize different trends and different liquidation percentages to come up with an aggregate orderly liquidation value for the overall population of assets.

Q. So on -- so in KPMG 10 and presumably throughout the entire document, the RCN value found in column AF, here a robot, is multiplied by the liquidation percentage in column 7 on AAT-KPMG 9 for the corresponding asset class, in

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this case robot, and that yields the liquidation value found in both BO and BR?
A. I believe that's correct, yes.
Q. Okay. Thank you.
So --
A. One clarification, though. At some point within these files will be the adjustment that I referred to previously for the Transition Service Agreements. So that adjustment will be in here for certain assets and not for others. But the methodology that you laid out is kind of the base -- baseline methodology.
Q. And for those assets where there is additional value added on account of the Transition Servicing Agreement, what column, if it's on here, would you find that in? And I'm going to ask -- I'm going to think -- suggest that maybe BV, because it says, "Liquidation Value with Lease Allocation." I don't know if that is the answer.
A. That's potentially correct. Because if I look at columns BR and BV --
Q. Uh-huh.
A. -- I believe BR is the replacement cost new times the liquidation percentage. I

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believe -- and I notice the values in BV are higher, at least in the sample that I'm looking at here. So it makes me think that that's -- column BV is picking up the incremental value associated with the Transition Service Agreements.
Q. So I'm not seeing any that are higher. And let me just --
A. I'm sorry, it's a change in the decimal places.
Q. Okay. Also, we're looking at Moraine where there was no Transition Service Agreement.
A. Okay.
Q. Right? You know that?
A. Yeah.
Q. Okay.
A. Okay.
Q. So -- so it wouldn't -- it wouldn't be captured on this page?
A. Yeah. Sorry, the type is a little small. I was missing the decimal point. I thought that was showing a higher value.
Q. Okay. But the BR is the liquidation value and then there may be some upward adjustment for certain assets where there's a

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Transition Servicing Agreement?
A. Yes. Potentially, yes.
MR. BINDER: Okay. So we're just going to -- we're going to do -- there are four other Excel spreadsheets which we believe, although it will be a question for you, are just a complete set of the analysis of the MLC assets.
THE WITNESS: Okay.
MR. BINDER: So we've simply pulled one page and then we'll put the others up on the screen. So why don't we just do one at a time.
(Exhibit AAT-KPMG 11 marked for identification.)
Q. The first one is -- I handed to you is AAT-KPMG 11, and that comes from a document KPMG-GM0092371. It's just another spreadsheet. It's on the screen. What you have in front of you is just the first page of the asset detail.
A. Okay.
Q. So -- and if you need to have us flip through more pages or you want to do it yourself, the question is simply is this document that you see on the screen of which KPMG -- KPMG 92371 of which AAT-KPMG 11 is an excerpt, is that part of the -- sort of the work done to determine the

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values for the MLC assets?
A. It appears -- it appears to be. If I recall correctly because of the volume of data, we had to split it up into multiple models, but this appears to be another model doing the same thing as the previous example that we looked at for Moraine.
Q. Okay. So this is the model that actually did the calculation that determined the values for the particular MLC assets shown on that chart?
A. It appears to be, yes.
(Exhibit AAT-KPMG 12 marked for identification.)
Q. Okay. And so let's mark as AAT-KPMG 12 an excerpt from another Excel spreadsheet. This is from the file produced as KPMG-GM0092372.
And, again, we're just giving you the first page of the Asset Detail tab. The full document is on the screen and you can see that there's the Input Global Data tab. That's always the same -- correct -- as KPMG 9?
A. Yes.
Q. Okay.

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A. Should -- should be.
Q. Okay. Do you want to look at it? Why don't we look at it, the Input Global Data tab.
A. Yeah, it appears to be the same.
Q. Okay. And then going to the Asset Details, that -- those are the PP&E values as in the prior exhibits for the MLC assets?
A. Yeah, this again appears to be another -- another underlying model similar to the prior two files.
MR. BINDER: Okay. Two more.
(Exhibit AAT-KPMG 13 marked for identification.)
Q. AAT-KPMG 13, again, the first page this document -- from the spreadsheet. The document is KPMG-GM0092373.
Looking at the full document on the screen and this excerpt, can you tell us what that is?
A. This, again, appears to be the same input table as part of another -- another one of the underlying models that supported our OldCo analysis.
Q. And on the screen now you're looking

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at an input table that is the same as KPMG 9, correct?
A. That is correct.
Q. Okay. And the Asset Detail tab, which a portion of is in front of you as AAT-KPMG 13, what is that an excerpt from? In other words, what is this whole document?
A. This, again, is another -- it's one of the underlying models. These assets appear to include GM assembly, Pontiac as part of it; but another part of our underlying analysis for OldCo.
Q. And it's on all of these spreadsheets where we're showing you the first page of where you would find the specific value that KPMG determined for the OldCo assets, correct?
A. That's correct.
MR. BINDER: Okay. And the last one is AAT-KPMG 14.
MR. KLEINHAUS: Is this supposed to be two pages or one?
(Exhibit AAT-KPMG 14 marked for identification.)
Q. And this is KPMG -- KPM -- wait. The Bates number is KPMG-GM0092374. This is the

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first page from the Asset Details. This will be AAT-KPMG 14.
And, Mr. Furey, again, this is just one more of the same documents, correct?
A. Yes. It appears to be, yes.
Q. It contains the individual orderly liquidation value for each of the MLC assets that are actually contained on -- on this document?
A. That's correct.
Q. Okay. Just to -- if you could just take a look at KPMG 10. It's the first one in the set of these that we looked at.
And just for the record, we've -- the documents that we've just went through, AAT-KPMG 10, 11, 12, 13, and 14, we printed out the first page, but we -- we do not -- I do not believe we've included every single column that you can see on the screen.
A. Okay.
Q. But I want to ask you about some of the columns that are there and whether they --
MR. KLEINHAUS: I apologize. Can I just clarify that? So you're saying that for AAT 10, 11, 12, 13, 14, this is a subset of the columns that are on the actual data file?

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MR. BINDER: I think so. So if you look at -- if you look at like column AM, it goes to AT. I'm assuming, and we can check, that there's an AN and an AO that we hid to print it just so we could get the relevant data on a --
MR. KLEINHAUS: Okay.
MR. BINDER: -- single sheet of paper.
Q. (BY MR. BINDER) Maybe we can discuss at a break, but I guess I want to think about a way of sort of marking the Ex -- are you marking the entire file?
MR. KLEINHAUS: We took a different approach, as you'll see. We are going to walk the witness through on the screen subsets of full spreadsheets with the idea that the full spreadsheet is the exhibit.
So we can reconcile this off the record, but one approach is to print a subset. Another approach is to use the screen, have the full document, and then cut on the screen and we can figure out which approach to use.
MR. BINDER: Okay. At the end of this, I want to have -- just the actual full spreadsheet which Mr. Furey has identified as the

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MLC valuations. Does everyone agree that we have a document and that's what it is?
MR. KLEINHAUS: I agree with that.
MR. BINDER: Okay.
MR. KLEINHAUS: I think what we can do is we can use these AAT exhibits as exhibits and then we have files, electronic files of the portions of the big spreadsheets that we're going to show the witness. We can transmit those to you so you can see exactly what our portions are as well.
MR. BINDER: Let's talk -- let's talk at a break about how we can just simply mark the entire file or just stipulate the witness --
MR. KLEINHAUS: Sure.
MR. BINDER: -- one way or the other.
Okay. Otherwise we can just download them onto a thumb drive and give them to the court reporter, but that seems unnecessary.
MR. KLEINHAUS: Okay. Let's discuss this at a break.
MR. KLEINHAUS: Okay.
Q. (BY MR. BINDER) Okay. So looking at the AAT-KPMG 10, there are -- are there -- are there columns that simply have no role in the

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analysis in calculating OLV?
A. Yes, there are.
Q. Okay. A lot of them?
A. This model was built around our standard valuation model that is intended to cover both this type of analysis as well as a fair value and continued use analysis, which you saw with NewCo.
So all of the calculations are included in here for both premises of value, so they're -- but the value and continued use calculations were not used as part of the OldCo analysis, but you will see those columns in here.
Q. Just to take BG as an example, the Fair Value With Utility Penalty, rounded USD. Do you see that?
A. Yes.
Q. Okay. So that -- that number, that 54,900, was not part of the calculation of the liquidation value on this page, correct?
A. I don't believe it was, no.
Q. Right. Because that's a concept that applies to going concern analysis?
A. That's correct.
Q. Okay. Does the number -- is the

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number just an artifact of a formula that's just sitting in the Excel spreadsheet or does it reflect some actual work done with respect to the particular asset?
A. These models have pre-populated formulas in them. So when General Motors data is dropped into the -- into the analysis, some of these -- some of these calculations will pre-populate based on just being mapped to the acquisition date and the asset category, but they don't flow through to the ultimate conclusion of value.
Q. Okay. But separate and apart from that, I mean, would the fair value after uninstall for the very first asset, the 1877, be 46,700 or is it just an irrelevant number?
A. Really for the purposes of what we were doing it's an irrelevant number that would have never been -- never been math-checked or vetted, it just would have been an artifact of having the calculation in the spreadsheet.
Q. Okay. And that's true for all of the -- the columns that did not play into the ultimate valuation, the OLV valuation?
MR. KLEINHAUS: Objection.

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Q. You know, for the columns that weren't part of the OLV analysis, the numbers are just -- well, withdrawn.
Let me -- how would you describe the value and validity of the information in the columns that were not used in calculating the liquidation value?
A. The columns that were not used in calculating the liquidation value, I wouldn't be willing to stand behind those numbers because I'm not certain that those numbers were necessarily thoroughly math-checked or vetted, since they weren't flowing into the ultimate conclusion of value for the OldCo analysis.
Q. Okay. In looking at this KPMG 10, can you just identify the columns by number -- by column number, you know the AA, AD, whatever the numbers are that were relevant for the determination of the liquidation value of the MLC assets?
MS. BOWER: Sorry, I didn't mean to cut you off.
I want to object to form here. And I think if you're going to have him do that, he should probably look at the full spreadsheet. I

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mean, it's your examination, but --
MR. BINDER: Sure.
MS. BOWER: -- if you want to limit it to just the columns that you've printed off --
MR. BINDER: Okay. Sure. We can -- well, sure, why don't we do that, we'll put the full Asset Detail, and we'll just run across the columns. And we'll just scroll across and you can just say, for instance, you know, in column A whether or not it was relevant or not. I mean, obviously some of these aren't numbered.
A. Okay.
Q. So we're looking at the spreadsheet -- the full spreadsheet or it's on the screen from the KPMG-GM0092370. Okay.
A. Okay. So, should I start at the beginning and work my way across?
Q. Sure.
A. Okay. So column A is just an asset identifier. It was used for mapping purposes, but not part of the calculation.
Same for column B. It's a -- just an identifier column. I believe that came from General Motors.
Asset Description, again, utilized

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just to identify the assets.
Column D, Client Asset Class is what was used to map to our input table, so it drove our trend -- trend assumptions as well as the liquidation percentages for each asset class.
Acquisition Date was utilized in the analysis as far as pulling the appropriate cost trend for the asset class that would be representative of the acquisition date to adjust to replacement -- reproduction cost new as of the effective date.
Original Cost was the starting point of the analysis, so would have been included.
Net Book Value in column G was not directly flowing into the calculation, but would have been reviewed as part of our analysis. Again, that's General Motors' financial reporting calculation.
Column --
Q. And that's a number prior to the -- your -- the KPMG OLV conclusion?
A. That's -- that's a number calculated by GM exclusively for their financial reporting purposes. So that number was provided to us, not calculated by us.

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Q. And these were the numbers that KPMG's analysis would impair to the extent necessary; is that right?
A. Yes, that's correct.
Q. Okay.
A. Column H, I -- doesn't -- in this sample appears to be blank. I don't think it had any bearing on the analysis.
Columns I and J, the DUNS number and the company name, those were used to identify the location of the asset and were utilized not in a mathematical sense but more in identification of the assets and identifying assets that could potentially be subject to Transition Services Agreement.
Column K, Classing Lookup, is just a column that KPMG added to the model. Likely to assist in some summary -- creating summaries for our future review.
Columns L, M, and N, I don't recall those specifically flowing into the calculation in any way.
Columns O and P could -- those could have been the Transition Service Agreement dates, but I -- in this sample it's difficult to tell

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because Moraine wasn't subject -- as you mention, was not subject to a Transition Service Agreement.
And Source File is likely something that KPMG added just to be able to track individual line items back to the original source file that was provided to us by General Motors.
Starting in column S, these would generally be columns that KPMG added. Column S is just a unique identifier.
Column T is the asset class that was used to look up into the lookup table that was provided in our models?
Q. That's KPMG 9?
A. That's KPMG 9, correct.
Historical Year Override. I don't believe that column was even used in this model.
Historical year column V would be the year of the original inservice date of the asset.
Local Currency is exactly what -- for GM North America it would have been all wrong -- the domestic assets would have been all U.S. dollars.
Exchange rate obviously is one, given our conclusion was stated in U.S. dollars.

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Column Y, I don't believe was used for GM North America as there were no local currency overrides.

The cost columns in Z, AA, AB were all sourced information provided to us by GM, converted to -- where necessary converted to U.S. dollars as of our valuation date for the GM domestic assets there were no -- obviously no currency -- currency conversions.

Q. Can I ask you? There was a net book value number that was -- it's zero in AA and going back earlier there was, I thought, in one of the columns prior there was a net -- can we go further? Maybe not. Okay. Never mind.

A. Okay. So column -- so column AC is just the net book value that was provided to us by -- by General Motors.

Column AD is the trend factor. And that is going to use the lookup table in Exhibit -- that is coming from the lookup table in Exhibit 9. So based on the inservice year and the asset class of the asset, a specific trend table would be used to look up the factor that would be used to adjust the historical cost of the asset to reproduction cost new as of our

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effective date.

Column AE I don't believe was used in the OldCo analysis. I don't think there were any RCN -- reproduction cost new overrides.

Column AF, RCN USD, should just be the product of columns AD and column Z.

Effective Age in column AG. I don't believe we made effective age adjustments for the OldCo analysis.

Column AH is actual age. That's just a calculation between the effective date of valuation and the inservice date shown in the fixed asset ledger provided to us by General Motors.

Column AI, I don't believe that was used. That's a column that's only used when there's overrides for the effective age, which I don't believe we did that for OldCo.

Column AJ, NUL, that's Normal Useful Life. That's a column that's used for depreciation. We didn't apply physical depreciation in this analysis using that column.

Column AK is a similar -- is a -- LHI RUL is Leasehold Improvement Remaining Useful Life Override. We did not use that column in

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this analysis.

Column AL is a Remaining Useful Life Override. I don't believe that column was used.

Remaining Useful Life, RUL, in column AM is just a calculation based on the normal useful life and the age of the asset. I don't believe that column is used in this -- in the OldCo analysis.

The columns AN, AO, AP, AQ, AR, AS, all the way through AZ, I don't believe are used. Those are all physical depreciation calculations that are not used in the OldCo -- OldCo analysis.

Salvage Value USD. I can't recall exactly what that column is, but I don't believe -- I don't believe that flows into the -- into the final -- to the final answer.

Columns BD -- I believe BD through BK are all fair value in continued use premises of different flavors, some including inutility penalties. I believe all those columns would fall under the category of just having pre-populated formulas where those numbers are just -- they're just pulling from the source data.

Q. Did you -- did you skip BB and BC?

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A. Oh, sorry. Yes. So, BB and BC. BB would be -- was not utilized in the OldCo analysis. That would be used if we had a specific fair value indication for a specific asset. I don't believe we had those sort of adjustments in OldCo.

BC, Utilization Company, that was a column I believe that was more used in the NewCo analysis to -- it was used to -- as the lookup for our inutility adjustments, which were not applicable for OldCo.

BD through BK, I believe were all fair value in continued use premises, were -- which were not relied upon for -- for OldCo.

Column BL appears to just be some sort of consistency check column. I'm not sure what that -- what that column is representing.

Column BM would be a orderly liquidation value override if we had specific information about a certain asset. I don't believe we made adjustments at that level in this analysis, so I would suspect that's primarily blank throughout the analysis.

And then columns BN, BO, BP, BR appear to be the calculation -- the columns where

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the orderly liquidation value is being calculated. The sample that we have here, they're all zeros, so it's a little tough to tell exactly how the math is flowing, but BM through BR, I believe, is the primary columns that are driving the orderly liquidation value analysis.

And then column BV --

Q. And if it helps, you can look to KPMG 10, the way it was filtered, you can see there are actual values for those columns.

A. Okay.

Q. There is a BK, BL, BM, BN, BO.

A. Yeah, so B -- yeah, so BM, BN and BO, those appear to have -- those do appear to have the calculations where the replaced reproduction cost new is multiplied by the liquidation percentage for each category. BO is just a rounding of that number.

"Notes" in column BP would have just been somewhere if there were specific information about an asset that we wanted to record.

Q. You mean BU, when you say "Notes"?

A. BP.

Q. Oh, BP. I'm sorry.

A. Yeah.

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Q. Okay. I thought you said --

A. BQ, "RP/PP," that's just a column where we would put the identifier of whether an asset was personal property or real property. That's just for our summarization purposes.

Column BR, the Liquidation Value, appears -- I believe that is just a carry across from what's in column BO.

Column BS -- column BS is not -- it's called impairment before lease allocation. That's not part of the valuation. That may have been some sensitivity we were asked to run to compare against book value. But that's not -- not an input into the valuation or an output, it's just a straight calculation based on the book value in our fair value conclusion.

Column BT, Other Liquidation Override, I don't specifically recall what that column was intended to be. It would generally be if there was a specific -- again, a more specific discrete adjustment below the asset class level, it would be recorded there.

Again, column BU would be notes if there was an other liquidation override. The reason for that should be in column BU. So those

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columns should work together.

Column BV is -- appears to be the liquidation value -- it appears to be the liquidation value but also taking into account some consideration for any value associated with the ongoing use of certain OldCo facilities associated with the Transition Service Agreements.

Column BW appears to be a similar sensitivity calculation to column BS, again, not an input into the valuation. It was probably something we were asked to just run as a sensitivity.

Q. Uh-huh.

A. And column BX. I don't recall what that is. Doesn't -- it doesn't appear to be -- it looks like some sort of flag that was used for summarizing data at some point.

MR. BINDER: All right. Well, thank you. Now we know.

There's nothing else? Is that as far as it goes over, I assume?

All right. Why don't we have lunch. How long -- we can go off the record.

THE VIDEOGRAPHER: Going off the

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record. The time is 12:49.

(A break was taken from 12:47 p.m. to 1:47 p.m.)

THE VIDEOGRAPHER: Media Number 4. On the record at 1:48.

MR. BINDER: I just want to put on the record a stipulation among counsel with respect to the following documents produced by KPMG at Bates numbers KPMG-GM0092370, 0092371, 0092372, 0092373 and 0092374, which are all the Excel spreadsheets that we discussed earlier today. Those five documents the parties stipulate contain the OLV values calculated by KPMG for the assets at Old GM.

MR. KLEINHAUS: Based on Mr. Furey's testimony, I agree those contain OLV valuated -- OLV values calculated by KPMG.

MR. BINDER: For the assets at Old GM?

MR. KLEINHAUS: For assets that were at Old GM, yes.

MR. BINDER: Okay.

Q. (BY MR. BINDER) I just want to go back. Mr. Furey, when you were walking us through the spreadsheet and identifying each

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column, you -- some of the columns involved physical depreciation. Do you recall that?
A. Yes, I do.
Q. Okay. And you said that physical depreciation was not considered as part of the calculation of the OLV values. Do you recall that?
A. Yes, I do.
Q. Okay. Why was physical depreciation not part of the calculation?
A. The discrete calculation in our model for physical depreciation would be part of a cost approach to valuing the assets. Our methodology was utilizing market approach, primarily a percent of cost method, which includes all adjustments for obsolescence, whether it be physical depreciation, functional obsolescence or economic obsolescence. So the liquidation percentage would inherently include any adjustments to get to an orderly liquidation value.
Q. Okay. Thank you.
(Exhibit AAT-KPMG 15 marked for identification.)
(Exhibit AAT-KPMG 16 marked for

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identification.)
(Exhibit AAT-KPMG 17 marked for identification.)
Q. So, Mr. Furey --
(Exhibit AAT-KPMG 18 marked for identification.)
Q. (BY MR. BINDER) So, placed in front of you, Mr. Furey, are four documents. The first one has been marked as KP -- AAT-KPMG 15. It's Bates numbered KPMG-GM0092221 through 92224. It's to General Motors Corporation file from Patrick Furey dated -- the date on it is August 19, 2009. Do you see that?
A. Yes, I do.
Q. Okay. The next document has been marked as AAT-KPMG 16. It's Bates numbered KPMG-GM009225 through nine-two -- I'm sorry, the Bates number of AAT-KPMG 16 is KPMG-GM0092225 through 92228. It is to General Motors Corporation file from Patrick Furey, date August 19, 2009, version one.
The next document, AAT-KPMG 17, Bates numbered KPMG-GM0092229 through 92232. It's to General Motors Corporation file from Patrick Furey with a date August 18, 2009.

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And the last one, KPMG 18, Bates number KPMG-GM0092233 through 92236, to General Motors Corporation file from Patrick Furey, date August 19, 2009.
So, KPMG 15, 16, 17 and 18, are they all part of -- are they all documents prepared in connection with the OLV valuation?
A. Yes. They appear to be, yes.
Q. Okay. And there are three of them, KPMG 15, 16 and 17, which have a Re: line of "Fair Value Analysis of Certain Assets of General Motors Corporation." And then one of them, KPMG 17, has a Re: line of, "Impairment Analysis of General Motors Corporation." Do you see that?
A. I do.
MS. BOWER: Objection. They are not -- they're not -- they're not all the same.
MR. BINDER: Did I misread one of the Re: lines?
THE WITNESS: Yes, 15, 16 and 18 --
MR. BINDER: Oh, okay. Thank you. Let me...
Q. Let me try it this way. I'm trying to figure out the relationship of these four documents, whether they're drafts of something --

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one is a draft of another, whether they serve different purposes. By reference to the specific documents, could you explain, you know, are they related to one another and, if so, how?
A. All four of these documents, 15, 16, 17 and 18, appear to be earlier versions of what we previously discussed, which was Exhibit 4. Based on the dates, it looks like Exhibit 17 was the first draft of our memo to our file to start documenting our assumptions.
The subsequent files dated August 19th appear to all be subsequent updated drafts. Given that the dates weren't updated, it's a little bit difficult to tell the sequence of those drafts, but these were all earlier drafts of what was ultimately the October 26th, Exhibit 4 deliverable.
Q. And each one of these KPMG 15, 16 and 17, 18, just are all memos related to the same process, the same valuation exercise?
A. Yes, that's true.
Q. Okay. And to the extent that there are changes one from another, did those reflect -- is the latter in time the more accurate version?

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MS. BOWER: Objection.
A. The final memo should be the one that contains the assumptions and methodologies that are reflected in our final fair value conclusion.
Q. Okay. So if there is an inconsistency between AAT-KPMG 1 through 4, and one of the earlier versions, KPMG 15, 16, 17, 18, we should look to AAT-KPMG 4 of the Tangible Asset Memo to know what was done?
A. That's --
MR. KLEINHAUS: Objection.
A. That's my understanding, yes.
Q. Okay. There was no separate valuation exercise that was being performed other than the one that was memorialized in the memo that's AAT-KPMG 4 for the OldCo assets -- is that right -- that you're aware of?
A. No, for OldCo that was the only valuation analysis.
Q. Okay. You can set those aside. And just as for reference, and I'll just put back in front of you the Fresh Start Report.
So, now switching gears and focusing on the fresh start valuation work that KPMG did and is reflected in the report that is the trial

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Exhibit DX-141 and JPM-KPMG 1 from your prior deposition.
Let me ask you this. As part of the fresh start valuation exercise, did KPMG value some assets on an orderly liquidation value basis?
A. As part of the NewCo analysis?
Q. Yes. Yes. For the NewCo analysis, were some assets valued on an orderly liquidation value basis?
A. I don't remember specifically. The large majority of the assets were valued on an incontinued use premise. But there could have been tens if not hundreds of thousands of individual assets. So there could have been one-off adjustments for assets that were orderly liquidation value, but I -- I don't recall specifically.
(Exhibit AAT-KPMG 19 marked for identification.)
Q. KPMG -- AAT-KPMG 19 is a page from KPMG-GM-4070, which has been filtered for order -- in column BA where the basis for completed values orderly liquidation value and it relates to assets out of Lansing Delta Township?

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A. Okay.
Q. Is this familiar to you?
A. Yes, this spreadsheet is generally familiar.
Q. Okay. Looking at this does this refresh your recollection that at least some assets as part of the fresh start valuation exercise, the final concluded value was based on an orderly liquidation value?
A. Yes, it does. Looking in column BB, I see a note in there that appears this subset of assets was abandoned.
So even though they would have -- in this case, if these were identified as NewCo assets, the fact that management identified them as abandoned would have given us reason to adjust our valuation premise to orderly liquidation value.
Q. And by abandon, does that just mean they weren't intending to be part of the operations of the Lansing Delta Township facility in this example?
A. That's correct.
Q. Does the fact that it's abandoned tell you one way or another sort of the nature of

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the asset, in other words, the quality of it, whether it was no longer a good asset or just that it wasn't going to be used?
MR. KLEINHAUS: Objection.
A. It doesn't necessarily tell us the quality of the asset, but given that our assumption is that management would use the assets in a way that maximizes their value, the fact that they chose to abandon the asset and to not either use it or to sell it indicates that there was a reason for that, so based on that we concluded that orderly liquidation value was the right premise.
Q. Okay. In turning to the Fresh Start Report at page 140, Section 9.5.3, Application of Market Approach. Do you see that?
A. Yes, I do.
Q. Can you just review that section.
(Witness reviewing document.)
A. Okay. I read it.
Q. So in connection with the fresh start accounting, when the -- when -- an orderly liquidation value was used that was because it was considered the highest and best use?
A. Yes, that's correct.

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Q. Okay. And when -- and the orderly liquidation value was done on the basis of a market approach in connection with the fresh start accounting when assets were valued at orderly liquidation value?
A. Yes, that's correct.
Q. Okay. And is it the valuation exercise to determine the orderly liquidation value in connection with those assets valued as such in the fresh start accounting, was it the same as used for the orderly liquidation value analysis of the assets at old GM?
MR. KLEINHAUS: Objection.
A. The analysis for NewCo included two estimates of orderly liquidation value: One, which is what we were referring to in Exhibit 19, was similar to the analysis that was done in OldCo. There was also an orderly liquidation value in place analysis that was done to set a minimum floor value for the NewCo assets based on the sale of the Wilmington facility. That analysis was different than what was done for OldCo.
Q. Right. So the orderly liquidation value in place based on the Wilmington facility

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was value used to set the whole values for assets valued on a going concern basis; is that correct?
A. That's correct.
Q. Okay. And the orderly liquidation value in place based on the sale of the Wilmington facility as an entire facility is unrelated to the orderly liquidation value that was done for Old GM, correct?
A. That's correct.
MR. KLEINHAUS: Objection.
Q. Okay. And it's also unrelated -- so you're describing -- so that -- separate from the hold values in connection with fresh start, some assets, those that were disposed of, abandoned or idled were valued on an orderly liquidation value basis, correct?
A. For NewCo, that's correct.
Q. For NewCo.
And for those assets, the disposed of, abandoned or idled assets at New GM which were valued on an orderly liquidation basis, the same methodology that was used for valuing the OldCo assets was used?
A. That's correct.
Q. You looked at the same Maynards data,

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correct?
A. Yes.
Q. The same percentages?
A. Yes.
Q. Okay. The whole process was the same?
A. Yes.
The only -- if I could clarify one thing. The only thing that may have been potentially different would be the trends utilized in estimating reproduction cost, just given that the NewCo analysis was completed later. I'm not a hundred percent certain. I know the liquidation percentages were the same. I don't recall if we made any changes to the underlying trends that were used, just based on new or better information that became available.
Q. You just don't know one way or the other?
A. I don't remember off the top of my head.
Q. Okay. In turning to page 144 of the Fresh Start Report -- I'm sorry, 141. The -- there's a personal property liquidation percentage header and then there's a table. And

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I just wanted to ask you to put that alongside of the table at the top of page 10 on KPMG Tangible Asset Memo. Okay?
A. Okay.
Q. You recall earlier, I think I asked you whether the asset classifications were the same for -- in the Old GM analysis as fresh start. And your answer was same or similar, right?
A. Yes.
Q. So in light -- these are the relevant comparisons, these two charts?
A. Yes, that's correct.
Q. Okay. And how would you -- would you say that they are the same asset classification?
A. Yeah, they appear to be similar. The most notable difference is if you'll notice for, for example, the first three line items are for assembly equipment. Given that our NewCo analysis included an estimate of physical depreciation, we wanted to have additional granularity to be able to adjust the physical depreciation for shorter lived assets, longer lived assets or something that fell in between.
So, you'll notice in the OldCo

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analysis there's only one category for assembly equipment because one percentage -- one liquidation percentage was applied, whereas for NewCo, in addition to doing a liquidation analysis, we also had to do a physical depreciation estimate. So we increased it to three categories for physical depreciation purposes, but for in terms of a liquidation percentage, the same percentage would apply.

Q. So for purposes of the OLV calculation of the assets in New GM, the separation of assets into short, medium or long life was not a meaningful distinction?

A. That's correct.

Q. All right. Which is a carryover for other uses in connection with the going concern valuations?

A. Exactly. That's correct.

Q. Okay. Take a look -- if you can go back to your deposition, page 158.

(Exhibit AAT-KPMG 20 marked for identification.)

Q. Marked as Exhibit 20 is your -- a portion of your testimony at the trial in this case. It's a hearing date for April 27, 2017.

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But first I want to ask you to look at page 158 of your -- of your prior trial testimony. I'm sorry your --

MS. BOWER: Exhibit 3.

MR. BINDER: Thank you.

Q. -- your prior deposition testimony, which is Exhibit 3.

A. Page 158?

Q. Yes.

A. Okay.

Q. On -- let's start on page 157 and at line 15. You -- I'm just going to read you the questions and the answer.

The question: "You didn't actually go look at each specific robot, but you did some sort of formula that flowed through to all the assets for the personal property that you were valuing. Is that a fair description?"

Answer: "Yeah, that would be correct. We didn't value each individual asset on a stand-alone basis, it was more of what would be considered a mass appraisal."

Question: Okay. And, now, is that similar to the appraisal of the sort of individual assets that was done in connection

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with the fresh start accounting as well, in other words, as a mass appraisal and not an individual assessment?"

Answer: "The approach and categorization would be consistent. The premise of value is obviously different between Motors Liquidation and the fresh start, but the concept of it not being a unique appraisal of each individual asset would be a correct characterization."

That's accurate, correct?

A. That is correct, yes.

Q. Okay. So turning to your trial testimony, which is Exhibit 20, towards the very end, page 1465.

A. Okay.

Q. Okay. Line 20 -- line 17, rather. Question: "Are you familiar with the term 'mass appraisal'?"

Your answer: "Yes, I am."

Question: "What's a mass appraisal?"

Answer: "Mass appraisal is generally a term that's utilized for large analyses of high volume number of assets."

Question: "Was KPMG's work for

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New GM a mass appraisal?"

Answer: "I wouldn't characterize it as a mass appraisal; although, we did employ certain techniques related to a mass appraisal to facilitate being able to handle the large volume of assets in this deal."

Do you see that?

A. Yes, I do.

Q. Would your answer at the top of 146 -- at 146, line 2 through line 6, apply equally to the orderly liquidation values at Old GM?

A. Yes, it would.

Q. Thank you. You can set that aside.

So earlier, I guess this morning at this point, you described getting information from GM about which assets were going to be transferred to New GM. Do you recall that?

A. Yes, I do.

Q. Okay. And in addition to the decision as to whether an entire plant was going to be part of the purchase by New GM, there were also individual assets that I think we discussed were going to be taken out of some of the facilities that were where the Old GM assets were

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going to be valued for MLC, correct?
A. That's correct.
Q. Okay. Can you describe for me the process as to how you knew which assets should be counted as Old GM assets and which were -- can be counted as New GM assets?
A. As part of our OldCo analysis, we were provided -- we were provided with a carve-out of the fixed asset listings from GM that reflected GM's guidance as to what assets would be in scope for us for the OldCo analysis.
We received several versions of that file as GM went through different iterations of what they called their viability plans. So as the plan was being tweaked or modified, we would receive an updated file. That would give us a list of all of the assets that we needed to consider in your analysis.
Q. So the list would say, "We're going to add these assets to what's going to New GM and remove these that we previously thought were going to New GM and keep them at OldCo," is that --
A. Generally the list would come to us as a consolidated file. So it would be not a

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list of assets to be moved, it would be, "Here is a complete listing of all of the OldCo assets and here is what you should work from."
Over the course of time we would find out that changes had been made to the viability plans and we would receive a new listing that would be at that time an exhaustive listing of all the assets of OldCo. But we did receive multiple versions of that through the course of our analysis.
(Exhibit AAT-KPMG 21 marked for identification.)
(Exhibit AAT-KPMG 22 marked for identification.)
(Exhibit AAT-KPMG 23 marked for identification.)
Q. Let me explain.
A. Okay. Please do.
Q. And we'll put it up on the screen, just so you can -- if that's helpful.
First let me just identify the documents. AAT-KPMG 21 is a printout from a much larger document, which is KPMG-GM0092310. It is the first page from the tab of APA 715 details. The pages contain all of the columns.

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So there's 45 rows and you have to line up the pages one next to another and you would see all the way across. Most of them are empty.
A. Okay.
Q. K -- AAT-KPMG 22 is another tab from the same larger document, KPMG-GM0092310, from the tab APA Changes 7-23.
And AAT-KPMG 23 is again from that document, KPMG-GM0092310. It's from the tab APA Changes 8-7. And both Exhibits 22 and 23, like 21, all of the pages, if placed side by side would reflect -- capture all of the rows. Do you understand that?
A. Yes.
MS. BOWER: Columns.
Q. Okay. All of the columns of it.
And it is up on the screen, too, and if it's helpful to have -- we're just showing the various tabs that you have access from.
So, first of all, do you know what APA -- so do you recognize -- looking up on the screen where you have all of KPMG-GM0092310, do you know what that document is?
A. These files don't look that familiar to me. The content looks familiar, but the

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format and the layout doesn't look like a KPMG deliverable. I think it must be a source GM document, potentially.
Q. Okay. Do you understand -- do you know what APA stands for?
A. I believe it's Asset Purchase Agreement.
Q. If you look at -- these are -- do you understand that these are -- these are documents that were produced by KPMG; do you understand that?
A. I have no reason to dispute that.
Q. Okay. But were you involved in the collection of documents for KPMG in connection with the subpoena served in this case?
A. Yes, I was.
Q. Okay. But do you recall whether you actually helped produce the document that is 92310, which is what's on the screen?
MS. BOWER: I'm going to object, because I think this is from one of our old productions in 2015-2016.
MR. BINDER: Okay.
MS. BOWER: So, I mean, he may not recall having looked at something from 2015-2016.

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A. Yeah, there were -- we received a lot of files from GM. I don't specifically remember these -- these exact files.
Q. Okay. So let me -- what I was -- do you understand that these -- that the document, the overall document, KPMG 92310, is one of the documents that identifies for KPMG the assets that are going to be transferred from Old GM to New GM, or to be transferred to New GM as part of the sale?
A. I -- to be honest, I don't -- I don't know.
Q. Okay.
A. I see the APA Change status, which appears to be saying to add or remove certain assets, which makes what you're saying a reasonable assumption, but I can't confirm it a hundred percent.
Q. Okay. Fine. Then you can set them aside.
So let me -- let me then just ask you generally about that process. The valuation date for OldCo was June 9th and for New GM it was June 10th, 2009, correct?
A. July, I believe.

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Q. July two thousand -- thank you. Withdrawn.
The valuation date for OldCo was July 9th, 2009; for New GM it was July 10th, 2009?
A. That's correct.
Q. And there was -- is it fair to say sort of which assets were going to end up where, to some -- from the facilities that were subject to the Old GM valuation was in flux around valuation date?
MR. KLEINHAUS: Objection.
A. That's -- that's correct.
Q. Okay. In determining whether to value it at Old GM or New GM, was the decision based on what people thought as of the valuation date or was the decision based on where it ended up?
MR. KLEINHAUS: Objection.
MS. BOWER: Objection.
Q. (BY MR. BINDER) Do you understand the question?
A. Yes, I do.
Q. Okay.
A. There was a considerable -- to use your word, a considerable amount of flux in the population of the assets as of the actual valuation date. As I recall, there were adjustments that were made to the viability plans after our valuation date and those plans were included in our valuation date as of either the July 9th or July 10th valuation.

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Q. Okay. So if on July 1st it was expected that an asset was going to go to New GM, but prior to the completion of your analysis, say on July -- say on July 31st, you learned that it was actually going to remain at Old GM, you would value the asset in the hands of Old GM?
A. We -- yes, that would be -- that would be correct.
Q. Okay.
A. We considered changes to the population of assets after the valuation date. We didn't consider external market events after that, but we did consider changes to the population of assets.
Q. Okay. So just to be clear, it's also true that if as of the valuation date the expectation was an asset would remain at Old GM, but you learned after the valuation date that it was going -- it was intended to be moved to New GM, you would have valued it as part of New GM?
A. That's correct.
Q. Okay. Were there any operating facilities, plants, that were sold to New GM where it's -- withdrawn.
Were there any plants that were sold to New GM where there was uncertainty as to whether or not those plants would continue in use?
A. As I recall, the NewCo facilities were all planned to be used going forward. The facilities that had shortened remaining useful life expectations were considered as part of OldCo.
Q. Okay. And do you recall whether that was something that you understood as of the valuation date or might have learned at some point later, and specifically with reference to Janesville Assembly, MFD Pontiac, and Orion Assembly?
A. The -- as of the valuation date, a large majority of the population was settled as to whether it would go to OldCo or NewCo.

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There were several facilities that had some ongoing discussion after the valuation date. I generally recall Janesville being one of those facilities that had some discussion after the valuation date, but I don't recall the specifics of the -- what the discussion point was, if it was moving from one side to the other. I can't -- I can't recall, but I do specifically remember that facility being subject of more discussion after the valuation date.

Q. And for purposes of your analysis for the KPMG valuation, where it ended up is what mattered, not when the decision or even if the decision was made after the valuation date?

MR. KLEINHAUS: Objection.

A. If it ended up being NewCo or OldCo would drive our premise of value. So that's not where it was as of -- what the thought was as of the valuation date, it would be where it ended up. Our reasoning for that was it was a very fast process that was happening during the bankruptcy, so there were lots of moving pieces that needed to settle out. So, you know, we did allow those changes and assumptions to flow into the analysis.

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MR. BINDER: I'm done, or close to done, so I think if I could organize myself for ten minutes, I should be able to wrap up.

MS. BOWER: Okay.

THE VIDEOGRAPHER: Going off the record. The time is 2:32.

(A break was taken from 2:31 p.m. to 2:52 p.m.)

THE VIDEOGRAPHER: Media Number 5. On the record at 2:53.

Q. (BY MR. BINDER) Mr. Furey, in connection with the fresh start accounting valuation work, as we know, and you testified, most of the assets were valued at a going concern, correct?

A. That's correct.

Q. And that's because that was the highest and best use?

A. That's correct.

Q. Okay. And other assets were valued at OLV when that was the highest and best use, correct?

A. That's correct.

Q. Okay. As part of the valuation work that KPMG did, even where it concluded that going

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concern was the highest and best use and therefore used a going concern value, KPMG also determined an orderly liquidation value in exchange for each asset, correct?

A. I believe our models calculated that for each asset, yes.

Q. Okay. And the models calculated it using the same methodology that was used in connection with Old GM, correct?

A. Yes, that's correct.

Q. Okay. But because the going concern value was the highest and best use, the model adopted the going concern value?

A. That's correct.

MR. BINDER: Okay. Thank you.

THE VIDEOGRAPHER: Off the record at 2:55.

(A break was taken from 2:54 p.m. to 2:57 p.m.)

THE VIDEOGRAPHER: Media Number 6. On the record at 2:58.

EXAMINATION

BY MR. KLEINHAUS:

Q. Good afternoon, Mr. Furey. For the record, Emil Kleinhaus from Wachtell Lipton Rosen

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& Katz for JPMorgan Chase Bank.

Mr. Binder covered some of the things I was going to cover, so I'm going to try to be efficient and rely on the answers that you gave earlier rather than repeating a lot. And I'm also going to go in the same general order, which is starting with assets that were at Old GM and stayed at Old GM and then a couple of things -- topics that relate to assets that went to New GM.

So, as relates to assets that stayed at Old GM, I think you testified that KPMG's work was requested in connection with financial reporting; is that correct?

A. That is correct.

Q. And I think you mentioned that there was at least the potential of an impairment by Old GM that KPMG's analysis would be related to a support, is that correct?

A. Yes, that's my understanding of the purpose of the valuation.

Q. And do you know whether that impairment ended up occurring on Old GM's books?

A. I do not specifically, no.

Q. So do you know whether Old GM ended up adopting and using the values that KPMG

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derived through its valuation work?
A. I don't know for certain.
Q. And do you know if anyone other than Old GM ended up for financial reporting or other purposes relying on the values that KPMG derived?
A. I believe that old -- Old GM was the only intended user for our valuation, that I'm aware of.
Q. Okay. But you don't know one way or the other whether they ended up relying on KPMG's work for its financial reporting, correct?
A. When you say "they," you mean other third parties or Old GM?
Q. Sorry. I'll clarify. Old GM. You don't know one way or the other whether Old GM ended up relying on KPMG's work for its financial reporting; is that right?
A. I don't know for certain, but I assume that they did, given we weren't given any feedback to the contrary.
Q. Okay. So I want to talk about a couple of categories of assets that remained at Old GM, as you did with Mr. Binder. I'm going to start, actually, the shorter section which is I believe you testified that there were assets that

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KPMG was advised would be moved from an Old GM location to a NewCo location, correct?
A. That's correct.
Q. Let's start by talking about those assets. And I'm going to refer you to AAT 15, which is a memo dated August 19th 2009, from Patrick Furey to General Motors Corporation file.
If you could turn, please, to KPMG-GM-9222, which is the second page of this memo. There's a paragraph near the bottom of the page with the title NewCo Assets. Do you see that?
A. Yes, I do.
Q. And it says, "GM indicated that the remaining assets will be transferred to a NewCo location. To value these assets we applied our typical Marshall & Swift MNS depreciation curves and considered functional and economic obsolescence to estimate fair value and continued use. Considering that these assets were to be transferred and would inherent new installation costs, we considered installation costs incurred at the original OldCo locations to be unrecoverable costs. Therefore, based on asset categories, we applied uninstalled percentages to

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remove installation costs from the Fair Value Estimates. Uninstalled percentages were based on our prior experience with valuing similar types of assets."
Does that paragraph accurately describe the valuation approach used by KPMG to value assets that were to be transferred from Old GM to New GM?
A. That paragraph is generally correct. That paragraph was written prior to the NewCo analysis actually being completed.
Q. Okay.
A. So there are a few generalities in there that are slightly different than the ultimate approach that was used for NewCo, but from a conceptual standpoint, that paragraph is still accurate.
Q. I'm going to follow up on that. And for the record, the reason I asked about this August 19th memo is because if I look at the August -- the October 26 memo, which is AAT 4, and I may be wrong, but I don't actually see a similar description of what happened to the assets that went from Old GM to New GM; is that correct?

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A. That's correct.
MS. BOWER: Objection.
Q. (BY MR. KLEINHAUS) You can't testify as to what I see. Is there a similar description in the October 26, 2009 memo of assets that went from Old GM to New GM?
A. No, there is not.
Q. Okay. So let's come back to the August 19th memo.
Given that you testified that this information or this paragraph was written at the beginning of the process, can you describe in your own words how the valuation process for those assets occurred? And if there are noteworthy differences from what's on 9222, please let us know what they are.
A. So in the context of the OldCo valuation, those assets were not valued, they were not included in the OldCo valuation. That was the reason that that paragraph was subsequently taken out of the OldCo memo.
The -- those assets as they were transferred to NewCo were valued as part of the NewCo analysis, so we felt that the narrative description was better suited to be in the NewCo

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narrative, so hence the adjustment in the various versions of the memo.

But the approach, as I said, is conceptually similar. They were valued under a premise of fair value and continued use based on the location that they were associated with for NewCo. And then we did apply a deduction or a diminishment in value to reflect the fact that since our basis of the NewCo valuation, the starting point was the historical cost of the assets, which included both the asset and the installation of that asset, we didn't want to assign value to that installation given that that installation was the installation incurred at an OldCo facility, so we applied an adjustment to diminish the value, given that it would need to be relocated and potentially reinstalled at a new facility.

Q. And did KPMG ultimately use Marshall & Swift depreciation curves?

A. No, we did not ultimately rely on Marshall & Swift. I believe we -- I believe we utilized the -- more of an age-life physical depreciation methodology.

Q. As applied to assets that were

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transferred from Old GM to New GM?

A. For I believe the majority of the assets in the NewCo analysis. So there was no -- there was no differentiation for depreciation between transferred assets versus assets that were just at NewCo facilities.

Q. So let me ask the question this way then. You testified at a trial in April 2017, at length about the cost approach that KPMG used to value assets in New GM facilities, right?

A. That's correct.

Q. And putting aside the uninstall aspect of it, which I'll come back to, was the valuation method used to value assets that were transferred from Old GM to New GM the same as the method that was used for other assets that were just in New GM facilities?

A. Yes, with the exception you noted, the methodology would have been consistent.

Q. Okay. So let's go back to the exception that I noted. And I think you also already began to testify about this. Can you explain how what's described here as uninstalled percentages and the application of uninstalled percentages worked in affecting the valuation of

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the assets that were transferred to New GM plants?

MS. BOWER: Emil, for the record, which -- when you say "here," which one are you looking at?

MR. BINDER: August 19, 2009, the NewCo Assets paragraph.

MS. BOWER: Thank you.

A. So the -- what we call in this memo the uninstalled percentages were intended to reflect of the originally installed cost of the asset approximate -- an approximate amount associated with soft costs, things like engineering, physical labor for installation of the asset that we felt wouldn't have value, given that the assets needed to be transferred.

So we -- we had some discussions with GM's engineering team and their management team to understand their experience with prior capital projects, and also leveraged some of our prior experience in valuing similar type assets, to come up with what we felt were reasonable percentages to -- that would reflect the amount of val -- reflect the amount of cost that was in those assets that didn't really reflect

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physical -- physical hard asset costs. And we applied that as a diminishment in value to the cost approach analysis to reflect the fact that while an asset that was in place in a NewCo facility, the installation and engineering soft cost would have ongoing value, as those assets were going to continued to be used as is, whereas the transferred assets would require some investment to move them and get them incorporated into whatever process they were going to be added to at a NewCo facility.

Q. And the uninstalled percentages that you just testified about, they varied by asset category, right?

A. That's correct.

Q. And can you elaborate on why they would vary by asset category?

A. Different types of assets require different levels of engineering and installation. Some assets would require significant foundation, significant electrical work, potentially piping or other mechanical interconnects, whereas other assets are much easier to, I'll use the term plug and play, where the installation costs would be -- would be much less.

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Q. And do you believe KPMG applied the best methodology to assets being transferred to a NewCo location? Let me reframe that. Do you think that you -- that KPMG applied an appropriate methodology to value the assets that were transferred from Old GM to New GM?

A. I feel like the methodology that we employed was reasonable, given the scope of the assets that we were looking at.

In a perfect world somebody would go through each individual asset and come up with estimates for uninstallation, freight and those sort of things. Given the number of assets that we were trying to analyze, we needed to use percentages. And we felt that doing that at the asset class level was a reasonable and supportable way to come up with that calculation.

Q. And do you think it was reasonable to value those assets on a going concern basis rather than liquidation basis?

A. Yes, I did, given that the management had indicated to us those would be moved to a NewCo facility which would continue to operate for the foreseeable future. So we felt that that was the appropriate premise of value.

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Q. And I think it -- well, it says here in the August 19, 2009 memo that uninstalled percentages were based on our prior experience with valuing similar types of assets. Can you explain that?

MS. BOWER: Objection. I'll just caution you not to reveal to the extent there's anything confidential about other -- other work that you performed.

Q. Understood. I wasn't trying to get at other specific assignments but rather how did you use prior experience to derive uninstalled percentages?

A. It would generally be based on experience either appraising similar assets and understanding the component costs that have gone into those similar assets to provide a framework for which assets would potentially have higher uninstalled costs versus lower uninstalled costs. That would be heavily supplemented by our discussions with GM's engineers, who obviously have significant expertise in the installation of these assets. And between the two of those, we would come up with what we could agree to be a reasonable percentage for each asset category.

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Q. And I think you testified earlier that the overall valuation approach, putting aside the uninstall adjustment, was consistent with the approach for assets that were already in the New GM facilities. Would that include economic obsolescence?

MR. BINDER: Objection.

A. Yes, they would all -- all of the assets within NewCo were subject to what I think has been previously called the TIC adjustment. So what we call from a valuation perspective economic obsolescence would include all of the assets at those locations for NewCo.

Q. And in addition to the TIC adjustment, would those valuations include physical depreciation?

A. Yes, they would.

Q. And would they include utilization reductions, to the extent that facilities weren't being utilized in full?

A. Yes, I believe they did.

Q. Okay. The methodology that you've been testifying about where you have a cost approach and then you have an adjustment for the uninstall percent, is that a methodology that's

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been used in other matters, without getting into any confidential specific matters?

A. I have used that in not exactly this context, but I have used that methodology before. I don't know that it's -- it's -- according to the American Society of Appraisers, fair value uninstalled is a premise of value that they define. So we felt comfortable, given that that is defined as a premise of value. And it seemed to fit the fact pattern that we had of the assets moving from OldCo to NewCo. We felt like it was a reasonable way to proceed.

Q. And just to be clear on that answer, the American Society of Appraisers does identify uninstall -- fair value uninstalled as a premise of value?

A. They do.

Q. Okay. Let's talk about assets that were not transferred to New GM but rather assets that stayed at Old GM, which was the subject of most of the testimony so far today.

If you could just open up the KPMG report. NEWGM 189 is the first page. Turn to page 328. That's NEWGM 328 on the bottom. It's page 140.

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I think you've already testified about this page and I'm not going to make you read the whole thing, but I'm going to ask you a few specific questions here.

There's a reference here to, "KPMG relied primarily on auction data provided by Maynards." Do you see that?

A. Yes, I do.

Q. And you testified today about Maynards, right?

A. Yes.

Q. And in the next paragraph it says, "KPMG compared the sales of assets similar in nature to the personal property that GM had disposed of through Maynards during the time period from March 2009 through May 2009." Do you see that?

A. Yes I do.

Q. And is that consistent with your understanding that the Maynards sales that KPMG relied on from a three-month period, March 2009, April 2009, May 2009?

A. Yes, it is.

Q. And I think you testified earlier that there were no sales prior to March 2009 from

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the Maynards sample; is that correct?

MR. BINDER: Objection.

MS. BOWER: Objection.

MR. BINDER: Misstates prior testimony.

Q. Let me restate it. I certainly wasn't trying to do that.

Is it accurate that there was not Maynards data or -- Maynards sale examples from prior to March 2009 that KPMG used for its analysis?

A. There were not sales prior to that that we -- that we used in our analysis, that's correct.

Q. Okay. And is it also accurate that there were no sales or dispositions from after May 2009?

MR. BINDER: Objection.

MS. BOWER: Objection.

Q. Let me restate it. Is it also accurate that KPMG in its valuation analysis did not rely on any sales or dispositions from after May 2009?

A. According to our report, that's what it says. And I don't have a reason to dispute

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that.

Q. Okay. Do you know what GM's instructions to Maynards were with respect to the time period that Maynards had to sell assets?

A. I do not.

Q. Do you know whether Maynards, itself, considered the sales in the March to May 2009 time period to be a forced liquidation?

A. We didn't ask Maynards to classify the premise of value. We were just provided with the proceeds that they realized in arm's length transactions.

Q. Okay. So you don't know what their -- what their view was of the premise of value; is that correct?

A. No -- no, I don't.

Q. Okay. Now, this morning I think you testified, and I was trying to just be very accurate here. After a break you clarified your testimony. And if I understand correctly, you testified that the Maynards dispositions, they were all the result of some kind of a transaction. Is that a fair way to say it?

A. That was our understanding of the data, yes.

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Q. And I want to just drill down to the extent you know as to what kinds of transactions they were. So, there were some transactions in that sample that were arm's length sales of individual assets, right?

A. Yes.

Q. Do you know -- of the over 4,000 dispositions, do you know how many fall in that category?

A. I do not.

Q. And is it your understanding that in that -- among the 4,000-plus dispositions, there were also bulk scrap sales?

A. My understanding was that some -- some of the assets were sold for scrap, yes.

Q. And what other categories are there that you have an understanding happened beyond individual arm's length sales and scrap sales?

A. Well, I know some of the -- some of the sales had come through auctions. Part of what Maynards does is run -- run auctions for secondary market assets. So our understanding was that part of the sales proceeds had been derived through that process.

We also know that some of the assets

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were just not marketable and had no offers and were potentially just abandoned in place. But beyond that, we didn't -- we didn't do -- we didn't do any due diligence at the individual transaction level to understand the exact nature of each transaction.

Q. Got it.

So when you testified that your understanding is that of the 4,000-plus dispositions, they all involve some sort of transaction, you don't have a detailed understanding by category of what those underlying transactions were; is that a fair statement?

A. I would say that's a fair statement.

Q. All right. Let's pull up KPMG 92368. This is a document we already looked at.

Mr. Furey, do you remember looking at this document earlier today?

A. Yes, I do.

MR. BINDER: Are you just referring to the whole Excel that's on the screen or just the Summary by Retirement -- Retirement Year page?

Q. That's fair. Right now what's on the

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screen is Summary by Retire Year. I'll try to be clear as to what --

A. Okay.

Q. -- tab we're looking at.

I want to direct your attention to the Grand Total row of the Account column. Do you see that?

A. Yes I do.

Q. And I've been using over 4,000 because that's what the KPMG report and some memos say, but when -- is it your understanding that the Maynards data consisted of 4,485 transactions or dispositions?

MS. BOWER: Objection.

A. That appears to be a correct count based on the disposal dates that are listed on the header.

Q. Let's go to the count of zero proceeds column, or I'll direct your attention to that column, column C.

So out of the 4,485 total dispositions, how many of them reflected a zero proceeds for Old GM?

A. Based on -- based on the summary that's shown there, it appears to be 4,243.

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Q. It's a very high percent of the total dispositions, right?

A. That's correct.

Q. Let's go to -- sorry, I'm just trying to skip things that were already covered.

A. Okay.

Q. All right. Let's go to "Assets Disposed After 2-28-09" tab.

So I -- we just pulled up Assets Disposed After 2-28-09, which is one of the tabs in this spreadsheet, and just a few questions about this.

Looking at column B, do you see the heading that says, "KPMG File Source"?

A. Yes, I do.

Q. And I'm just going to ask that that file source be sorted so that we can see the different ones. And, Mr. Furey, do you see that there are a list of six xls files listed here under KPMG File Source?

A. Yes, I do.

Q. And the first one says Disposal code scrap 2007 to 2009 categories other than robots, other productive processing dot xls. Do you have an understanding of what that refers to?

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A. I -- the -- the entirety of the name is the identification of the file that that individual transaction came from. I believe that naming convention is the naming convention that came in the files from Maynards, so we included that in our consolidated file so that we would have traceability back to the source documents. Based on the name, it appears to come from a file of assets that were sold for scrap in categories other than robots.

Q. Okay. And the second category says, "Proceeds for fixed assets 2007 to 2009 V2 disposal code sale." Do you have an understanding what that refers to?

A. Again, those were Maynards' terminology. So the disposal codes I'm not a hundred percent clear on, but it appears to be, again, a listing of proceeds that were received from a variety of sales that Maynards has conducted on GM's behalf.

Q. I'm not going to ask you to go through each one, but you see 3, 4, 5 and 6 are all file names that include a reference to scrap; is that correct?

A. Yes, that is correct.

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Q. And your understanding is that those are -- that's Maynards' characterization on a Maynards file; is that correct?
A. That's correct.
Q. All right. Let's look at column Y, "Disposal Code," please.
So this is a column that has one of two letters under it. And can we sort column Y, please, so you see the two options?
So there's an option for R and there's an option for S. Can we just sort it so we see how many are R and how many are S, please?
MR. BINDER: Objection. Do we know Blanks isn't an option? I just don't know.
Q. Let's just sort it. Let's see how many are R and how many are S, please.
So based on sorting for R, Mr. Furey, how many of the records appear to be R?
A. Based on the count of the screen, it looks like 4,054.
Q. Okay. And let's look for S, please.
And of the 4,485 records, based on this spreadsheet, how many appear to be S?
A. It appears to be 428.
Q. Okay. And let's look for Blanks,

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please.
MR. BINDER: Okay. You're right, Neil, there are three blanks.
Q. So before I get into S and R in further detail, do you know what S and R stand for?
A. I believe the R and S designations were on the files that came from Maynards. I don't specifically know what R and S stand for.
Q. Are you familiar with a concept called reclamation?
A. Yes, I am.
Q. Are you familiar with it in the concept of a sale of assets, what reclamation would be?
A. Not in -- not in this context, no.
Q. Okay. So you don't know one way or the other whether R might stand for reclamation?
A. I -- I wouldn't know.
Q. Okay. And you wouldn't know whether S stands for sale?
A. It's a reasonable guess, but I can't say for certain.
Q. I don't want you to guess. I'm asking you what you know.

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I'm going to ask that this spreadsheet and the R and the S be manipulated a bit to see if it refreshes your recollection at all as to what these categories are.
Why don't we filter column V so that we have only the zero -- before I do that, column V is -- what's the title of column V? Can you just manipulate that so we can see the column, please? It says, "Disposal Proceeds," right? Column V.
A. Yes.
Q. And under Disposal Proceeds, why don't we manipulate it so it's only zeros under -- under Disposal Proceeds.
So out of the 4,485, how many of the records show zero for Disposal Proceeds?
A. Appears to be 4,243.
Q. Okay. Let's manipulate it further so that it's Disposal Proceeds that have an S instead of an R or anything else.
Okay. Out of the disposal proceeds in the S category, how many have a zero?
A. Appears to be 186.
Q. Okay. Let's change it now so we look at R rather than S.

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And in the R category, how many of disposal proceeds are zero?
A. Appears to be 4,054.
Q. And that's everything in the R category, right? There's nothing in the R category that doesn't have a zero?
A. Is that a question for me? Sorry.
Q. Well, let's -- if it's not clear from what everybody did, can we sort it in a way to show whether there's anything in the R category that's not a zero?
MR. CELENTINO: Filter column Y by R and then sort column B by Anything. If you go down, you sort from largest to smallest and get all the zeros.
MR. BINDER: Getting a much needed assist here.
Q. So would you agree that based on our manipulation of the spreadsheet it appears that everything in the R categories is a zero for Disposal Proceeds?
A. Yes, it does appear that way.
Q. And does going through this exercise refresh your recollection at all as to what R and S signify?

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A. It doesn't.
Q. Okay. Who would know the answer to that, would it be Maynards?
MS. BOWER: Objection.
Q. Well, can you -- do you have any opinion as to who might know what R and S is?
A. Based on my read of the notes earlier today, Sara Webb and/or Maynards would be the two sources. Given that most of these columns were populated by Maynards, I would think they would be probably the most knowledgeable.
Q. All right. Let's go to the Summary by Retire Year tab.
So just looking at one example, let's look at Press Metal Equipment Medium Life. So Maynards provided data, according to this tab, for 1,140 assets in that category, right?
A. Yes.
Q. And under count of zero proceeds, it says 1,092. So out of 1,140 assets, 1,092 had zero proceeds for GM, right?
A. That's correct.
Q. So in this particular category, only 48 assets were sold for any value for GM. Is that the right way to understand this?

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A. If that math is -- subtraction is correct, yes, that would be the correct way to characterize it.
Q. Okay. And then the .89 percent for that same category, can you just explain -- and here I apologize for making you repeat yourself exactly. What's the division exercise that leads to .89 percent?
A. Yeah, so the .89 percent for pressed metal equipment, it would just be the ratio of the disposal proceeds divided by the reproduction cost new. So in that example the 311,000 divided by the 35-odd-million dollars of reproduction cost new.
Q. Okay. Are you aware that in this litigation between the Avoidance Action Trust and JPMorgan and others there has been an expert who has done his own separate valuation of certain assets that stayed back at Old GM?
A. No, I was not aware of that.
MR. KLEINHAUS: All right. Let's mark an exhibit. What's that going to be?
THE COURT REPORTER: 16.
MR. KLEINHAUS: 16.
(Exhibit JPM-KPMG 16, marked for identification.)

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Q. My first question will be have you ever looked at this document before? And just to be clear, what it is, it says, "Direct Testimony of David K. Goesling," on the cover. It says, "Binder & Schwartz LLP," on the top. It has the caption of Motors Liquidation Company on it.
A. I don't -- I don't believe that I've ever seen this before.
Q. Okay. All right. Let's go back to GM -- KPMG-GM92370.
MS. BOWER: Not for you. It's for the screen.
MR. BINDER: What's the --
MR. KLEINHAUS: You want to go off the record?
MR. BINDER: We don't need to.
So there was the document -- I don't know whether this is the red line, the one that ultimately made -- is this the red line? The one I think that was ultimately admitted was the red line. I just want to know whether -- and this isn't that. I don't know whether it's going to impact any of your questions or not, but I just wanted to note that.

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MR. CELENTINO: It shouldn't impact any of the questions.
MR. KLEINHAUS: All right. Well, look, I'm going to ask a few questions. If it impacts it, we'll talk about it.
MR. BINDER: I just wanted to -- okay.
MR. KLEINHAUS: So just to your point, this is dated -- this is a version dated April 14, 2017, on page 197 at the end of the Declaration.
Q. (BY MR. KLEINHAUS) So we're going back to KPMG-GM-92370. And what I want -- let's go to Asset Details tab here, please.
What I want to go here -- do now is go through a particular asset, which is going to be row 14736. And this asset is called --
MR. KLEINHAUS: Do we have 14736?
Q. This is the TP-14 CS-11 Transfer Press Stanley E2-2.
Focusing only on the columns that affect the valuation outcome, can you just tell us how KPMG derived the OLV for this particular asset and what that value was?
A. So the procedure for coming up with

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the orderly liquidation value would be -- for this asset I believe would be consistent with the other assets that we valued for OldCo.

Q. All right. Let's go to column AF. We'll try to help this along.

Okay. So you have an RCN in column AF, which is $5,274,394. Do you see that?

A. That's correct. That would be the reproduction cost for that asset as of our effective date of valuation.

MS. BOWER: Just for the record, I believe you said 274,000 instead of 724,000.

MR. KLEINHAUS: You're absolutely right. It's 5,724,394.

Q. And then let's go to column BM, please.

So, can you tell us how that OLV override of I think it's $50,817 was calculated?

A. I would assume that this asset is being treated similarly to the other assets in that that reproduction cost new is being multiplied by the liquidation percentage that we calculated for that asset category to -- to come up with that number.

Q. Right. And we just looked at, and we

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can go back to it, we looked at transfer presses which had a .89 percent liquidation percent. Do you remember that?

A. That sounds correct, yes.

Q. Okay. I'm not going to make you do complex math on the fly here, but --

MS. BOWER: You might be surprised.

MR. KLEINHAUS: I wouldn't be surprised.

Q. But -- all right. So we have the application of the liquidation percent for this category of assets as against the RCN, right?

A. That's correct, yes.

MR. KLEINHAUS: Let's -- a new exhibit. This is going to be JPM 17.

Q. And while we're getting it, you ended up -- you end up in the spreadsheet with rounded number -- right -- which is 50,800? That's in column BO?

A. That's correct.

MR. KLEINHAUS: This is going to be JPM 17.

(Exhibit JPM-KPMG 17 marked for identification.)

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Q. All right. This is an Order of the bankruptcy court in our case on October 4th, 2017. I'm not going to ask you to read it in detail, but I am going to ask you to turn to Exhibit A?

A. Table A?

Q. Exhibit A has -- is followed by Table A. Exactly.

A. Okay.

Q. If you look at -- there's a list of assets -- right -- asset numbers?

A. Yes, I see that.

Q. If you look at asset number 30. Do you see here that that's the TP-14 Transfer Press?

A. Yes, I see that.

Q. And the value that's ascribed here is $800,000, right?

A. Yes, I see that.

Q. And that's a lot higher than $50,800, right?

A. Yes, that is higher, correct.

Q. And do you happen to know how -- well, let me ask this. Under "Source of Valuation," do you see it says, "Goesling OLVIE"?

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A. Yes, I do.

Q. So what I want to do now is show you from Exhibit 16, which I put in front of you, Mr. Gossling's analysis of the same asset that KPMG valued at $50,800.

A. Okay.

Q. And why don't you start with paragraph 397, please.

So I'll just -- it says, "Accordingly, I applied the cost and market approaches, but ultimately determined that the market approach yielded the most accurate values and where possible relied on the market approach."

And now I'm going to go to paragraph 407, please, which is under a heading, "The Market Approach." And starting at the beginning of 407 it says, "In developing my opinion of OLV using the market approach, I considered the following three techniques to estimate the value of assets: One, a direct match of a recent sale in the used market; two, a comparable match which determined value based on the analysis of similar used equipment sales; and, three, the percent to cost technique."

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And then paragraph 408 says, "For the direct match and comparable match techniques, values of the representative assets were estimated based on market prices and actual transactions and on asking prices for similar assets. After searching numerous sources and databases for sales or offerings of assets similar to the 40 representative assets, I selected the sales or offerings I deemed to be most comparable with the property being valued. I then have to make adjustments to account for differences in factor such as time of sale, location, type, age, condition of the equipment, and prospective use."

So a couple of questions. Are you familiar with a valuation approach where you use a direct match to a recent sale in the used market?

A. Yes, I am.

Q. And for purposes of KPMG's valuation of assets that remained at Old GM, KPMG didn't use that approach, did it?

A. That's correct, we did not.

Q. And are you familiar with a valuation approach under which a value -- a valuing

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valuator would -- a valuation firm would look for a comparable match where a direct match is lacking and determine value based on the analysis of similar used equipment sales?

A. Yes, I'm familiar with that approach.

Q. And for purposes of valuing assets that remained at Old GM, KPMG did not use that approach in this context, correct?

A. That's correct.

Q. Okay. I want to turn your attention, please, to page 409 of this document.

MS. BOWER: I'm sorry, when you -- what document are you --

MR. KLEINHAUS: Of Exhibit 16, please, the Goesling opinion.

MS. BOWER: So are we outside of the opinion? Mine only goes up to 197.

MR. KLEINHAUS: I'm sorry, it's Exhibit A to the opinion.

MS. BOWER: Got it.

Q. So it's page 409 of the overall document. It's -- on the top it says, "E. Market Approach Analyses."

Are you -- do you see it says here, "Exhibit E-32 Market Approach - Asset ID

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BG120163301"?

A. Yes, I do.

Q. And then the description of the asset here is the TP-14 Danly Transfer Press." Do you see that?

A. Yes, I do.

Q. And then do you see that on this page Mr. Goesling identifies four different comparable sales?

A. Yes, I do.

Q. And do you see that based on an analysis of comparable sales, there's an indicated orderly liquidation value here at the bottom of 800,000?

A. Yes, I do.

Q. And based on what you've read, understanding that this is a big document, but based on what you've read of Mr. Goesling's approach, fair to say it was quite different than the approach KPMG used for this particular asset?

MR. BINDER: Objection to form. Lacks foundation.

A. Yes, his -- his approach is clearly much more detailed on discrete assets whereas our approach was covering a broader population of

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assets.

Q. Now let's go back to page -- paragraph 410 of Mr. Goesling's report. It says here, "I applied all three techniques in applying the market approach. In addition, in instances where there were no comparable sales of assets or portions of assets, I considered whether there was any scrap value for the asset or a portion thereof."

In KPMG's valuation of the assets that remained at Old GM, before ascribing a zero value to that asset, did you perform any kind of individualized analysis to see if that asset had scrap value?

MR. BINDER: Objection. Form.

A. We didn't perform a scrap value analysis at the individual asset level, no.

Q. Can you look at paragraph 413 of Mr. Goesling's report here. This is a detailed description of an appraisal of a particular asset. I'm not going to ask you to read it all out loud. If you could just read paragraphs 413 to 420 and then I'll ask you a couple of questions.

(Witness reviewing document.)

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A. Okay.
Q. In paragraphs 416 to 420, Mr. Goesling describes a cost approach that was applied to this particular asset, right?
A. Yes.
Q. Now, KPMG in valuing assets left at Old GM did not apply a cost approach, did it?
A. No, we did not.
Q. All right. Now, if I could ask you please to read paragraphs 421 and 422.
A. How far do you want me to read?
Q. Just through 422, please.
A. Okay.
Q. So do you see here that in applying the market approach applied to representative asset number 36, Mr. Goesling identified particular sales of what he calls comparable assets, right?
MR. BINDER: Objection.
A. Yes, I do see that.
Q. And KPMG did not look for comparable sales of particular assets -- right -- in its valuation of assets that remained at Old GM and were valued on a liquidation basis?
A. We didn't look for unique sales of

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individual assets, we looked -- we utilized the Maynards data at the asset category level to reflect those sales.
Q. Okay. And do you see here there's a reference to one of the comparable sales being a sale that occurred in August of 2010?
A. I do see that, yes.
Q. And Mr. Goesling applied an adjustment, a ten percent downward adjustment to account for the used equipment market being somewhat better in August 2010 than as the valuation date. Do you see that?
A. I see that, yes.
Q. So KPMG didn't take into account any sales after May 2009, right?
A. That's -- that's correct, yes.
Q. Okay. Now, we've been talking about the valuation approach that KPMG used for assets that remained at Old GM that are in the personal property category, correct?
A. That's correct, yes.
Q. And KPMG used a different method for buildings and improvements that remained at Old GM; is that correct?
A. That's correct, yes.

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Q. All right. I'm going to spend a lot less time on it, but I do want to touch it briefly.
If you could look at KPMG -- this is going to be KPMG-GM-92253, which is -- hopefully everybody has, right? Yeah, this is the October 26, 2009 memo, AAT Exhibit 4.
Now, the first part of this memo -- well, I'm just going to ask you in an open-ended way. Does this memo describe the process for valuing buildings and improvements that remained at Old GM?
A. Yes, I believe it does cover -- at a high level covers the methodology that we used.
Q. And where is that?
A. Let me see. That would be starting on page 5, "Valuation Methodology." The paragraph starts, "The real property valuation conclusions," and continues from there.
Q. Okay. Can you just tell us in your own words -- well, let me back up. Are you familiar with the method used by KPMG to value buildings and improvements that remained at Old GM?
A. I'm generally familiar with the

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process. I wasn't as intimately involved in the real property analysis, but I'm generally familiar with what we did.
Q. And based on that general familiarity, can you describe to us the method used by KPMG to value assets that remained at Old GM in the buildings and improvements category?
A. So the valuation for the real property was a bit different than that of the personal property. We relied more on what was previously referred to as a comparable match method, so looking at comparable sized properties. And that analysis covered the land, the buildings, land improvements as well as the building improvements for each of those locations.
Given that those properties weren't going to be used for the specialized purpose they were constructed for on a go-forward basis, we felt that doing a sales comparison approach like that was a more accurate representation of the value.
Q. And was the value done at an asset-by-asset basis or at a facility basis?

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A. It was done more at the property level. For the purposes of our final deliverable those values were pushed back into the fixed asset listings of GM, but the analysis for the real property was done at the property level.

Q. What does it mean to say they were pushed back?

A. So the -- for example, if for a specific location, say Moraine Assembly, we did a sales comparison approach and came up with a value for the real estate, the underlying fixed asset ledgers for that location would have potentially several thousand line items that make up all of the expenditures that were made over the years to build that facility up.

So for the purposes of accounting, we needed to reconcile that conclusion of value back into the underlying sub-ledger, so we would allocate that value back into the detail. So generally our clients like that because they need to upload that detail into their fixed asset system, so it's a -- in that case, the model doesn't drive the valuation, the value comes from the sales comparison approach and is pushed into the asset detail.

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MR. KLEINHAUS: You guys want to take a quick break?

THE WITNESS: Sounds good.

THE VIDEOGRAPHER: Going off the record. The time is 3:59.

(A break was taken from 3:58 p.m. to 4:12 p.m.)

THE VIDEOGRAPHER: Media Number 7. On the record at 4:13.

Q. (BY MR. KLEINHAUS) All right. Mr. Furey, at the time of -- well, let me put it this way. In the June 2009 time period, did you have an understanding as to what the proposed disposition of the Orion plant would be?

A. At the time, I'm certain I did. I don't recall right now what the ultimate disposition of that plant was.

Q. Okay. As of the June 2009 time period, did you have an understanding of what the proposed disposition of the Pontiac plant would be?

A. Similarly, at the time I'm sure I was involved in discussions on whether it would be OldCo or NewCo, but I don't recall right now where it ultimately ended.

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Q. So you said you don't recall now where it ultimately ended. Do you recall now what your understanding was at the time of either Pontiac or Orion?

A. I don't recall off the top of my head.

Q. Without being specific to plant, did you have an understanding in the June 2009 time period that there were certain plants that were closed for some period of time to be refurbished and then reopened?

A. I do recall having some discussions about certain plants that were going to be refurbished for new future vehicle lines, but beyond that I don't recall the specifics.

Q. So you don't have a recollection as to whether Orion or Pontiac fell in that category of something that was going to be refurbished?

A. I don't specifically recall.

Q. I'm going to put on the screen a -- well, it's NEWGM 949, a spreadsheet that we've all seen before, Fresh Start Personal Property spreadsheet. And then what --

MR. KLEINHAUS: Can you put that on the screen, please?

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(Discussion off the record.)

Q. So this is NEWGM 949.

MR. KLEINHAUS: Nick, can we put up the excerpt that we've created or the subset that just has Orion and Pontiac?

Q. What I can represent here is we've taken 949 and sorted it so we're only covering two plants, that's Orion and Pontiac.

A. Okay.

Q. And can we go, please, to column BA, "Basis for Concluded Value." And let's sort that so we can see the options.

Why don't we start by just sorting it by "inutility," in other words, only assets that have "inutility" as the basis for concluded value included.

Now, Mr. Furey, when we last met in 2017, you testified regarding inutility as a basis for a concluded value for assets that were in New GM plants. Do you remember that?

A. Yes, I do.

Q. And at a high level, can you remind us what it means to say that inutility is a basis for concluded value?

A. So that terminology was something we

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were using specifically on our project team. It's not a broad appraisal term. But what it refers to is that it's -- the model is using our value from our cost approach, considering the application for inutility based on the future utilization plans of the facilities.

Q. Now, if there's a plant that was going to be closed in 2010 for refurbishment, would that have affected the valuation to the extent that the basis for valuation was utility?

A. To the -- to the extent that the lack of utilization in that facility was reflected in the capacity utilization information that we used in our calculation, it potentially could have. I don't remember the exact plus or minus window that we used for capacity utilization, so I would need to verify that against the planned proposed shut -- theoretical shutdown date for a plant such as that.

MR. KLEINHAUS: All right. So let's just follow up on that for a minute. I'm going to introduce an exhibit, I think it's going to be JPM 17.

THE COURT REPORTER: No, it will be 18.

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MR. KLEINHAUS: 18. This is a memo dated January 14th, 2010, KPMG-GM-92434. It's from Michael Crismyre of KPMG to GM Management. And it's Re: Capacity Utilization Analysis.

(Exhibit JPM-KPMG 18 marked for identification.)

Q. Mr. Furey, are you familiar with this memo, once you get it?

A. Once I get it.

(Witness reviewing document.)

A. Yes, I'm generally familiar with this memo.

Q. And, generally speaking, this memo describes KPMG's approach to taking into account capacity utilization in its valuation of assets at New GM, right?

A. That's correct, yes.

Q. And if you look under "Capacity Utilization Analysis" in the first paragraph, do you see a description of the time period that was used for capacity utilization by KPMG?

A. I see it described as 2008 through 2010.

Q. And it says it's an equal weighting of historical and projected utilization, right?

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A. Yes.

Q. So coming back to my question about a plant that would have been closed in 2010 for refurbishment, is it your understanding that that would have been taken into account to the extent that capacity utilization was factored into the valuation?

A. To --

MR. BINDER: Objection to form.

A. To the extent that the data we received reflected a -- say a zero utilization for a plant, that would have been -- would have been potentially reflected in this analysis.

Q. Okay. Let's pull up KPMG-GM-4130. This is a spreadsheet. And my first question will be are you familiar with this spreadsheet, KPMG-GM-4130?

A. Yes, this looks generally familiar.

Q. And generally speaking, what is it?

A. It's a summary of the various production facilities, some of the historical information provided by GM as far as cost and net book value, and it also summarizes our direct cost benchmarking exercise as well as the capacity utilization results.

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Q. Okay. And can we go, please, to "Utilization" tab. And let's direct to column J, please.

So column J has each of the relevant GM plants, right?

A. Yes.

Q. And those will be the plants that New GM was going to continue to operate, right?

A. I believe that's correct, yes.

Q. And let's look at Row 22, please. Do you see it says "Orion" there?

A. Yes.

Q. And let's go over to the columns to the right. What does Orion show 2008, 2009, 2010 in this document in terms of capacity utili -- in terms of projected and actual utilization.

A. So for 2008, it's showing 250,000; 2009, 212,000 -- well, sorry. The 2009, it's 212,000 of capacity, 90,000 of production. And in 2010, appears to be blank for both production and capacity.

Q. And let's go to Row 199, please, which is Pontiac.

So this -- this row shows the actual and projected capacity utilization for Pontiac,

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the information received from GM Management on that topic, right?
A. Yes, I believe so.
Q. Okay. Now I want to go back to where we were a few minutes ago, which is Tab 949, which is the Orion and Pontiac Assets, and sort by "inutility" as a basis for concluded value.
Based on what you just saw on this spreadsheet summarizing capacity utilization, is it your understanding that utilization projections for 2009 and 2010 would have been taken into account to the extent assets at Orion or Pontiac were valued based on inutility approach?
A. It's difficult to say, because there's -- there's actually one additional step between the source data that we saw and the -- there's a calculation sheet that produces the percentages that flow in here.
So I -- our baseline assumption was 2008 to 2010, but to the extent that individual adjustments were made in that formula, it wouldn't -- I wouldn't be able to see that from this spreadsheet or the other spreadsheet. There's actually a sheet in between that actually

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does the underlying calculation.
Q. Could you tell by looking at this spreadsheet if we went through an asset that was at Orion whether there was any capacity utilization adjustment or would you need that other spreadsheet to tell that?
A. Give me one second.
Q. Okay.
A. Just taking the first asset as an example, I see in column AS, "RCNLD," which is Reproduction Cost New Less Depreciation, it's $528.
If I look two columns over, RCNLD with utility penalty. If there was a utility or, more accurately, inutility penalty being applied, I would expect that number to be less than 528. So the fact that those numbers are the same leads me to believe that there's no inutility adjustment being applied there.
Q. For that particular asset?
A. For that particular asset, yes.
Q. Right.
Okay. Well, while we're on this page, let's look at the Asset Details tab, column BB. And do you see that in the "Notes"

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column some of the assets have a note that says, "RUL=1=0.5"?
A. Yes, I see that.
Q. And do you -- what does that signify?
A. I don't recall specifically what that adjustment was. The RUL is Remaining Useful Life. So my assumption is that we made potentially some adjustment remaining -- consistent -- relative to the remaining useful life of specific assets. Generally that would be based on some granular information that would be provided to us either by the folks at the facility or management in general that would cause us to want to make specific line item adjustments.
Q. Now, to the extent this RUL=1=0.5 adjustment is applicable to a particular asset, what would be the effect of that adjustment?
A. I'm not a hundred percent certain what that note means, but generally if I said remaining useful life equals one, normally that nomenclature is used for an asset that's proposed to be retired, taken out of service, which generally would reduce the value of that asset, although I can't specifically say here that's the

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typical methodology I would expect.
Q. Let's look at Row 175, please. Let's just start with the name of the asset.
A. Okay. Robot controller.
Q. Hang on one second.
All right. So let's filter it so it only has the assets that have "RUL=1=0.5."
MS. BOWER: Anyone else getting vertigo?
MR. KLEINHAUS: It should be only the assets that have that note.
MR. LEVANDER: It is.
MR. KLEINHAUS: Okay. Can we just look for an asset "conveyor finesse to moist sand"?
Q. So let's look at this. This is an asset description conveyer finesse to moist sand. I want to go through the valuation of this. We don't have to go through every single column, but I appreciate if you could tell me whether the RUL=1=0.5 override has an effect on the valuation of this asset.
A. Okay.
Q. So let's...
A. So, I think you can see -- you can

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see right there it's 2008 asset, which as of our date of valuation means it was relatively new.

Our -- you can see in column AB the trend factor was 1.064, which means it's a very small adjustment to bring it up to replacement or reproduction cost new as of the valuation date.

You can see in column AC, that is the indirect replacement cost, so that's just the trend factor in column AB multiplied by the historical cost.

Column AD is taking into account the benchmarking exercise. So that was where we discussed with the engineering teams what would be -- for entire lines and entire facilities, what would be the theoretical replacement cost. We use that to be more representative of the actual replacement cost of the assets at certain facilities.

So you'll see there in column AD, we estimated the replacement cost as $1.588 million. That was our concluded replacement cost estimate.

You can see the actual age is a little less than a year in column AF.

Normal useful life, 12 years, based on the category that we put it in.

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So if you can keep scrolling over to the right.

You can see in column AL, the percent good is 93 percent, which indicates that it's a relatively new asset; it's still in good condition.

Column AO is replacement cost new times percent good, so that's -- okay. So -- so, if you look at column AO, if the -- if the percent good was 93 percent based on the age of the asset being relatively new, if no adjustments were being made, the value would be 92.9 percent times the 1.588 million, which would give you an answer somewhere around 1.2, $1.3 million.

You can see in column AI that there is an RUL override being applied, which basically tells you that even though that asset is relatively new, it's towards the ends of its productive life, so therefore we adjusted the value -- we adjusted what we call the percent good down to reflect that it only has one year -- actually, in this case I think it's half of a year. It's shown as a one on the exhibit because of rounding, but it's shown -- basically showing

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only a half a year remaining useful life left. And that half a year RUL is being used to calculate the percent good. That gives you the 66,000 in column AO.

Q. So the reduction in value here because of this override was over a million dollars in this particular case?

A. That's correct, yes.

Q. And I can represent to you that there were over 2,000 assets at Orion that had this RUL override, just if we displayed the spreadsheet.

A. Yeah.

Q. Obviously different assets will have different calculations. But my question for you is: Looking at this override and this asset, do you have any knowledge or understanding as to why this RUL override was applied to assets at Orion?

A. I don't recall specifically for this pool of assets, but generally it would have been based on discussions or information that was provided by GM management.

Q. Would it make sense that the reason for the override would be if GM indicated the plant was going to be refurbished?

MR. BINDER: Objection.

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A. That's a potential scenario. If they had indicated a certain line was going to be removed and replaced with a new assembly line, product changeover, things like that, could all be reasons to put a short remaining useful life on certain assets as they would be cycled out as part of the product refresh.

Q. Okay. Let's up -- on this spreadsheet with Orion and Pontiac, we've so far sorted by "inutility." We did that -- we sorted by inutility previously in the basis for concluded value. Let's sort now by "uninstall."

All right. So just looking at this spreadsheet, how many, approximately, uninstall assets are there out of the 14,000-plus?

A. It looks like about 2,920.

Q. Now, why would KPMG have used uninstall as a basis for concluded value in plants such as Orion and Pontiac?

A. The basis would have been similar to what we've discussed with the OldCo to NewCo transfers. These would have been assets that for whatever reason were being valued not in their current -- to not stay in their current location, but were either going to be reconfigured within

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the existing plant or potentially moved to another facility. So we wanted to adjust the values downward to reflect the fact that the current installation didn't carry much value on a good-forward basis.

Q. Okay. So we've now looked at uninstall as a basis for concluded value. We looked at inutility before. Let's sort now with "NBV" as the basis for concluded value.

Okay. Now, why in plants such as Orion and Pontiac would NBV -- net book value -- be the basis for concluded value for assets?

A. Well, I guess net book value is not really a valuation methodology, it's relying on the current net book value that's being used for financial reporting as of our valuation date as a proxy for the fair value. I don't recall specifically in this case why that was utilized.

Q. Can I draw your attention, please, to page 146 of the KPMG report. It's the very top paragraph. The title is, "Entities Carried at Net Book Value." "Certain entities within the scope of KPMG's valuation were unable to provide details for the assets held on their books. As such, KPMG has assumed the net book value of

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these assets to be proxy for their replacement cost less depreciation of these assets."

Is -- was lack of detailed information for particular assets a reason to apply net book value?

A. That could have been -- could have been a potential reason. If we didn't have sufficient underlying information to do our typical calculations, but management represented that those physical assets did exist in the facility, in those scenarios we would want to give some credence to the fact that management was representing those assets existed. So that could have been a reason we carried them at net book value, but, honestly, I don't recall specifically.

Q. Okay. And when net book value was used for assets that were at New GM plants, were -- was economic obsolescence applied to those assets?

A. Yeah, so if you read here, it says that the net book value was used as a proxy for the replacement cost new less depreciation. So that's the step prior to what's been called the TIC adjustment. So those assets would be

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included in the overall TIC adjustment for the facility they were associated with.

Q. Okay. Let's sort this spreadsheet so that we have OLV as the basis for concluded value.

And here I fear I'm being repetitive, so I'll be very brief. There were certain assets in plants that -- in New GM plants that were valued at OLV rather than on a going concern basis, right?

A. That's correct, yes.

Q. Okay. And as to Orion and Pontiac, it looks like it's 327 out of over 14,000, right?

A. That appears to be correct, yes.

MR. BINDER: Can we just -- that's based on the sorting on the document on the screen, right?

MR. KLEINHAUS: Well, what's on the screen is an extract from 949 that has Orion and Pontiac assets.

MR. BINDER: Okay.

MR. KLEINHAUS: And we've sorted it for OLV being the basis for concluded value.

MR. BINDER: Okay.

Q. Let's just filter for "inutility,"

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please, one more time.

All right. So, row 63 is a conveyor. Conveyor C2 Precision Station. And I just want to look over to BA and BB columns. They're inutility, but let's look at the columns that actually have the inutility or the utilization.

So do you see that for this asset there's a difference between RCNLD and RCNLD with utility penalty?

A. Yes, I do see that.

Q. It goes down from 1240 to 1013; is that right?

A. Yes.

Q. So this is an example of an asset where using the capacity utilization information from GM, you end up having a reduction to RCNLD based on utility?

A. That appears to be correct, yes.

Q. Okay. I want to -- one more topic on Orion. If we can go back to the spreadsheet showing capacity utilization. It's KPMG-GM-41 -- 4130. Let's go direct to row 22, please. Let's keep on going over to show projected capacity utilization.

So this is the Orion row, row 22.

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And when you -- I think you already testified and we looked at together that there's no production reflected in 2010. What's the projected production in 2011 and 2012 and 2013, according to this?

A. Projected production for 2011 is 77,415.

Q. And on percentage basis?

A. 79 percent.

Q. Okay.

A. And for 2012, it's 169,915, which equates to 102 percent. And 2013 is 213,027, which equates to 135 percent.

Q. How can you get over a hundred percent utilization?

A. The -- the baseline hundred percent utilization is based on I believe what's called a Harbor Methodology. And it assumes I believe it's two shifts a day five days a week, if I -- if I remember correctly.

So for certain product lines, GM was predicting demand that would push those facilities beyond that, so either adding a third shift, working weekends would give you a result over -- over a hundred percent, based on that

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methodology.

Q. And does seeing this projections for capacity utilization at Orion refresh your recollection at all as to the proposed disposition of Orion?

A. It does not.

Q. And, now, based on the -- your understanding of KPMG's approach to capacity utilization, this projected ramp up to 135 percent was not actually taken into account -- right -- because it ends at 2010?

A. That's correct.

Q. All right. Switching gears a bit. Are you familiar with assets on GM's fixed asset ledger that are classified as capitalized maintenance and repair?

A. Yes, I do recall there being some of those in there.

Q. And what's your understanding as to what those are?

A. My understanding was that those categories -- if I recall correctly, there were several categories of capitalized maintenance for different subsets of assets, some for building, some for machinery and equipment, and some for

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other categories, I think, such as furniture and fixtures.

And my understanding is that was where GM, according to their capital policy -- capitalization policy would record expenditures that would either improve or extend the useful life of an existing asset.

Q. And how did KPMG treat these assets in its valuation?

A. So we -- we did assign value to those for the NewCo analysis and we treated those assets similarly to the category in which they were expended.

So, for example, a capitalized maintenance on a building would be given underlying valuation assumptions more in line with the assumptions for a building. Similarly for a piece of equipment, that capitalized maintenance would take on the underlying valuation assumptions for the type of equipment that it was associated with to the extent that we could determine that.

Q. Why did KPMG choose that approach of using the same valuation method as the underlying asset?

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A. We didn't necessarily have sufficient information for each individual capital maintenance line item to determine a unique methodology for every line item, so we utilized the approach that while GM only booked assets for capitalized maintenance that either improved or extended the useful life of the asset, we made the assumption that those investments would carry the same -- you know, same underlying value metrics as the associated asset.

Q. Were you familiar at the time with GM's accounting policy with respect to capitalization?

A. I believe I probably read through the policy at the time.

Q. And why did you think it made sense to assume that the investments that were capitalized by GM should be valued by KPMG?

A. We -- so we did -- we did discuss this. And the -- part of the reason was that particularly at certain facilities the base assets were relatively old, but GM had continued to make capital investments and upgrades over the course of time. And we felt that if we excluded those capital upgrades, we would potentially be

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undervaluing the assets that existed at the facility. So based on that assumption, we felt it more appropriate to include the value of those assets in our analysis.

Q. Can you elaborate as to why you thought it was appropriate from a valuation standpoint to include those investments that GM chose to capitalize?

A. Can I give you an example --

Q. Please.

A. -- of why it would be appropriate?

For example, say a robot at an existing facility that we would normally apply a -- I can't remember our assumption, but a 12-year life to.

If there was a 20-year robot at a facility, using our valuation assumptions, we would assume that that robot is at the very tail-end of its life, probably needs to be replaced like within the next 12 months. So under that methodology we get a very low value.

But if GM had just gone in six months ago and spent a large amount of money to refurbish that robot, improve that robot and upgrade the electronics, that robot could be

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almost as good as a brand-new robot.

If we had excluded that upgrade, we would be undervaluing that pool of -- pool of value there, so under that scenario we felt it more appropriate to include both line items in our analysis.

(Sotto Voce Discussion.)

Q. Mr. Furey, I'm going to put in front of you KPMG-produced accounting policies from GM. I'm not going to get into them in detail, but I'm going to ask you if you recognize them.

A. Okay.

MR. BINDER: And these are going to be Exhibits 19 and 20.

(Exhibit JPM-KPMG 19 marked for identification.)

(Exhibit JPM-KPMG 20 marked for identification.)

Q. And take the time you need to review them. My question is going to be are these the GM accounting policies that you testified a few minutes ago that you had read?

MR. BINDER: Can you just identify it?

MR. KLEINHAUS: Yeah, I said 19 and

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20.

MR. BINDER: Can you just say which is which?

MR. KLEINHAUS: Yes. Thank you. So, Exhibit 19 is GM accounting policy Real Estate, Plant and Equipment, Section 32.V, Acquisition of Fixed Assets. Exhibit 20 is GM accounting policy Real Estate, plant and Equipment, Section 32.VI, Accounting for Completed Fixed Assets.

MR. BINDER: Thank you.

(Witness reviewing document.)

A. Okay.

Q. So coming back to my question, are these the -- either the entirety or a portion of the GM accounting policies that you read back at the time in the 2009 time period?

A. These do look generally familiar, yes.

Q. Okay. Let's put 949 back on the screen, please.

(Sotto voce discussion).

Q. So we're going to put 949 back on the screen, which is the, quote/unquote, big spreadsheet. And what we've done now is created an excerpt or sorted so that all that's showing

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are assets that are classified as capital maintenance and repair. And you can see that in the "GM Asset Class" column, which is column D.

A. I see that.

Q. And let's go to row 82, just to look at one example. So this is a BB-2 press rebuild.

And let's look at the next line, which is row 83 -- no, I'm sorry. Let's just look at row 82, please.

So, just as a KP -- in your role at KPMG, when you see an asset like this, what do you understand that to be? It says, "BB-2 press rebuild." What can you deduce from that?

A. So, BB-2 was one of the size designations for the metal presses at the stamping facilities. And rebuild is what it says, it's, you know, generally upgrading -- you know, upgrading and enhancing the, you know, the operations of the existing asset.

Q. And can you tell from this description that there's an existing asset that is being referenced and...

A. BB-2 -- the fact that it's a BB-2 press and it's at GM Marion narrows it down, but it would be difficult to identify that specific

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rebuild to a specific asset. That one may be a little bit easier just by the sheer magnitude of it, given that it's an $8.3 million project, people tend to remember projects like that.

Q. Yeah.

A. When you get down into a couple hundred thousand dollars, those are virtually impossible to trace.

Q. Now, can you explain why in your view it's appropriate to -- for KPMG to include in its valuation this BB-2 press rebuild even though you couldn't necessarily identify to the T the exact asset that it refers to?

A. Yeah, so similar to my earlier robot example, chances are if you're spending $8.3 million on a press rebuild, it's likely an older asset that based on our age/life depreciation methodology would likely be being assigned a relatively small value on its own.

So given that as of our valuation date this rebuild had just happened, you know, four years prior, we felt that that asset was likely to be in pretty good condition and likely to have a fairly long remaining useful life. So we wanted to include some -- some value for the

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fact that there had been a recent investment in that asset.

Q. Okay. As part of your valuation, KPMG's valuation of personal property, did KPMG value construction work in process?

A. We -- yes, it was included in our analysis, yes.

Q. And that's -- what do you -- it's CWIP. Do you call that, CWIP?

A. CIP. CIP is fine.

Q. Okay.

A. CWIP.

Q. CWIP? Okay.

And can you describe your understanding as to what CWIP is?

A. Yeah, so the CWIP that was reported to us was effectively GM's investment as of our valuation date in new projects where the money had been spent but the associated assets were not yet commissioned or in production.

Q. And why did -- why did you think it was appropriate or why did KPMG think it was appropriate to value CWIP?

A. So since the ultimate purpose of our valuation was for financial reporting and those

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CWIP assets were on the balance sheet as of our effective date of valuation and they were assets owned by the company, we felt it was appropriate for completeness to include the CWIP assets in our analysis of the plant, property and equipment.

Q. Is it fair to say that the key feature of CWIP is that the asset is not yet in service?

A. Yes, that's correct.

Q. And is CWIP a standard term in the accounting field?

A. CIP, CWIP, assets under construction, they're all generally synonymous terms.

Q. Are there assets that are CWIP that are not yet placed into service but they're already installed?

A. That's certainly a possibility, yes.

Q. And at GM, do you have awareness as to whether there were categories of assets that were already installed as of June 2009, but had not yet been placed into service?

A. I don't have specific knowledge, but our CWIP analysis would include everything from early stage projects where maybe the only spend

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had been for engineering, there were no actual assets, to up to projects that are almost ready for commissioning where the assets installed and maybe even hooked up but just hasn't entered production.

So my expectation is, given the pool of assets, there would be assets all the way across that spectrum.

Q. And is it fair to say that CWIP can have value to a buyer?

A. Yes.

Q. Let's look at the KPMG report page -- at NEWGM 24, please. This is page 136. And there's a paragraph here titled, "Construction Work in Progress." It says, "CWIP was provided on a project level basis for all regions. Based on our review and discussions with management, CWIP fair value was determined to be equal to its net book value. However, at manufacturing facilities where a direct cost approach was applied, the replacement cost benchmark of these facilities were adjusted to reflect the CWIP at these locations. CWIP related to facilities not included in direct cost analysis was valued at its net book value as of the valuation date. No

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additional economic obsolescence adjustments were applied."

Can you just walk through at a general level the CWIP valuation approach? And let me just start asking -- by asking, is the summary on page 136 of the KPMG report an accurate overall summary of the approach for CWIP valuation?

A. Yes, I believe it's an accurate -- accurate representation of what was done.

Q. All right. Now to my open-ended question. Can you explain it to -- to us in terms that we'll understand?

A. Sure. So, at a high level there are two -- two situations for construction work in progress. I'll start with the simpler and then work our way up to the advanced one.

The first one is a facility where we did not apply direct cost benchmarking, it's just a facility where we used the fixed asset ledger as our primary basis of valuing the underlying assets. And in those facilities we were provided with project level investments for new projects that were in addition to what was already in the fixed asset ledger.

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Based on our discussions with GM, those projects that were in process had been approved based on their own economics. So essentially they were approved projects to spend money because they had a specific return on investment, pay-back period.

So the thought process was that given that those were new projects going forward, they didn't suffer from the existing economics of the business, similarly to the inservice assets. So those assets, we assumed that the fair value was equal to the amount that had been spent on them as of our valuation date.

So that's the simple version.

Q. Okay.

A. The less simple version is at facilities where we applied a direct benchmarking cost. And based on that, we would discuss with engineers what the theoretical replacement cost for an entire facility was and that would generally be inclusive of all of the capabilities of that facility.

What we found through some of our discussions is that there was some overlap between the capacity that was based on the new

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construction that was planned and the direct cost benchmarks that were given to us by the engineering team to replace the whole facility.

So to avoid double counting, we reduced the direct cost benchmarks by the amount of the CWIP to place a little bit less value on the existing assets and we held the CWIP at its cost as of our valuation date.

So ultimately a similar valuation methodology. There's just one additional adjustment to the existing assets to the facility where we applied the direct benchmarking analysis.

Q. Okay. So going back to the first simpler version.

A. Yeah.

Q. When you talk -- when you talk about valuing CWIP -- well, let me ask you this way. CWIP is valued at net book value in the simpler version, right?

A. Correct.

Q. And since -- CWIP, by definition, is new, right?

A. Yes.

Q. So is it accurate to say it's really

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book value, not net book value?

A. Well, for -- my understanding is that CWIP is generally not being depreciated. So cost and net book value are synonymous, for the most part, for CWIP.

Q. Right.

A. So it would be synonymous to say that it was valued at cost or valued at net book value.

Q. Okay. And then to come back to something you talked about before. In terms of other deductions, can you explain specifically why you don't have other economic obsolescence or inutility deductions for CWIP?

A. So the inutility adjustments weren't applied to CWIP because the -- inutility was the inutility of the existing facility. And given that these assets had not yet come online, we didn't apply additional adjustments there.

We were also -- you know, through our discussions with General Motors, we came to understand that these new projects were being thoroughly vetted, given capital constraints, to make sure that they had an appropriate payback period and could stand on their own economic

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merits.
So based on that vetting process and our understanding of what those projects had gone through, we didn't feel it was appropriate to additionally penalize those recently incurred costs.
Q. Let's look at GM -- KPMG-GM-92578, please.
While that's being pulled up, before I get to that. There were also CWIP assets that were related to buildings and improvements as opposed to personal property, right?
A. I believe there were, yes.
Q. And are you generally familiar with how CWIP was valued for buildings and improvements as opposed to personal property?
A. I'm less -- less familiar with the exact process on the buildings and improvements.
Q. Let's just look quickly at NEWGM -- it's the KPMG report, but it's page 302 at the bottom.
MS. BOWER: Can you give us the page number of the report? Sorry.
MR. KLEINHAUS: Yes, absolutely. It's page 114.

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Q. There's a short paragraph here in the "Buildings and Improvement" section. It says -- well, I don't have to read it into the record, but does this paragraph, Section 8.5.4, give you any further information to help explain at least at a high level how CWIP was valued for buildings and improvements?
A. Yeah, based on that paragraph, it seems like a similar methodology was utilized for the real property in that the fair value was assumed to be equal to cost --
Q. Okay. Let's go back --
A. -- or book value.
Q. Thank you. Let's go back to KPMG-GM-92578.
My first question is do you recognize this document? And just to make a record, it's -- on the top against the background of the world is "GM Fixed Assets Special Tools and CWIP Dashboard."
A. This file does not look familiar to me.
Q. Can you tell if it's even a KPMG format?
A. This is definitely not a KPMG format.

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Q. Okay.
MR. BINDER: They don't use pictures of the globe.
Q. So as far as you know, have you even seen this document before?
A. It does not -- doesn't look familiar.
MR. KLEINHAUS: All right. Mr. Furey, I'm happy to take a break whenever you want. I'm also just trying to get through stuff. So I defer to you.
THE WITNESS: I'm fine.
MR. KLEINHAUS: Okay. Others as well; welcome to speak up.
MR. BINDER: Maybe just a -- more or less than an hour?
MR. KLEINHAUS: Less. I don't know if that...
Q. KPMG valued special tools in connection with its fresh start accounting work, correct?
A. Yes, we did.
Q. Let's go to NEWGM 306 in the KPMG report. And I'll tell you the page number, too. Page number 118.
The title here is, "Property and

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Special Tools." And let's just start with the basics. Mr. Furey, what are special tools?
A. Special tools are specific pieces of equipment that are placed into GM's facilities to allow them to produce specific lines of vehicles. So they're generally enhancements or extensions to the basic machinery and equipment that allows them to produce whatever vehicle or component that it is that is desired to be produced.
Q. And is it fair to say that special tools are very specific and custom to GM?
A. Yes. The special tooling generally would be specific to the vehicle line being produced.
Q. And is it accurate to say that special tools primarily have value in the hands of the manufacturer using them?
A. In the hands of the automotive manufacturer that's using them, yes.
Q. Yeah. So for -- the special tools that GM had were primarily of value to GM as opposed to some third party, right?
A. Yes, that's correct.
Q. And just explain briefly why that is.
A. They're very -- the special tooling

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are very specialized assets that are designed to produce a proprietary product, so the secondary -- well, the secondary market may potentially like to get their hands on those assets, but I don't think that GM would be willing to sell those, primarily for, you know, for proprietary reasons.

And then also they're, you know, they're designed to produce a specific GM-related vehicle, so making them less useful to anybody else for purposes other than potentially a scrap value.

Q. Go to page 121 of the KPMG report, just a few pages past where you were. There's a subsection here 9.3.2, Special Tools. And it says, "GM owned special tools used for the production of vehicles consisting of tooling dies and molds located either at GM facilities or at GM vendor sites. Also included within this analysis are tools under construction, which are," quote/unquote, "pre-SOP special tools that have not yet reached their start of production," quote/unquote, "SOP date, and special tools that have exceeded their end of production," quote/unquote, "EOP date, defined as post-EOP

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special tools."

What are pre-SOP special tools and what are post-EOP special tools?

A. So, pre-SOP special tools would be similar in concept to the CWIP that we discussed earlier relative to the personal property. Those would be special tools that have either been ordered or received into a facility, but have not yet started the production for the product that they're intended to produce.

And then post-EOP is -- would be tooling for a product line that has been shut down. But in certain cases post-EOP special tools would be maintained for spare parts operations or for other -- for other purposes after the end of production.

Q. Okay. Let's look at page 123 forward. There is a Section 9.4.2 here in the KPMG report, "Special Tool Sources of Information."

Now, I'm not going to read it out loud. I would ask you just to take a quick look at it and then my question is going to be: How did KPMG gather information in order to value special tools?

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(Witness reviewing document.)

A. Okay. So the process for collecting data related to special tools would be similar in a lot of ways to the process we used to collect fixed asset ledgers for the personal property. We would generally have a point of contact within GM who would provide us with special tooling listings.

As far as the exact assumptions in the analysis, there was actually a separate sub-team who was heavily involved in valuing the special tooling.

The general concept for the NewCo special tooling was similar in nature to the personal property, although the underlying assumptions varied in a lot of cases because of the uniqueness of the special tools relative to machinery and equipment, which is -- was a little bit more I'll call it flexible in terms of future utility.

Q. Let's talk about how you valued special tools. Special tools were valued on a going concern basis, right?

A. That's correct.

Q. Why?

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A. Because as they were identified to us, the special tools were the special tools that were going to be utilized by GM to produce the vehicles that were going to drive the cash flows that were reflected in I believe it was Viability Plan 4, which formed the basis of the underlying cash flow model for our valuation.

Q. And what was the valuation approach used for special tools?

A. The -- it was a cost -- cost-based approach utilized for special tools.

Q. All right. Let's just look at page 126 of the report for a moment. So we have valuation approaches here starting on 126. And then on 127 it says, quote: Due to the nature of the assets, KPMG relied on the cost and market approaches to value the personal property and special tools." Do you see that?

A. Yes, I do.

Q. And can you elaborate on how the cost approach which you reference was used for special tools in particular?

A. So the cost approach for special tooling was, like I said, was similar to personal property in that we were provided with fixed

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asset ledgers that contained the details of the underlying assets.

We also conducted some discussions with General Motors around what we called a cost benchmarking exercise to come up with a replacement cost new for those assets as opposed to just a reproduction cost new.

We estimated physical depreciation based on slightly different depreciation curves than we did for the personal property.

And I believe we also looked at the capacity utilization as part of the analysis for the special tooling. And then it was ultimately all subject to the same TIC -- TIC adjustment that was applied to the overall plant, property and equipment analysis.

Q. Go to page 136. It is a section of the KPMG report 9.5.2, "Application of the Cost Approach, Special Tools." You can just take a moment to review this, then I have a few questions about it.

These -- the paragraph on 136 begins similar to the application of the cost approach in valuing personal property, both the indirect and direct methods of the cost approach were used

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in the valuation of special tools."

And then on pages 137 all the way through 140, actually, there's a summary of the approach used by KPMG. So I think the most efficient thing to do is to take a minute to read this, to the extent you need to, and then we can follow up on particulars.

(Witness reviewing document.)

A. Okay.

Q. All right. First of all, I apologize for making you read all that, but I couldn't think of a better way to get through it.

Is the summary, the text starting at the bottom of page 136 and going to page 140 of the KPMG report an accurate summary of the valuation approach that KPMG used for special tools at the New GM facilities?

A. Yeah. To the -- to the best of my knowledge, it is. Like I said, I was a little less involved in the day-to-day on this, but this is consistent with my understanding.

Q. Okay. A few specific questions. For special tools at GMNA, KPMG did its valuation on a project basis, right?

A. I believe so, yes.

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Q. And why was it appropriate to do it on a project basis for special tools rather an asset-by-asset basis?

A. Well, there were two -- two reasons. One, the data provided to us was on a project-by-project basis, so the data lent itself to that type of analysis.

The other is that the start of production and end of production are kind of the key inputs, as well as the capacity utilization, would be consistent for all the tools within a specific project.

So while we could have done the analysis potentially at a more granular level had the information existed, the same assumptions would have been applied as far as start of production, end of production, and capacity utilization, which likely would have led us to the same result.

Q. Okay. So, generally speaking, can you just compare the special tools valuation approach that's summarized starting on page 136 to the approach for other personal property? What are the primary similarities and differences, in your view?

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A. So they're both -- both the special tooling and the personal property analysis are both -- they're both cost-based approaches.

As far as estimation of reproduction cost, it's trending analysis based on starting point of historical cost and pulling in specific cost trends.

Both analyses utilize what we refer to as a benchmarking analysis, which is a comparison of the calculated reproduction cost based on trending to the engineering team's best estimate of what the true replacement cost would be in dollars as of our valuation date. So that is a consistent methodology.

Both analyses would consider physical depreciation. The physical depreciation for special tooling is a bit different in that there is an underlying assumption that the -- the physical depreciation for special tooling would be somewhat front-loaded. And that was based on discussions with GM that production for specific lines tends not to be very static over the life of a project -- of a product. There tends to be a lot more production in the early years when a product is new and there's higher demand, tends

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to be a higher number of products going out; hence, more use on the special tools, which in appraisal terminology translates to higher physical depreciation and a faster diminishment of value.

So that was reflected in the special tooling, whereas the base machinery and equipment or personal property is done more on a straight-line physical depreciation methodology.

Both analyses utilize the benchmark -- or, sorry, the capacity utilization analysis to make a downward adjustment where facilities aren't fully utilized.

One other adjustment would -- or one other I guess difference between the two is for the hold factors or the minimum values that we assign to the assets on the personal property side. We relied on the Wilmington transaction that set a minimum value for all individual assets.

For special tools, given their lack of secondary market use, we assumed that there was no value beyond the value in use premise, so we didn't set a hold factor below those.

As far as pre-SOP special tools --

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Q. Now, would you mind if I interrupt --
A. Yes.
Q. -- just to break it up a little bit?
A. Yeah.
Q. Thank you for that explanation.

One particular point I wanted to follow up on before pre-SOP special tools is, can you just explain the significance of historical tooling cost adjustment factors, which -- and are those unique to special tools, and what are they?

A. So my -- my understanding of those -- and, again, I'll say that I was not directly involved in that. But my -- my understanding of that was that it was similar to our benchmarking analysis on the personal property in that the current -- the current costs to either make or acquire tooling were, for the most part, lower than would be indicated if you had looked at historical costs and applied inflationary factors to those.

So we considered those downward adjustments mostly downward adjustments. I think in a few geographies they may have actually been slightly inflationary. But at GM North America those were deflationary adjustments that we

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applied to get to what we felt was a better estimate of the replacement cost as of our valuation date.

Q. Okay. So now would you please explain in laymen's terms how the pre-SOP special tools were valued, and then let's turn to the post-SOP special tools.

A. So the -- so the pre-SOP special tools were similar to what we would call CWIP on the -- on the personal property side.

The -- our initial thinking on those was that fair value -- the fair value would be assumed to be equal to cost. Through our discussions with GM's tooling -- tooling teams, we learned about these sort of deflationary adjustments that costs had been coming down for special tools. Our assumption was that that was driven by trouble in the automotive industry and that suppliers were becoming more competitive.

So based on that, we felt that even though these were recent expenditures in some cases, the current market was actually reflecting a lower value on those assets, even though they were relatively newly placed and not yet placed in service, but recently purchased.

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So to those, we applied a slight downward adjustment to reflect what we felt was a more accurate indication of a fair value rather than -- rather than just purely relying on cost.

Q. Okay. Now, post-EOP special tools?

A. So the post-EOP special tools, I'll be honest, I've read this and I'm a little hazy on --

Q. Okay.

A. -- exactly how that was done. It appears that there was some relationship to come up with a -- a ratio of kind of minimum value to assets beyond their end of production --

Q. Uh-huh.

A. -- because the normal expectation is at the end of production, most -- the special tooling would more or less be sold off into the secondary market -- or, sorry, be scrapped, because it wouldn't be sold into the secondary market.

Here it looks like there was some limited information around selected number of post-EOP special tools, but I'm a little unclear on the exact details of how that was calculated.

Q. Okay. And there was a -- some subset

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of stub period special tools for the period between June 30, 2009, and July 10, 2009, that were valued as pre-SOP tooling, right?
A. That's correct.
Q. And what's the brief explanation of that?
A. So the stub period was are -- the information that we were provided was as of June 30. The effective date of our valuation was as of July 10th.
Q. Right.
A. The stub period was the difference between those two. So the stub period data was just new spend over that period of ten days.
So our assumption was that since it was brand-new spend and it had only been spent for ten days, that it was construction in progress or pre-SOP special tooling.
Q. All right. Let's put up KPMG-GM-4167, please.
This is a spreadsheet. My first question is going to be do you recognize this spreadsheet?
A. This looks generally familiar, yes.
Q. Is this a KPMG format?

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A. It is.
Q. All right. Let's go to the Asset Summary tab, please -- asset summary pivot, to be specific. And do you see this tab shows various GM -- I'm sorry, is this an asset summary pivot? Okay. You see this shows various GM companies and breaks out aggregate value of different types of special tools?
A. Yes, I see that.
Q. And let's hide rows 4 to 46, please. Are you familiar with Saturn, what Saturn is?
A. Yes. Saturn -- Saturn was one of General Motors' brands as of our valuation date.
Q. And if you look at the -- these -- the Saturn row here, what was KPMG's concluded value with respect to special tools?
MS. BOWER: Objection -- withdrawn. Sorry.
A. It appears that the concluded value was -- excuse me -- 53,295,130 for the special tooling at Saturn --
Q. And then for --
A. -- with -- with 38,400 of CWIP.
Q. And what about for pre-Saturn SPO?
A. Saturn SPO, it looks like there was a

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total of 538,910.
Q. And what was Saturn SPO?
A. SPO was Spare Parts Operations, I believe.
MR. KLEINHAUS: Okay. I'm very close to being done but I'm told we need to switch the tapes, so let's do that and be done.
THE WITNESS: Sounds good.
THE VIDEOGRAPHER: Going off the record. The time is 5:32.
(A break was taken from 5:30 p.m. to 5:45 p.m.)
THE VIDEOGRAPHER: Media Number 8. On the record at 5:47.
Q. (BY MR. KLEINHAUS) Mr. Furey, generally speaking, do you consider new GM plants to be specialized facilities?
A. Generally speaking, yes, they are specialized for the production of vehicle or vehicle components, yes.
Q. And what is it about them that makes them specialized for production?
A. There's a lot of components that would make them specialized. For example, the assembly facilities, they're extremely large

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facilities. Some of them have square footage measuring in the millions of square feet.
There are not many facilities of any kind that have that kind of square footage, so the alternative uses for facilities of that size are pretty limited.
MR. KLEINHAUS: Let's put up on the screen KPMG-GM-92549.
Oh, you know what, I think we have a hard copy, too. Let's just do that. This is going to be Exhibit 21.
(Exhibit JPM-KPMG 21 marked for identification.)
Q. So my first question is going to be, Mr. Furey, do you recognize this document?
A. Yes. This appears to be the summary of values for the OldCo facilities.
Q. And what's the purpose of this document?
A. To provide a summary for the high-level asset classifications for each of the OldCo facilities under our OldCo analysis.
Q. And let's look at a particular example of a -- of a facility here. Why don't we look at 92550 the Moraine facility, GM Assembly

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Moraine, which is the top facility on the page.
A. Okay. I see it.
Q. And can you just walk us through what this summary shows about the GM Assembly Moraine?
A. Okay. So the DUNS number is the identification of the Moraine assembly facility. The Asset Classifications, these are summary asset classifications, so we've only shown land, building and improvements and personal property. As we've seen in the other exhibits, there are underlying categories below those Summary Asset Classifications.
The Original Cost and Net Book Value are just our reporting of the underlying cost and book value that was provided in the fixed asset ledgers that were provided to us. And the Fair Value is our estimation of the fair value of each of those categories of assets as of July 9th.
Q. Do you know why there is no value listed here for land?
A. It's a little unusual that there's no -- while there's a fair value but there's no original cost for book value listed for land. I would assume that would be because we weren't able to identify individual fixed asset entries

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on the ledgers for the land at that facility, but I physically visited the Moraine facility and I can testify to the fact that there is indeed land underneath the facility --
Q. Yeah.
A. -- and, hence, the fair value that's shown there.
Q. Okay. So I can represent to you that we have a document, KPMG-GM-92644, which is a spreadsheet that has a property value of 1,791,839 for Moraine. I'm not going to make you put that spreadsheet on the screen right now, but let me ask you a few other questions about this Moraine facility.
There's an original cost for buildings and improvements of over $238 million reflected here, right?
MR. BINDER: Objection.
A. Yes, I see that.
Q. And that original cost goes all the way down to, what is that, $590,000 fair value?
A. That's correct.
Q. And when you look at the total fair value, put aside what the original land value was, out of 12.62 million of estimated fair

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value, 9.66 million is land, correct?
A. That's correct, yeah.
Q. What does that tell you?
A. The general -- general indication, to me, is that the large majority of the value for that facility if it's not to be used as an automotive assembly plant is in the value of the land for potentially some other use.
Q. Is it fair to say that based on this information, this facility has far higher value to GM than to any buyer?
MR. BINDER: Objection.
A. I wouldn't necessarily characterize it that way, because the fact that they don't have demand for the product that this facility was designed to build indicates that while the cost basis is high, that doesn't necessarily translate into value, because the product that that facility was assembled to construct doesn't have demand.
Q. Does this indicate to you that the -- this is a specialized facility for manufacturing?
MR. BINDER: Objection to form.
A. It indicates that it's a specialized facility, just based on the numbers. I know from

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personal experience I can say it's clearly a manufacturing facility purpose built for the assembly of vehicles.
(Exhibit JPM-KPMG 22 marked for identification.)
Q. Let's just look at KPMG-GM-896, please. This will be Exhibit 22.
My first question: This is a document, on the cover it's General Motors Company Support for Fresh Start Valuation as of July 30, 2009, 6.B.1 Real Property Part 1 of 3.
And my first question is do you recognize this document?
A. Yes, I do.
Q. There's a lot of handwritten notes on this document. Do you see that?
A. I do.
Q. Are those your notes?
A. No, they are not.
Q. Do you know whose they are?
A. Those -- I believe those were done by our accounting -- accounting advisory team.
These were, if -- if I am remembering correctly, this document is probably part of what we referred to as our tie-out binders wherein we

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brought another KPMG team in to literally tie out our calculations, make sure all the math was correct, that the references were -- were correct, and their tick marks and notations are what -- I believe what you're seeing in the handwritten notes.

Q. Can you tell me which individual it is?

A. No, I wouldn't know.

Q. Okay. Let's look at KPMG-GM-1152 at the bottom, please.

A. Sorry, where are you seeing 1152?

Q. The Bates number.

A. What's that, this one? Oh, okay.

(Witness reviewing document.)

Q. So this says here, "General Motors Company, Real Property Valuation, GMVM Lordstown Assembly."

What is GMVM Lordstown Assembly?

A. That would have -- would have been an assembly facility where they were assembling vehicles obviously in Lordstown.

Q. All right. Can you turn to page 1156 at the bottom, please. Do you see here that KPMG compares the GMVM Lordstown Assembly to two

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listings and then two sales?

A. Yes, I see that.

Q. And can you generally explain what the purpose of that comparison would have been?

A. So this overall sheet would be what we call a comparable sales grid where we would pull what we felt were either comparable closed transactions or comparable properties listed for sale. And through this table we would make adjustments to the closed transactions of the listings in an attempt to make them more comparable to the subject property that we were trying to value. And this table is a summary of the inputs into that analysis. And it appears to show the concluded value at the bottom.

Q. So did KPMG value this particular facility here based on these list -- two listings and the two sales?

A. I believe that we did, yes.

MR. KLEINHAUS: All right. I have nothing further at this time. Thank you.

A. Actually, Emil, can we go back one second? What was the page reference that you were -- that we were just looking at? I want to make sure what I told you is --

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Q. Sure.

A. -- is accurate.

Q. It's -- I think we were looking at 1156.

(Witness reviewing document.)

A. Could I clarify my answer to the prior question?

Q. Yes.

A. This -- this definitely would have been an input into our valuation for this property. There could have potentially also been a what we call a cost buildup model, which would have been based on the character -- characteristics of gross building area and cost to replace that asset under a cost approach.

So this would be representative of the sales comparison approach that was utilized, but there could have also been a cost approach analysis that was also considered to get to the final conclusion of value.

Q. And do you know specifically for this asset what -- which approach ended up being used for the final concluded value?

A. I can't tell based on this schedule. It's difficult to tell based on just on what's

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shown here.

MR. KLEINHAUS: Okay. Thank you.

FURTHER EXAMINATION

BY MR. BINDER:

Q. Just some brief follow-up, Mr. Furey.

A. Sure.

Q. I just want to go over this concept of what's a specialized facility.

There were -- do you know how many facilities were sold to New GM?

A. I don't know the exact number off the top of my head, no.

Q. It's around 40. Does that seem about right?

A. That sounds approximately right.

Q. Okay. And you didn't -- I mean, you're not -- you're not a certified real property appraiser, correct?

A. No, I'm not.

Q. And part of your work for KPMG did not involve making any determination as to what constitutes a specialized property or otherwise, correct?

A. No, it did not.

Q. Okay. And you weren't using that in

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any legal sense?
A. No, I was not.
Q. And you weren't using that in the sense of an architect might use those terms either, correct?
A. No.
Q. Okay. Of the plants that were sold to New GM, you didn't do any study as to which plants had been used for other purposes prior to GM's use; is that correct?
A. Our real property team would investigate prior sale history for -- I believe they go back maybe three -- three or so years. So to the extent that a facility had recently been purchased by GM and repurposed as some sort of vehicle manufacturing facility, we would have investigated that. But if -- something that happened in history beyond that, we -- we wouldn't have investigated that.
Q. And either way, it's not something you know?
A. No.
Q. Okay. And of the 40 or so facilities that were part of the sale to New GM, they varied in size, correct --

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A. Yes.
Q. -- one from the other?
And the layout varied one from the other?
A. Yes, that's correct.
Q. And the ability of a plant to be used for some purpose other than automobile manufacturing would -- the degree to which something could be repurposed would vary from plant to plant?
A. Yeah, based on the physical characteristics of the structure, yes.
Q. Right. And you didn't do any analysis to determine which would be more difficult to be repurposed or used for some other purpose other than the automobile industry as compared to which were really best suited for the automobile industry, correct?
A. Not as --
MR. KLEINHAUS: Objection to form.
A. Not as part of my analysis. Our real estate team may have looked at sort of a highest and best use analysis, similar to what you articulated, but I'm -- I didn't undertake an effort like that on my own.

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Q. Okay. So you're not qualified to testify as to which GM facilities are truly specialized facilities or not; is that correct?
MR. KLEINHAUS: Objection. Form.
MS. BOWER: Objection.
A. When I use the word "specialized," it's in a more general sense, not an architectural term or anything. It's just that they are designed specifically to support the operations which they're -- they were currently being used for.
Q. Right. And the extent to which they could be used for something else is not an analysis that you did, correct?
A. No, it was not.
Q. Okay. You recall you had a discussion with Mr. Kleinhaus about capital maintenance and repair assets?
A. Yes, I do.
Q. And I think you were discussing a BB-2 press, correct?
A. Yes, sounds correct.
Q. And if I recall your testimony, your -- it was that, well, this is a particularly high-dollar value asset, so you could probably

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draw the conclusion that it was tied to a particular asset. Is that --
A. The specific rebuild we were looking at was a high-dollar asset. So my statement was that given the size of the investment, it would be easier to tie that back to an original asset relative to a smaller rebuild or upgrade project.
Q. But as part of the valuation exercise that KPMG did, it didn't match the capitalized maintenance and repair asset back to the original asset, correct?
A. That is correct, we did not do that.
Q. Okay. And why not?
A. Primarily just due to the volume of -- volume of data and the quality of the asset descriptions that we were provided. In some cases the descriptions would be specific to a location and specific to an asset category, but the actual description would say press rebuild and would leave some doubt as to which press it was associated with, so we didn't try to go through that effort.
Q. Do you know if General Motors traced the maintenance and repair asset back to the original asset?

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A. I don't know if they did. I would suspect that we would have asked that question and if we could have done it, we probably would have done it. But we wouldn't have done it -- we wouldn't have undertaken a manual process to do that. We only would have done it to the extent that the records were embedded within the existing fixed asset system.
Q. So the fact that KPMG didn't do it suggests to you that the data wasn't at GM?
A. That would --
MR. KLEINHAUS: Objection to form.
A. That would -- that would be accurate, yes.
Q. I just want to go back to the KPMG Tangible Asset Memo. That's KPMG -- AAT-KPMG 4. And just the discussion on page 2 and 3, I just want to ask you a couple of questions about it. I think it's some ground that's been covered.
A. Sorry, bear with me for one second.
Q. Oh, certainly.
A. My filing system is failing me. Exhibit 4?
Q. Yes.
A. Okay.

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Q. That's the KPMG Tangible Asset Memo, correct?
A. Okay. I've got it.
Q. Right. Okay. So the approach the highest and best use was -- is orderly liquidation value, we discussed that, for the Old GM assets, correct?
A. Correct.
Q. And to do that calculation, KPMG determined to use the market approach, correct?
A. That's correct.
Q. Right. And it says -- and within the market approach, there were various techniques to determine an orderly liquidation value, correct?
A. That's correct.
Q. Right. And, in fact, it says the statement -- and I assume that refers to the FAS 157. The statement recommends -- I'm sorry, do you see where I am? I'm on the fourth paragraph of page 3. It says, "The statement recommends." Do you see --
A. Okay.
Q. Is the statement there the FAS 157 or something else?
A. Yes. Yeah, that's within the 157 section. So, yeah.

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Q. Okay. So under the accounting standards, there are various valuation techniques that one can employ that are appropriate to determine an orderly liquidation value, correct?
A. That's correct.
Q. And you would determine which technique to use based on the circumstances?
A. That's correct.
Q. And KPMG chose percentage of cost approach as its technique, right?
A. Yes.
Q. And it was appropriate under the circumstances, the circumstances largely being that there were over 40,000 assets that KPMG was valuing, right?
MR. KLEINHAUS: Objection to form.
MS. BOWER: Objection.
A. That's -- that's correct.
Q. Right. And 40,000 assets is many fewer than, say, 40 assets --
MR. KLEINHAUS: I think you meant more.
Q. -- correct?
MS. BOWER: Objection.

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MR. BINDER: Withdrawn.
Q. 40,000 is many, many more assets -- 40,000 is many, many more assets than 40 assets; is that right?
A. That's correct.
Q. Right. If you were -- if KPMG's assignment were to value 40 discrete assets, it might take a different -- it might use a different technique, correct?
MR. KLEINHAUS: Objection to form.
A. Correct. The approach would be driven by the, you know, scope and purpose of the -- of the exercise.
Q. Right. And if there were 40 specific assets that KPMG had been asked, it might be more reasonable to consider market prices for identical assets, correct?
MR. KLEINHAUS: Objection to form.
A. Forty -- 40 assets would be certainly more amenable to doing a true comparable sales method as opposed to forty -- over 40,000.
Q. Right. So if you were doing 40, you might use a different technique than if you're doing over 40,000?
A. Potential --

MR. KLEINHAUS: Objection to form.
A. Potentially, yes.
Q. Right.
But whether you're doing percentage of cost, whether you're employing that technique, or whether you're looking at market comparables and making adjustments, all of that is under FAS 157 Appropriate Methodologies for Concluding Orderly Liquidation Values --
MR. KLEINHAUS: Objection to form.
Q. -- correct?
A. To the extent that the circumstances support the use of those approaches, those would be supported under FAS 157.
MR. BINDER: Okay. No further questions.
MR. KLEINHAUS: No further questions. Thank you.
THE VIDEOGRAPHER: This concludes the deposition. Off the record at 6:11.
(Deposition concluded at 6:11 p.m.)

REPORTER'S CERTIFICATION
STATE OF TEXAS)
)
COUNTY OF HARRIS)

I, LINDA RUSSELL, a Certified Shorthand Reporter within and for the State of Texas, do hereby certify:

That the witness whose deposition is hereinbefore set forth, appeared and was duly sworn by me, and that such deposition is a true record of the testimony given by such witness;

That a review of the transcript by the deponent was requested;

I further certify that I am not related to any of the parties to this action by blood or marriage; and that I am in no way interested in the outcome of this matter.

IN WITNESS HEREOF, I have hereunto set my hand this 16th of October, 2018.

Jane Rose Reporting

LINDA RUSSELL, Texas CSR #2965
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NOTICE TO READ & SIGN

This transcript was electronically distributed to WILLKIE FARR & GALLAGHER to forward to the witness.

ACKNOWLEDGMENT OF THE DEPONENT

I, PATRICK FUREY, do hereby certify that I have read the foregoing pages and that the same is a correct transcription of the answers given by me to the questions therein propounded, except for the corrections or changes in form or substance, if any, noted in the attached Errata Sheet.

_____ _____
(DATE) PATRICK FUREY, Volume 2

Signed and subscribed to before me this
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Notary Public

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EXHIBIT INDEX

AAT-KPMG EXHIBITS:

EXHIBIT INDEX (Cont.)

AAT-KPMG EXHIBITS:

EXHIBIT INDEX (Cont.)

AAT-KPMG EXHIBITS:

EXHIBIT INDEX (Cont.)

EXHIBIT INDEX

Exhibit D

KPMG

Private and Confidential

To General Motors Management Date October 26, 2009

From KPMG (Michael R. Crismyre, Kevin Steckel) Ref

Re **Fair Value Analysis of Certain Tangible Assets of General Motors**

General Motors Corporation ("GM" or "Management") requested KPMG Economic and Valuation Services ("EVS") to assist GM management in estimating the fair value of certain tangible assets ("Property, Plant and Equipment" or "PP&E"). The purpose of this memo is to outline the methodologies and assumptions utilized in the analysis. The effective date of this analysis is July 9, 2009 (the "Valuation Date").

Scope

The PP&E assets included in this analysis, as identified by Management, include certain real and personal property assets associated with certain GM manufacturing facilities, engineering sites, and vacant land parcels transferred to Motors Liquidation Company ("MLC" or "OldCo"). The manufacturing facilities with both real and personal property are identified in the table below.

OldCo Facilities			
Location	Address	City, State, Zip	Status
GM MFD Mansfield	2525 West Fourth Street, PO Box 2567-44906	Mansfield, OH 44906-1269	Operating Lease
GM MFD Grand Rapids	300 36th Street SW	Wyoming, MI 49548	Operating Lease
GM Assembly Shreveport	7600 General Motors Boulevard	Shreveport, LA 71129	Operating Lease
GM Assembly Saturn Wilmington	801 Boxwood Road	Wilmington, DE 19804	Operating Lease
GM Powertrain Parma	5400 Chevrolet Boulevard, PO Box 30098	Parma, OH 44130	Operating Lease
GM Assembly Moraine	2601 West Stroop Road	Moraine, OH 45439	Closed
GM MFD Indianapolis	340 White River Parkway West Drive South 50	Indianapolis, IN 46206	Operating Lease
GM Powertrain Fredericksburg	11032 Tidewater Trail	Fredericksburg, VA 22408	Operating Lease
GM Powertrain Flint Engine North	902 E. Hamilton Avenue	Flint, MI 48550	Operating Lease
GM Powertrain Livonia	12200 Middlebelt	Livonia, MI 48150	Operating Lease
GM MFD Pittsburgh	1451 Lebanon School Road	West Mifflin, PA 15122	Closed
GM Assembly Pontiac East	2100 S. Opdyke Road	Pontiac, MI 48341	Operating Lease
GM MFD Pontiac	220 East Columbia	Pontiac, MI 48340	Capital Lease
GM Powertrain Massena	Route 37 East	Massena, NY 13662	Closed
GM Powertrain Willow Run	2930 Ecorse Road	Ypsilanti, MI 48198	Operating Lease
GM Strasbourg	81, rue de La Rochelle, BP33	Strasbourg, Alsace F-67026	n/a

In addition to the manufacturing sites, there are additional engineering and vacant land sites identified by GM Management that were also transferred to MLC. The listing of the non-manufacturing properties transferred to MLC is outlined in the subsequent sections of this narrative.

The real property consists of land, land improvements, and buildings. The personal property assets located at the facilities consist of the following asset types: Assembly Equipment, Computer Equipment, Conveyors, Cranes, Electric Power Equipment, Foundry Equipment, General Plant Equipment, Machine Tools – Cutting, Office Equipment, Office Furniture & Fixtures, Press Metal Equipment, Robots, Software, Steam Power Equipment, Testing Equipment, and Welding Equipment. Excluded from this analysis are assets identified by GM which are to be transferred from the facilities listed above to General Motors Company ("NewCo") facilities.

Within these facilities, Management has identified specific PP&E assets that will remain with each facility and which are subject to operating or capital leases between NewCo and MLC. As indicated in the chart above, three of the fifteen facilities have been closed. Additionally, within each of the remaining twelve facilities, selected assets have been identified by Management that will be transferred and continued to be used at other NewCo facilities. These transferred assets are excluded within the scope of this analysis.

Fair Value

Statement of Financial Accounting Standards No. 157 ("FAS 157" or "the Statement") defines fair value as:

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The objective of a fair value measurement is to determine the price that would be received to sell the asset at the measurement date (an exit price). FAS 157 specifies that fair value represents the exit price in the entity's principal (or most advantageous) market. In other words, it uses a market participant view in measuring fair value, as opposed to an "entity specific view". A principal market is generally defined as the market in which the entity would transfer the asset with the greatest volume of activity. Fair value must be measured from the perspective of *hypothetical potential buyers* (i.e., market participants). The fair value of an asset or liability is not to be measured from the perspective of the asset's owner.

Marketplace participants are buyers and sellers in the principal (or most advantageous) market for the asset that are:

- Independent of the reporting entity
- Knowledgeable (having a reasonable understanding about the asset)
- Able to transact for the asset
- Willing to transact (motivated but not forced or otherwise compelled to do so)

For assets, a fair value measurement assumes the highest and best use by market participants considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. In broad terms, highest and best use refers to the use of an asset by market participants that would maximize the value of the asset. Highest and best use is determined based on the use of the asset by market participants, even if the intended use of the asset by the reporting entity is different. Because the highest and best use of the asset is determined based on its use by market participants, the fair value measurement considers the assumptions that market participants would use in pricing the asset, whether using an in-use or in-exchange premise.

FAS 157 indicates the fair value can be measured based on one or more of the following valuation techniques:

- Market approach
- Income approach
- Cost approach

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. The fair value of a given PP&E asset may be estimated based on transactions in a secondary market for similar assets.

The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). From the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence, and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (based on specified service lives).

The statement recommends that valuation techniques that are appropriate in the circumstances and for which sufficient data are available are to be used to measure fair value and shall be consistently applied.

In the Statement, inputs refer broadly to the assumptions that market participants would use in pricing the asset. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available in the circumstances. FAS 157 classifies inputs to valuation techniques into one of three categories:

- Level 1: Quoted market prices for identical assets
- Level 2: Observable inputs other than quoted prices included within Level 1
- Level 3: Unobservable inputs

Level 1 inputs are quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets in active markets. Adjustments to Level 2 inputs will vary depending on factors specific to the asset including the location and/or condition of the asset, the extent to which the inputs relate to items that are comparable to the asset, and the volume and level of activity in the markets within which the inputs are observed. Level 3 inputs are unobservable inputs for the asset.

Given the facts and circumstances of the analysis, EVS has determined that the market approach using Level 2 inputs is applicable and appropriate for the determination of the fair value for the PP&E. These facts and circumstances are summarized as:

- There are limited Level 1 inputs available to estimate the fair value of the Subject Assets (identical asset sales are typically not available for the appraisal of personal property assets)

- There are Level 2 inputs available based on sales of similar assets. In connection with the Real Property, the comparable sales data varies dependent upon the local subject markets. For the Personal property, we have applied the previous three months of data in our analysis (as documented below there is an active market that can be measured)
- There is no economic support for the Subject Assets and therefore the income approach is not applicable (the assets have been abandoned by NewCo and are contemplated to be liquidated by MLC)
- The estimation of fair value via the cost approach would need to consider obsolescence factors which are implicitly included in the market approach

Valuation Procedures

GM provided EVS with fixed asset listings ("FALs") showing the PP&E associated with each property. Within these FALs, GM identified the assets that are to be kept with OldCo and the assets to be transferred to NewCo. In addition, GM provided details related to the subdivision of those properties where MLC will only acquire a portion of the entire site. Further, it should be noted that as of the Valuation Date, the legal subdivisions are not complete and those proposed subdivisions are subject to change.

To determine the fair value of the PP&E, we performed the following procedures:

- Conducted site inspections of all the manufacturing properties, except for Strasbourg;
- Reviewed the FALs in detail to ensure that PP&E assets are not being double counted or omitted;
- Reviewed information pertaining to the physical property characteristics such as land and building sizes;
- Held discussions with site Management personnel to understand the general age of the PP&E assets, repair and maintenance programs, custom and installed nature of the assets, and future intended use of the assets;
- For certain personal property assets, we estimated the personal property Reproduction Cost New ("RCN");
- Performed market research to gather comparable sales data for use in our application of the market approach;
- Reviewed and relied heavily on the FALs descriptions and attributes including but not limited to: DUNs number, asset id, asset category, asset description, historical installed cost, in-service date, and net book value; and
- Performed a valuation analysis of the PP&E using the appropriate valuation methodologies.

As mentioned pior, we relied on the FALs provided by Management as a starting point in the valuation. Per Management, the FALs include all capitalized cost associated with placing an asset

into service. In addition, the FALs had been assembled to include specific fields of data that are necessary for estimating the fair value of the tangible assets. We then incorporated the FALs into our valuation model.

Valuation Methodology

The real property valuation conclusions were developed through the application of the market approach, which is commonly known as the sales comparison approach, the cost approach and the income approach.

The market approach involves gathering data on sales and offerings of similar assets. The market approach measures the loss in value from all forms of physical, functional, and economic factors inherent in the individual asset. It should be noted that the market approach does not include economic obsolescence attributable to the earnings power of a business. The market approach is most reliable when there are sufficient sales of comparable properties that can be independently verified.

There are three techniques available to apply the market approach. The first method, referred to as the Direct Match Method, estimates fair value by relying on a direct match of an asset to assign a value. For this purpose, the asset is being directly compared to the comparable or identical asset to conclude on fair value.

A second method of estimating fair value based on the market approach is referred to as the Comparable Match Method. The Comparable Match Method assigns value to a subject based on an analysis of similar but not identical assets using a measure of utility as the basis of comparison. Rather than relying on identical assets as an indication of fair value, similar assets are compared to the subject asset.

The final method of estimating fair value based on the market approach is the Percent of Cost Method. This method establishes the ratio of the selling price to the current cost new of a subject asset at the time of sale. If there is sufficient data, similar types of assets can be analyzed and similarities developed among age, selling price, and cost.

In applying the market approach to determine the fair value of the real property, we utilized the Comparable Match Method. We consulted with local brokers and appraisers as well as searched real estate data bases such as Costar and Loopnet for recent sales and listings of comparable properties within the pertinent market areas.

The available market data was analyzed, and compared to the subject parcels, with adjustments made for dissimilar characteristics. Dissimilar property characteristics were identified through the site visits of the subject properties as well as through discussions with current brokers familiar with the subject properties. Differences in property rights conveyed, financing, market conditions and location, access/frontage, size, entitlements, intended use/zoning, and topography were researched with adjustments being made where applicable. After appropriate adjustments were made for these differences, a unit cost of fair value per building square footage and fair value per acre was estimated and applied to the subject properties to conclude on fair value.

It should be noted that the market approach was utilized for all properties except for GM MFD Pontiac, the Syracuse Warehouse and the Strasbourg Powertrain facility. The Pontiac property is currently under a capital lease while the Syracuse property is actively being leased as warehouse space; therefore, we have utilized the income approach to determine the FV of these facilities. Furthermore, we understand Strasbourg is still an operational facility and is currently being marketed as an operational automotive powertain manufacturing facility; therefore, we utilized the cost approach to determine the FV of this facility.

The estimation of FV under the Cost Approach is based on current Replacement and/or Reproduction costs of the asset as new ("RCN"), less depreciation attributable to physical, functional, and economic factors. In order to fully understand the Cost Approach, it is necessary to define the following terms:

Replacement Cost New – Replacement Cost New is the current cost of similar new property having the nearest equivalent as the property being appraised.

Reproduction Cost New – Reproduction Cost New is the current cost of reproducing a new replica of the property being appraised using the same, or closely similar materials.

Physical Deterioration – The loss in value or usefulness of a property due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors.

Functional Obsolescence – The loss in value or usefulness of a property caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property that new technology has developed.

Economic Obsolescence – The loss in value of a property caused by factors external to the property such as economics of the industry, availability of financing, loss of material and/or labor sources; passage of new legislation; changes in ordinances; increased cost of raw material, labor, or utilities; reduced demand for the product; increased competition; inflation or high interest rates; or similar factors.

Economic Useful Life – The estimated period of time that a new property may be profitably utilized for the purpose for which it was intended.

Remaining Useful Life – The estimated period during which a property of a certain effective age is expected to actually be used before it is retired from service.

Replacement costs are typically obtained from costing guides, publications, on-site management and published price lists.

Reproduction costs are estimated by applying an index to the historical acquisition costs, inclusive of installation costs, delivery, and other applicable costs. The index applied is selected from industry accepted and published cost indices such as the Bureau of Labor Statistics ("BLS")[1], Marshall Valuation Service ("MVS")[2], or other public sources specific to the industry in which the subject company operates.

[1] Bureau of Labor and Statistics, December 2007

[2] Marshall & Swift/Boeckh, LLC, Los Angeles, California

For assets located in countries outside of the U.S., an adjustment to the building cost index was made to account for differences between U.S. and local construction cost factors based upon data published within the 2nd quarter of 2009 International Construction Intelligence report.[3]

Depreciation factors, representing physical deterioration, were calculated based upon straight-line depreciation curves developed over the economic useful lives of the assets with consideration to estimated effective age of the assets and then applied to each asset's RCN. The economic useful lives relied on in this analysis were based on discussions with management, industry research, and our experience in appraising similar assets. Depreciation was then subtracted from the RCN to result in Replacement Cost New Less Physical Depreciation. Finally, functional and economic obsolescence is estimated, and applied where applicable, to conclude on FV.

The Income Approach is predicated upon the value of the future cash flows that an asset will generate over its remaining useful life. The first step involves a projection of the cash flows that the asset is expected to generate. This involves an analysis of financial information and discussions with marketing, operations and financial personnel to develop the future income stream attributable to the asset.

The second step involves converting these cash flows into a present value equivalent through discounting. This discounting process uses a rate of return, which discounts the future income streams for the relevant risk associated with the asset and the time value of money.

The following table is a summary of all the properties transferred to MLC and their corresponding concluded real property fair values.

[3] International Construction Intelligence is a publication offered by Faithful+Gould a member of the Atkins Group.

KPMG

Fair Value of Certain PP&E Assets of GM
October 26, 2009

Location	[redacted]
Manufacturing Sites	
Pontiac, MI - GMMFD Pontiac	7.31
Ypsilanti MI - GMPT Willow Run	12.53
Flint, MI - GMPT Flint North	2.36
Moraine, OH - Assembly	10.25
Pontiac, MI - Assembly	9.62
Wilmington, DE - Assembly	11.97
Mansfield, OH - Stamping	6.60
Grand Rapids, MI - Stamping	7.05
Indianapolis, IN - Stamping	6.30
Livonia, MI - GMPT	8.81
Pittsburgh, PA - MFD	3.00
Massena, NY - GMPT	6.91
Parma, OH - GMPT	6.62
Fredericksburg, VA - GMPT	7.37
Shreveport, LA	13.82
GM Strasbourg	29.77
Manufacturing - Grand Total	$150.29
Engineering and Other Sites	
Pontiac MI - Pontiac Centerpoint Campus Central	7.04
Pontiac, MI - Employee Development Center	0.20
Syracuse NY - Warehouse	9.24
Pontiac, MI - Pontiac Fiero Site	1.45
Romulus, MI - Engineering Center	3.51
Pontiac, MI - Pontiac Centerpoint Campus West	2.06
Janesville, WI - Training Center	0.41
RFO Training Center	0.79
Engineering and Other Sites - Grand Total	$24.70
Vacant Land and Other	
Lansing,MI - 237 Acres - Plant 2,3 & 6	1.19
Burton, MI - 200 Acres - Davison Rd	3.00
Flint, MI - 175 Acres - Buick City	0.90
Lordstown, OH - 171 Acres - Lordstown Excess Land	1.28
Anderson, IN - 153 Acres - Venture 2000	3.67
Saginaw, MI - 122.5 Acres - Greenpoint Landfill	0.24
Flint, MI - 119 Acres - Coldwater	1.79
Livonia, MI - 117 Acres - Former Delco	4.68
Elyria, OH - 95 Acres - Elyria Landfill	1.14
Ewing, NJ - 84 Acres - 1445 Parkway Ave	4.07
Pontiac, MI - 82 Acres - PCC-Validation	2.30
Mt. Morris, MI - 81 Acres - Stanley Rd	1.38
Fairfax, KS - 77 Acres - Fairfax Land	3.40
Van Buren Township, MI - 75.69 Acres - NEC of Denton and Ecorse	1.51
Van Buren Township, MI - 67.88 Acres - Vacant Land South of Van Born	0.68
Detroit, MI - 67 Acres - Clark St.	1.92
Ypsilanti, MI - 62 Acres - Textile Road	0.31
Danville, IL - 54 Acres - 900 I-74 and G Street	1.35
Saginaw, MI - 235.16 Acres - Saginaw Nodular Iron	1.65
Framingham, MA - 29 Acres - Framingham Landfill	0.35
Flint, MI - 28 Acres - Linden Rd	0.53
Grand Blanc, MI - 25 Acres - Dort Hwy	0.53
Lansing, MI - 20 Acres - Former Plant 5	0.50
Kokomo, IN - 15 Acres - Parking lot	1.95
Flint, MI - 15 Acres - James Cole Blvd	0.60
Flint, MI - 11 Acres - Atherton & Saginaw	0.37
Burton, MI - 7 Acres - Hemphill & Saginaw	0.30
Moraine, OH - 5.5 Acres - 3100 Dryden Road	0.39
Pontiac,MI - 5 Acres - ACG Penske Site	0.75
Syracuse, NY - 5 Acres - Factory Road	0.30
Saginaw, MI - 3.77 Acres - Former Howard WH	0.11
Livonia, MI - 3.5 Acres - Former Delco	0.46
Flint, MI - Tool & Die - 1.5 Acres - Stevenson & Chevrolet & Glenwood	0.06
Saginaw, MI - 2.29 Acres - Saginaw Malleable Iron	0.07
Flint, MI - 2 Acres - Windiate Park Lots	0.01
Pontiac, MI - 1.01 Acres - 607 Meadow Drive	0.05
Pontiac, MI - 0.94 Acres - 631 Meadow Drive	0.05
Pontiac, MI - 0.34 Acres - 652 Meadow Drive	0.02
Pontiac, MI - 0.34 Acres - 642 Meadow Drive	0.02
Bay City, MI - 9.55 Acres - GMPT Bay City REALM	0.11
Kansas City, MO - 19.66 Acres - Stadium Dr.	0.59
Toledo,OH - 35 Acres - GMPT Toledo REALM Parcel	0.42
Detroit, MI - 1.72 Acres - Cass Ave	0.30
Buffalo, NY - 15 Acres - GMPT Tonawanda ENCORE Parcel	0.18
Vacant Land and Other - Grand Total	$45.54
Other Properties	
Milford, MI - Residential - Grondinwood	0.38
Milford, MI - Residential - Oak Hollow	0.31
Bedford Residential Properties - Total of Assessments	2.66
Vacant Land and Other - Grand Total	$3.35
Grand Total Real Property	$223.87

The following is a discussion of the valuation methodology employed and applied to the personal property analysis:

Based on the GM asset category provided in the FALs and a review of the asset descriptions within each asset category, EVS classified the personal property into the following valuation categories:

- Assembly Equipment
- Computer Equipment
- Conveyors
- Cranes
- Electric Power Equipment
- Foundry Equipment
- General Plant Equipment
- Machine Tools – Cutting
- Office Equipment
- Office Furniture & Fixtures
- Press Metal Equipment
- Robots
- Software
- Steam Power Equipment
- Testing Equipment
- Welding Equipment

EVS relied on an indexing method to estimate the RCN of the personal property. RCN is defined as the current cost of reproducing a new replica of a property with the same or closely similar materials. To estimate the RCN, we used cost indices sourced from industry standard resources including the United States Bureau of Labor Statistics ("BLS") and Marshall Valuation Service ("MVS") for assets located in the United States and Destatis for European assets. The appropriate indices used are based upon the nature of each asset's class. We then developed trend factors which were applied to the specific asset's historical cost based on its class and vintage in order to estimate RCN. For European assets, local currency was converted to USD as of the Valuation Date, using an exchange rate of 0.74307 as published by OANDA Corporation.

In the development of fair value we relied exclusively on the market approach. We relied primarily on auction data provided by Maynards (Auctioneers and Liquidators) who are GM's primary sources related to the disposition of excess personal property assets. Maynards has extensive experience in marketing assets in various industry sectors, including but not limited to, automotive, metalworking, machine shops, and tools and dies. We held extensive discussions with Maynards to understand the nature of data provided to us.

EVS compared the sales of assets similar in nature to the personal property that GM had disposed of through Maynards during the time period from March of 2009 through May of 2009. The records of over 4,000 asset sales were compared to the installed cost and estimated RCN of the individual assets. In summary, the proceeds from the asset sales averaged 0.67% of installed cost and 0.52% of RCN as shown on the following page. We also compared the average age of the asset dispositions to the average age of the personal property and determined that the asset base was of a similar average age. In addition, EVS conducted discussions with Maynards and MLC to validate our findings. They confirmed during these discussions that the percentages reasonably represented current market conditions and were comparable to what market participants would typically anticipate from disposition. A summary of the findings of our market analysis is shown on the following page.

Disposal Dates: 03/01/2009						
KPMG Asset Class	Installed Cost	Reproduction Cost (RCN)	Disposal Proceeds	Proceeds/RCN	Disposed Assets Ave Age (years)	OldCo Assets Avg Age (years)
Assembly Equipment	$ 52,643,263	$ 57,515,945	$ 15,570	0.03%	16.7	12.0
Computer Equipment	4,446,689	4,446,689	-	0.00%	9.1	9.2
Conveyors	7,295,437	16,041,361	890	0.01%	28.9	11.6
Cranes	1,394,858	5,112,829	135,623	2.65%	39.4	30.2
Electric Power Equipment	139,600	378,559	-	0.00%	35.0	30.5
Foundry Equipment	1,319,637	1,567,167	-	0.00%	12.0	11.1
General Plant Equipment	5,855,212	8,193,661	46,718	0.57%	20.9	15.7
Machine Tools - Cutting	23,401,707	32,807,662	271,042	0.83%	17.5	19.1
Office Equipment	502,394	669,670	-	0.00%	10.4	10.2
Office Furniture & Fixtures	641,150	1,090,601	-	0.00%	23.5	24.5
Press Metal Equipment	28,511,210	35,075,218	311,374	0.89%	15.9	18.1
Robots	7,226,787	7,280,459	213,375	2.93%	9.9	9.4
Software	74,825	74,825	-	0.00%	2.7	4.7
Steam Power Equipment	22,345	32,613	-	0.00%	10.0	27.0
Testing Equipment	14,857,091	18,207,198	146	0.00%	15.6	10.5
Welding Equipment	1,291,468	2,071,296	4,889	0.24%	14.5	12.8
Total	$ 149,623,672	$ 190,565,753	$ 999,626	0.52%		

The developed percentages were applied to the calculated RCN to estimate the fair value of the personal property, which is summarized in the chart below.

Fair Value of OldCo Assets as of July 9, 2009 (USD Millions)			
Location	Original Cost	Net Book Value	Fair Value
GM MFD Mansfield	$ 336.92	$ 12.83	$ 3.70
GM MFD Grand Rapids	230.76	4.74	8.09
GM Assembly Shreveport	623.53	231.15	4.99
GM Assembly Saturn Wilmington	430.20	11.94	2.54
GM Powertrain Parma	58.96	5.32	0.64
GM Assembly Moraine	344.98	6.71	2.37
GM MFD Indianapolis	261.89	11.85	2.91
GM Powertrain Fredericksburg	39.04	4.50	0.30
GM Powertrain Flint Engine North	435.50	17.85	4.97
GM Powertrain Livonia	207.34	24.19	2.32
GM MFD Pittsburgh	67.24	3.29	1.13
GM Assembly Pontiac East	450.81	37.81	3.16
GM MFD Pontiac	46.11	11.98	1.56
GM Powertrain Massena	149.34	2.00	0.78
GM Powertrain Willow Run	832.40	38.35	7.57
GM Strasbourg	428.82	189.40	3.78
Non-Manufacturing Personal Property Assets	115.07	12.20	0.61
Construction Work in Progress	5.59	5.59	0.06
Total	**$ 5,064.50**	**$ 631.70**	**$ 51.48**

Exhibit E

Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets

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4

Sales Comparison Approach

Objectives:

1. Describe the sales comparison approach.
2. Discuss elements of comparability.
3. Illustrate the application of the sales comparison approach to individual assets, production lines, and whole plants.

The MTS appraiser uses the sales comparison approach[1] to indicate value by analyzing recent sales (or offering prices) of properties that are similar (i.e., comparable) to the subject property. If the comparables are not exactly like the properties being appraised, the selling prices of the comparables are adjusted to equate them to the characteristics of the properties being appraised.

The basic procedure in the sales comparison approach is as follows:

1. Gather data on sales and offerings of similar properties
2. Determine their comparability to the subject property
3. Determine the appropriate units of comparison
4. Organize the data into an array (or comparison chart) as appropriate
5. Analyze and adjust the comparable data
6. Apply the results to the subject

Like the cost and income approaches, the sales comparison approach assumes that the informed purchaser would pay no more for a property than the cost of acquiring a comparable property with the same utility.

This approach focuses on the actions of actual buyers and sellers. In theory, the sales comparison approach measures the loss in value from all forms of appraisal depreciation and obsolescence that are inherent in the individual asset, assuming appropriate adjustments are made to the comparables to reflect differences between them and the subject.[2]

The used equipment market is an established means of buying and selling equipment. The used market consists of used machinery dealers, auctions, and public and private sales, and it is often (but not always) the most reliable method of determining certain types of value for certain types of properties.

The sales comparison approach is most reliable when there is an active market providing a sufficient number of sales of comparable property that can be independently verified through reliable sources. Examples of properties generally having such markets are automobiles and trucks, computers, aircraft, standard machine tools, and other properties with an identifiable market. The important concepts to consider are "active market" and "verifiable information." An active market has truly independent transactions occurring under free market conditions. When researching market sales, the appraiser should verify that the sales are independent rather than being conducted by more than one seller or buyer, as the latter situation could create a false appearance of an active market. No set number of sales makes a market.

The sales comparison approach is not feasible when the subject property is unique, and it generally will not be feasible if an active market for the property does not exist. An inactive market, or one where there are a limited number of sales of comparable property, may indicate a lack of demand or the existence of economic obsolescence. When an inactive market exists, property might be better analyzed using the income or cost approaches.[3]

This chapter discusses the sales comparison approach as applied to an individual asset (such as a single item of equipment), a related group of assets (such as a production line), and an entire industrial facility. The implementation of the sales comparison approach may differ significantly depending on whether the subject is an individual asset, a group of assets, or an entire facility. The approach generally becomes more complicated when applied to a group of assets or an entire facility, because buyers (and by implication sellers) of these more substantial assets often, either explicitly or implicitly, consider the present value of the future benefits of ownership (e.g., net cash flow) in making purchasing decisions. Although this consideration reflects an income approach, this concept also must be taken into account in the sales comparison approach, since all valuation methods must attempt to replicate the analysis and behavior of buyers and sellers in the real world.

Premises of Value

The appraiser's analysis begins, not with the search for comparables, but with the determination of both the appraisal's purpose and its appropriate premise of value. It is essential to determine the proper value premise at the beginning of the valuation assignment, as discussed in Chapter 1. Different premises may require consideration of different facts. Premises of value embody fundamental concepts and various level-of-trade considerations. Certain appraisals may require variations of the various premises of value as defined in this text. For example, leases, contracts, regulations, laws, and court decisions may require certain variations; or different appraisers or appraisal firms may have a preference for certain variations. Thus, it may be appropriate to modify definitions to match the purpose or use of a particular appraisal, but the appraiser should be careful not to alter the fundamental concepts embodied in these definitions without compelling reason.

Identification of the Subject Property

One of the first steps in the sales comparison approach is the proper identification of the subject asset. The microidentification of the subject property is discussed in detail in Chapter 2. Microidentification includes determining and listing characteristics

such as make, model, serial number, size, capacity, year of manufacture, attachments, and condition.

Comparable Sales and Adjustments

Recent sales of assets identical to the subject often cannot be found. If this is the case, it is necessary to find sales of assets providing comparable or equivalent utility. It should be understood that "comparables" will often be just that: comparable but not identical to the subject.

If the comparable sale is not identical to the subject, the selling price of the comparable must be adjusted to indicate what the selling price of the comparable would have been if the comparable had been identical to the subject. The appraiser should remember that adjustments are made to the comparables, not to the subject property. Adjustments are made for differences between the comparable's and subject's chronological and effective age, condition, capacity, location, size, date of sale, circumstances of sale (e.g., level of trade or "as-is/where-is" condition), environmental compliance, safety compliance, and other factors that would have affected the comparable's sale price. These are discussed in greater detail later in this chapter.

When adjusting a comparable sale, the appraiser is determining how much more or how much less the comparable would have sold for if it had been identical to the subject in a given single characteristic, such as effective age. For example, if the comparable's effective age was ten years, compared to the subject's effective age of five years, the appraiser normally would make an upward adjustment to the comparable's actual selling price (i.e., increase the comparable's selling price) to reflect the appraiser's opinion of what the comparable's selling price would have been if its effective age (when it sold) was five years instead of its actual effective age of ten years. Similar considerations should be made for other differences between the comparable and the subject.

When appraising under the concept of in continued use or installed, the appraiser generally adjusts the comparables to include any value that may be associated with direct and indirect installation costs. The appraiser will need to make further adjustments to the comparables to reflect a different type of sale. For example, if the comparable is a sale to a dealer by an end-user (or conversely if from a dealer to an end-user), an adjustment may need to be made to equate that sale with the appropriate level of trade.

Unlike real estate appraisal, the MTS appraiser generally does not inspect each comparable. This would be impractical in most cases because of the large number of individual assets being appraised and the fact that comparables may come from a large geographical area. The appraiser often uses databases organized by equipment category and covering sales in a large geographical area. It is important that this market data come from reliable sources, which can be verified for accuracy where possible. This does not mean that every comparable sale must be verified, but it does mean that a professional appraiser should use databases that are generally reliable and that provide an understanding of the transaction basis of the comparable sale (e.g., sale to a dealer, from a dealer).

Sales are not the only value indicators an appraiser may use. Current offerings or listings, if properly adjusted, also may be considered as comparable sales.

In and of itself, the number of comparable assets currently available in the used market may have a bearing on the subject's value. If many comparables are being offered for sale, prices may be depressed and there may be little demand for the subject property.

The appraiser should become familiar with the market applicable to the subject property. This market may be local, regional, national or international. The international market may require special consideration when older production equipment is sold to users in developing countries. Equipment that is obsolete or unable to be operated competitively in the United States may be profitably operated in developing economies where there are lower labor, raw material, or other costs.

Elements of Comparability

Ideally, when using the sales comparison approach, the MTS appraiser should strive to base conclusions on sales of identical assets that have been exchanged in the marketplace. Unfortunately, it is rare to find sales of units identical to the subject. In practice, the market investigation probably will reveal sales of assets that are similar but not identical, and it is this analysis of similarity upon which the appraiser should base an opinion of value. Some of the elements of comparability are the following:

Chronological age and effective age

The appraiser should try to determine the chronological age and the effective age of the comparable at the time it was sold. This usually requires comparing both the age and reported condition of the comparable and making adjustments to account for upgrades and rebuilds as necessary.

Condition

Differences in condition affect selling prices of similar assets. This is a difficult area of comparison, because while the subject's condition may be known, it is often difficult to ascertain the condition of the comparable. If possible, there should be an investigation into the comparable's condition.

Capacity

Ideally, the comparable should have the same, or very similar, capacity as the subject. If not, it may be necessary to adjust the comparable's selling price to account for capacity differences.

Features (accessories)

The appraiser should strive to compare the subject to comparables with the same features and accessories.

Location

The geographical location of the comparable sale may affect the selling price. In addition, the physical location of an asset within a plant also may affect the selling price. For example, under removal concepts, two identical package boilers, one on the main floor and one on the third floor, would be expected to have different selling prices (all other factors being equal) because the one on the third floor will require greater dismantling and removal costs.

Manufacturer and quality

The appraiser should try, if possible, to compare the subject to sales of similar assets made by the same manufacturer. If data from the same manufacturer are not available, the appraiser should compare the subject to units manufactured by a company that market participants consider comparable to the manufacturer of the subject property. The marketplace may equate certain manufacturers with higher-quality equipment and others with lesser-quality equipment. In some cases, this may be based on a real quality difference; in other cases, this may be simply a "perception" in the marketplace. Either way, it may drive equipment value. If the comparable's quality is not equivalent to the subject, the appraiser should either discard the comparable or make the appropriate adjustments.

Motivation of parties

This is an important item of comparison, especially for larger units. Appraisers should attempt to identify the motivation of the buyer and seller and how this motivation affects the subject's value. In most cases the selling price of a comparable will differ, for various levels of trade, depending on whether it is purchased by a dealer (for resale) or by an end user (for use in a facility).

Price

In all cases, especially where properties are sold as an entire entity and not piecemeal, the transaction price should be investigated and expressed on a cash basis. This is particularly true if favorable financing or a trade-in was involved in the comparable sale transaction. This commonly is called a cash equivalency adjustment.

Quantity

Unit prices can vary considerably depending on the quantity sold. Adjustments must be made for bulk or large-quantity sales. Quantity is also related to market conditions: a buyer's market may suggest that a larger quantity is available or simply that demand is not as high, while a seller's market may suggest a limited quantity available or that current demands are high.

Time of sale

The appraiser should strive to obtain sales occurring within a reasonable period of time from the appraisal's effective date. This is especially important during volatile markets. In theory, comparable sales should be close to the effective date of the appraisal, but these are not always possible to obtain. When sales that occur beyond "a reasonable" period of time need to be considered, the appraiser should explain this and make appropriate adjustments if the data is less than desirable.

Type of sale

The type and terms of sale generally indicate different price levels or levels of trade. The same asset that is purchased by a machinery dealer at an auction (usually a *liquidation* premise) probably will have a higher price when it is sold by the dealer to an end-user (a *market* premise). The dealer is purchasing for profitable resale, while the end-user is purchasing for immediate installation at the facility. The end-user's other options are to purchase from the dealer or from another end-user, each of which requires that the seller be compensated above the level of a liquidation sale as motivation to sell.

Techniques of Comparison

The following are the three most commonly used techniques for establishing value of individual items of machinery and equipment using the sales comparison approach:

Direct match

This technique establishes value based on a direct match of the subject to an identical asset or comparable. A good example is an automobile valued using a published pricing guide. If the manufacturer, model number, age, mileage, and accessories are known, it is relatively simple to determine the subject's value. Adjustments are limited to mileage and, more important, condition. In this case, the appraiser is directly comparing the subject to the compilation of sales of other identical autos. The direct match technique provides what is probably the most accurate indication of value using the sales comparison approach. Without a direct match, value conclusions become somewhat more subjective.

Comparable match

This technique establishes value based on analysis of similar (but not identical) assets using some measure of utility (e.g., size, capacity) as the basis of comparison. For example, when appraising an engine lathe manufactured by Company A, the appraiser finds no sales of similar engine lathes manufactured by Company A, but does find sales of similar engine lathes manufactured by Companies B and C. Obviously, this technique is more subjective than a direct match, requiring additional adjustments based on an analysis of the elements of comparability previously discussed. For example, the appraiser would have to judge whether the typical market participant would consider engine lathes manufactured by Companies A, B, and C to be approximately equal in value. If not, adjustments would have to be made to the comparable to bring them in line with the subject.

Percent of cost

This technique establishes a ratio between the selling price and the current cost new of a property at the time of sale. With sufficient data, similar properties can be analyzed and relationships developed among age, selling price, and cost. For example, an appraiser is valuing a 16" × 208" engine lathe manufactured by Company A. The market investigation does not find a direct match. It does identify several similar lathes manufactured by several companies (including some by Company A), but the sizes of these lathes are either much smaller or much larger than the subject lathe. Assuming the analysis suggests that selling prices of engine lathes with an age and condition similar to the subject are in the range of 40–50% of current cost new, it would be logical to conclude that the subject's value falls somewhere between 40% and 50% of its current cost new. It should be noted that the market for a unit may vary according to the unit's size. For example, small lathes may appeal only to maintenance shops, medium-size lathes may appeal to standard machine shops, while very large lathes may be used only in oilfield, shipyard repair, or railroad applications. Appraisers should ensure that their data set fits their subject.

Appraising an Individual Unit

The following example applies the sales comparison approach to an individual unit, such as a single piece of equipment. Sources of market data used for appraising a single piece of equipment include used equipment dealers or other sellers, used equipment

buyers, equipment databases, auction sales databases, Internet databases, client-fixed asset ledgers, trade publication classifieds, and leasing companies.

Again, adequate identification of the subject is necessary before implementing the sales comparison approach. A sample description for a hypothetical single piece of equipment is shown below.

Type of Equipment:	Crawler loader
Manufacturer:	XYZ Industries
Model:	CT4
Serial Number:	CT478
Year Manufactured:	2006
Observed Condition:	Very good
Description:	Low ground pressure model with a six-way blade, rollover protection system, diesel engine, very good undercarriage
Location:	Houston, Texas
Effective Date of Appraisal:	Current Date

This description is an example of one way to list a piece of equipment. There are other acceptable formats. Some may include certain attachments or appurtenances. Once the subject is described, the process of identifying market sales begins.

Liquidation Value—Individual Unit

If the premise of value is *liquidation value (orderly or forced)* for the crawler loader described above, the first step would be to search a number of data sources for comparable sales at a liquidation level of trade. Data sources might include publications such as *The Book, Equipment World,* and *Top Bid,* covering transactions relating to construction equipment, trucks, and trailers. Other possible sources include used equipment dealers and other publications, some of which are listed in Appendix G. It also may be helpful to contact other appraisers and dealers who maintain individual databases.

After accurately describing the property and conducting a search for market sales, suppose eight auction sales are found as potential comparables. These are shown in the following list for illustration purposes.

1.	Description:	XYZ Industries M/N CT4 S/N 430 (Very Good Condition) Low Ground Pressure Model, Six-Way blade, Rollover Protection Structure, Very Good Undercarriage
	Transaction:	Auctioneers, Inc. April 2010, Gadsden, AL $54,000 Sale Price

2.	Description:	XYZ Industries M/N CT4 S/N 414 (Very Good Condition) Low Ground Pressure Model, Six-Way Blade, Drawbar, Engine Enclosed, Open Rollover Protection Structure, Single Bar Grousers, 30” Pyramid Pads, Very Good Undercarriage
	Transaction:	Local Auctioneers January 2010, Fort Worth, TX $50,000 Sale Price
3.	Description:	XYZ Industries M/N CT4 S/N 444 (Good Condition) Low Ground Pressure Model, Six-Way Blade, Drawbar, Engine Enclosed, Open Rollover Protection Structure, Single Bar Grousers, 30” Pyramid Pads, Good Undercarriage
	Transaction:	South-Atlantic Auctions January 2010, Houston, TX $45,000 Sale Price
4.	Description:	XYZ Industries M/N CT4 S/N 430 (Good Condition) Low Ground Pressure Model, Six-Way Blade, Rollover Protection Structure, Diesel Engine, 30” Shoes, Good Undercarriage
	Transaction:	Sun Auction Co. February 2010, Kissimmee, FL $55,000 Sale Price
5.	Description:	XYZ Industries M/N CT3 S/N 325 (Condition Unknown) Engine Enclosed, Canopy with Sweeps and Rear Screen
	Transaction:	Complete Auctioneers March 2010, Nashville, TN $48,000 Sale Price
6.	Description:	XYZ Industries M/N CT3 S/N 190 (Good Condition) Low Ground Pressure Model, Six-Way Blade, Canopy, 36” Single Bar Grousers, Pads, Fair Undercarriage

	Transaction:	Family Auctioneers, Inc. June 2010, Surrey, BC, Canada $42,000 Sale Price (US$)
7.	Description:	XYZ Industries M/N CT3 S/N 167 (Good Condition) Low Ground Pressure Model, Six-Way Blade, Hydraulic Controls, Engine Enclosed, Rollover Protection Structure, 30” Pads, Good Undercarriage
	Transaction:	Auctioneers, Inc. February 2010, Fort Worth, TX $51,000 Sale Price
8.	Description:	XYZ Industries M/N CT3 S/N 146 (Good Condition) Low Ground Pressure Model, Six-Way Blade, Engine Enclosed, Rollover Protection Structure, Canopy with Sweeps, Good Undercarriage
	Transaction:	Auctioneers, Inc. April 2010, Gadsden, AL $52,000 Sale Price

The eight sales are summarized in Table 4.1.

	Price	Date of Sale	Condition	Sale Location
Sale 1	$54,000	4/10	VG	AL
Sale 2	$50,000	1/10	VG	TX
Sale 3	$45,000	1/10	G	TX
Sale 4	$55,000	2/10	G	FL
Sale 5	$48,000	3/10	UNK	TN
Sale 6	$42,000	6/10	G	CAN
Sale 7	$51,000	2/10	G	TX
Sale 8	$52,000	4/10	G	AL

Table 4.1. Comparable Sales Summary.

The following is an example of the analysis of various comparable sales data for the purpose of determining an indication of liquidation value.

After analyzing the eight comparable sales and checking serial number guides, it is determined that the properties from Sales 1 through 4 were manufactured in 2006, the same year as the subject, while the properties from the remaining four sales (5 through 8) were a year older, or 2005 models. Prices range from $42,000 to $52,000 for the 2005 models and $45,000 to $55,000 for the 2006 models.

The next step in the valuation process is to compare these sales to the subject property. For the crawler loaders manufactured in 2006, the first adjustment is made for condition. The subject's condition is "very good." A review of the sales shows that Sales 1 and 2 were in "very good" condition, while Sales 3 and 4 were in only "good" condition. Thus, the appraiser needs to consider how much higher the prices in Sales 3 and 4 might have been if the items' condition had been equal to the subject's. Under the circumstances, an upward adjustment to Sales 3 and 4 is probably warranted. But by how much? Quantifying adjustments is one of the most difficult aspects of sales comparison approach appraisals. The best technique, if the data is available, is the *paired sales* technique. The appraiser notes that Sales 2 and 3 are identical in every relevant respect except for condition and selling price. Sale 3's condition was good and it sold for $45,000; Sale 2's condition was very good and it sold for $50,000. Sales 2 and 3 are *paired sales,* and it would be logical to conclude, in the example given, that Sale 3 would have sold for $5,000 more if its condition had been very good, like the subject's. Even though Sale 4 is not identical to Sales 2 or 3, it would be appropriate, in the example given, to adjust its selling price upward by $5,000 to equate its condition with that of the subject. Most machinery and equipment appraisals will have too short a time frame to perform this analysis on every single asset being appraised.

It also is necessary to investigate the prevailing market conditions when these crawler loaders were sold. Note that the subject is located in Texas. Assuming (for purposes of illustration) (1) a lack of construction activity in Texas in 2010 limited the demand for crawler loaders; (2) this situation continues to exist in Texas as of the effective date of the appraisal; and (3) construction activity was surging in Florida in 2010 when Sale 4 was consummated, suggesting that the price in Sale 4 should be adjusted downward to equate the market conditions at the time of this sale with those prevailing at the time of the subject's. Determining the extent of the adjustment will be more subjective than determining the adjustment for condition, because in this case the data does not provide the appraiser with a *paired sale* (and in the real world this often will be the case). The point here is that the appraiser has investigated the market conditions pertaining to the various sales and realizes that a downward adjustment to Sale 4 is needed. The amount of adjustment often will not be precisely quantifiable, but at least the appraiser has done his or her job by investigating those conditions of the market sales that are relevant for valuation purposes.

The appraiser should, whenever possible, contact the liquidator to determine the conditions surrounding an auction sale. The appraiser should ask questions regarding the number of people in attendance, the number of active bidders, the weather conditions, the type of advertising, and the number of brochures mailed out. For example, the appraiser would want to know if there were seven people at the auction but only one active bidder, which may have depressed the selling prices. Although it may be difficult to gather this type of information, its absence can impair the reliability of the appraisal conclusions.

This discussion is not intended to illustrate all the adjustments that would be made to arrive at a value conclusion for the subject crawler loader. Rather, it is intended to emphasize that the appraiser's job is to investigate and develop those facts about the market sales and the subject property that are relevant for valuation purposes. Adjustments differ from property to property and from project to project. There are no rules of thumb or specific guidelines that apply in every case. In fact, it is inadvisable to apply the same adjustments to every appraisal assignment. The appraiser cannot simply rely on databases

and use information without considering whether adjustments need to be made. The appraiser is primarily an investigator and developer of facts—not all possible facts, but those facts that affect value.

Fair Market Value in Continued Use[4] or Installed—Individual Unit

Consider a situation in which the buyer of a property in liquidation intends to use that asset in an industrial operation (a *continued use* or an *installed* premise). Assume the buyer purchased for cash on an "as-is, where-is" basis. In this case, the buyer must pay the cost of dismantling and removing the asset, as well as any maintenance or rebuilding costs. If the asset were purchased from a dealer, these costs would normally be "buried," or incorporated, in the dealer's selling price. In theory, the sum of the purchase price plus dismantling, removal, rebuilding, and maintenance costs should be the same for a dealer as for an end-user, except for the dealer's overhead and profit (excluding any differences that may exist for relocation costs).

The analysis for *fair market value in continued use* (with assumed earnings or with an earnings analysis) or *fair market value – installed* is the same until the profitability of the property is analyzed or assumed. The following examples address the analysis for an in use or installed premise prior to analyzing the profitability.

Example 1: Using the sales comparison approach to estimate *fair market value in continued use* or *fair market value–installed.*

Your task is to estimate the *fair market value in continued use* or *fair market value–installed* of an eight-year-old milling machine, using the sales comparison approach. The machine currently is being used for custom work, is used frequently, and is well maintained. Observation and discussion with plant personnel confirm that the machine is in good condition.

You attend auctions regularly and have noticed that this particular machine is very popular. Data suggest the machine sells at auction prices ranging from $1,000 to $7,500, depending on age and condition. Recent sales data suggest that, given the subject's age and condition, it would sell for between $5,500 and $6,500. Discussions with used machinery dealers indicate they would ask $6,500 for this asset and would expect to sell it for $6,000. Based on your knowledge of the market and the confirming discussions with dealers, it is logical to conclude that $6,000 would represent the value of the milling machine itself, excluding any indirect cost considerations.

The next step is to add the value, if any, attributable to, or value contribution, if any, of the installation and other costs that convert this base unit value amount to a *fair market value–installed* or *fair market value in continued use* basis. This asset is relatively simple to install and connect. Because it is a common item, assume that the asset would be purchased locally with a freight cost of $200. The time for two millwrights to unload and set the machine in place is two hours at a cost of $125. Electrical installation, including controls, is $300. Therefore, the total cost new of the installation and other assemblage costs is the sum of all of these, or $625.

Since the asset was installed new eight years ago, therefore all these installed or in-use elements that exist in conjunction with the subject installed milling machine are also eight years old on the effective date of the appraisal and should be depreciated, because they are not new and do not have the same remaining useful life as if they were new. Based on an age of eight years and an expected life of 20 years, depreciation is estimated on an age/life basis to be 40% (8 ÷ 20 × 100 = 40%). Applying 40% to the cost new of $625 results in a value of $375 for the costs of freight, installation, and connections. The sum of the base unit ($6,000) plus the value of the freight, installation, and other costs ($375) equals the indicated *fair market value in continued use* or *fair market value – installed,* that is, $6,375.

The fair market value in continued use may require adding state sales tax to the value, whereas the fair market value–installed does not usually apply that tax, since the fair market value–installed may be for assets and tax may be required upon that value. Some states have sales tax on certain assets but not on others, and it is up to the appraiser to be aware of the appropriate statute when assigning value.

This example has been simplified to illustrate the concept behind the sales comparison approach. The numbers used above are fictitious, but such a wide range in selling prices can be realistic. To conclude a specific number from that broad a range (as described in the example) requires supporting data and a strong knowledge of the marketplace. The more supportable the data gathered, the more accurate the end results will be.

Appraising a Related Group of Assets

There are many reasons for appraising a group of assets such as a production line: to determine *fair market value* under various premises at the end of a lease, for acquisition or sale, or for insurance purposes. Although many of the methods just discussed (concerning the appraisal of a single unit) are applicable to the appraisal of a group of assets, appraising these assets introduces complexities not encountered when appraising a single asset. This is especially true when using the sales comparison approach to appraise a group of assets under the premise of fair market value–installed or fair market value in continued use.

The appraiser will need to be familiar with the subject property's industry. Information that will assist in the valuation process can be obtained from trade publications, library research, and interviews with the client and used equipment dealers. The research for *fair market value in continued use* should include the industry's past, current, and projected economic conditions: the research for *fair market value - installed* may or may not include any or all of these conditions depending on the use of the asset in specific industries.

In the following examples, it is assumed that the client has requested value estimates for a production line under several different market value and liquidation value premises of value. Each value concept will be discussed as it applies to the valuation of a production line or other group of related assets. To illustrate the appraisal methods, the following complete plastic vacuum molding production line will be used as an example:

ABC Model XXX Molding Line Manufactured New in 1985.	
Size:	100’ Long x Three Mole Wide Index
Overall Condition at Time of Inspection:	Good
Location:	Pennsylvania
Effective Date of Appraisal:	September 2007

Table 4.2. Plastic Vacuum Molding Production Line.

Fair Market Value—Production Line

Assume that the appraiser’s research has revealed market sales to end-users by reputable used equipment dealers specializing in plastics industry equipment.[5] During the verification process, calls to the used equipment dealers indicate the information already obtained by the appraiser was accurate in all material respects. For purposes of the following examples, assume the appraiser has analyzed the market sales, compared the market sales to the subject, made appropriate adjustments to the comparables (as discussed earlier in this chapter), and concluded that the subject’s fair market value is $200,000.

Fair Market Value in Continued Use—Production Line

Most valuation of *Fair Market Value in Continued Use* as a concept is accomplished by the cost approach in which the economic obsolescence is derived from the industry and not from item-specific sales. If the industry as a whole has an economic penalty, it is often that factor or penalty that is used for the depreciation for that factor. If there is no industry-wide penalty, there may be an item-specific economic penalty, or there may be no economic obsolescence. Economic obsolescence is easier to define and apply in the cost approach using the three factors, whether independently or accrued, for purposes of depreciation adjustment. It is much harder to determine in the market approach, since sales in that market may have an industry-wide or item-specific obsolescence factor built into the other sales which would have to be removed. However, it may be possible that a case could be made for that method as determining that additional value, if any, for an *in continued use* over and above an *installed* value.

In determining the *fair market value in continued use* by the sales comparison approach of an assemblage of assets such as a production line, two additional steps are taken to those previously described. First, the appraiser needs to add the value contribution of the installation and other costs required to get the base unit up and running and contributing to the overall operation of the production line or facility. Second, the appraiser must address whether there are sufficient business earnings to support the value indication obtained by adding the value of the installation and other costs to the used market value of the base unit at the appropriate level of trade. At that point it is still necessary to adjust for the difference, if any, of the industry penalty vs. the item specific economic factor if one is to truly accomplish an *in continued use* value as opposed to the *installed* concept.

Adding the value contribution of assemblage costs (when applied only to an ***in continued use*** concept)

Appraising assets under the premise of *continued use* requires adding the value contribution of the costs required to get the base units installed in the plant and ready to operate. In effect, the appraiser converts the market price of the base unit into the *fair market value in continued use*. In this chapter, the various costs that accomplish this conversion will be referred to as "assemblage costs."

Thus, to determine *fair market value in continued use,* the appraiser replicates the actions of a buyer who desires to assemble an operating package of assets from the used equipment market (at an end-user to end-user or used-equipment-dealer to end-user level of trade). The appraiser, in effect, purchases base units (i.e., individual assets) in the used market, and then adds the value of those assemblage costs required to make the base unit an operable unit contributing (or capable of contributing) to the overall operation of the facility or production line. Typical assemblage costs include sales tax (if applicable); costs of dismantling, moving, and setting in place; freight costs necessary to get the assets to the plant site; rebuilding or retrofitting costs; installation costs, including connections, foundations, and millwright work; connection costs, including piping, wiring, and instrumentation; design, engineering, or evaluation costs (if necessary); start-up and testing costs; and any other direct or indirect costs that are normally required to place the asset in service. These are the same direct and indirect costs discussed in the cost approach.[6]

> Whether and when assemblage costs (i.e. freight, taxes, installation, and other such costs) should or should not be depreciated continues to be a matter of debate even amongst members of the MTS Committee of the American Society of Appraisers. As of the date of publication of this text, most appraisers take the position that appraisals for *fair market value in continued use*, assemblage costs should be depreciated, and that is the position consistently adopted in this text. Most appraisers agree that when an owner sells assets on an *in continued-use* basis, or when a potential buyer of those assets purchases on that basis, the transaction entails used assets and used assemblage costs and therefore the assemblage costs should be depreciated along with the asset itself. However, there may be occasions when it is appropriate not to depreciate assemblage costs. This position arises most often regarding insurance appraisals, especially where an actual loss has occurred, but differing opinions do arise regarding appraisals for other purposes. Ultimately it is up to the appraiser to weigh all of the factors surrounding the purpose and intended use of any appraisal, including the intent and terms of any insurance policy, to determine how to proceed.

Up to this point, depreciation of the assemblage costs has not been considered. Under most *in continued use* appraisal premises, assemblage costs should be depreciated.[7] Suppose that ten years ago a new asset was purchased and installed, and now that asset is being appraised. Because the asset has been operating for ten years, both the base unit and the assemblage costs (e.g., freight, installation, connections) are not new and both have

shorter remaining useful lives than they did when new. Assuming that the depreciation affecting the value of the base unit already has been measured by the used equipment market,[8] the appraiser still needs to calculate the loss in value of the assemblage costs by depreciating the replacement cost new of the assemblage costs, using the same techniques described in the cost approach. Once these assemblage costs are accounted for, the used machine is installed and ready to operate. The sum of the base unit and depreciated indirect assemblage costs represents the market price for the machine plus the current cost new (depreciated) to make the machine operable.

To illustrate one method of depreciating assemblage costs, assume that the replacement cost new installed of the previously discussed vacuum molding line is $500,000, and the following additional information is provided for the complete 1985 ABC Model X vacuum molding line example:

Fair Market Value as Determined Earlier:	$200,000
Replacement Cost New:	$500,000
Therefore the Indicated Depreciation from All Causes Can be Calculated as 1-($200,000/$500,000) or:	60%

Table 4.3. 1985 ABC Model X Vacuum Molding Line Example.

Note: Figures are for illustration only and are not intended to suggest actual market values of this type of equipment.

The appraisal depreciation that is inherent in the equipment itself, 60%, already is reflected in the $200,000 *fair market value* of the uninstalled production line that was obtained from the used equipment market.[9] Adding the depreciated value of assemblage costs will provide an indication of *fair market value in continued use.* The best place to obtain installation and other assemblage cost information is from the engineering department of the company owning the asset in question. If it is not available from that source, the appraiser should estimate these costs.

Thus, to determine *fair market value in continued use,* the appraiser replicates the actions of a buyer who desires to assemble an operating package of assets from the used equipment market (at an end-user to end-user or used-equipment-dealer to end-user level of trade). The appraiser, in effect, purchases base units (i.e., individual assets) in the used market, and then adds the value contribution of those assemblage costs required to make the base unit an operable unit contributing (or capable of contributing) to the overall operation of the facility or production line. Typical assemblage costs include sales tax (if applicable); costs of dismantling, moving, and setting in place; freight costs necessary to get the assets to the owner's site; rebuilding or retrofitting costs; installation costs, including connections, foundations, and millwright work; connection costs, including piping, wiring, and instrumentation; design, engineering, or evaluation costs (if necessary); start-up and testing costs; and any other direct or indirect costs that are normally required to place the asset in service. These are the same direct and indirect costs discussed in the cost approach. It should be pointed out that taxes are typically not added on the in place concept as it is the value of assets in the market place in which taxes would be paid to own rather than a corporate purchase in which taxes are already paid and therefore are acceptable to be a part of an *in continued use* value.

This step quantifies the contribution to value of the assemblage costs and adds these to the value previously determined for the production line:

Fair Market Value of Production Line:		$200,000
Replacement Cost New of Assemblage Costs:	$100,000	
Minus Depreciation of Assemblage Costs @ 60%: −$60,000	−$60,000	
Thus the Value Contribution of the Installation is:		+ $40,000
Preliminary Indication of *Fair Market Value In Continued Use*:		$240,000

Table 4.4. Contribution of Assemblage.

Previously it was stated that in determining *fair market value in continued use,* two additional steps are added to the steps taken to measure *fair market value*: the appraiser must first add the depreciated value of the assemblage costs; and second, determine whether there are sufficient business earnings to support the value conclusion as to the underlying assets. It should be noted that although our discussion of business earnings has been postponed until now to facilitate the presentation of sales comparison approach techniques, in practice it may be that the business earnings have been analyzed before, or concurrently with, the machinery and equipment valuation process.

Are there sufficient business earnings to support the "in continued use" value conclusion?

The definition of *fair market value in continued use* includes an assumption that there are sufficient business earnings to support the value conclusion as to the assets in question. The appraiser has two options for dealing with this issue. The first option is to assume that there are sufficient earnings (*Fair Market Value in Continued Use with Assumed Earnings)*. The second option is to use income approach methods to actually determine whether there are sufficient earnings (*Fair Market Value in Continued Use with an Earnings Analysis)*. If the first option is selected, the appraiser must ensure that the appraisal report clearly states that the value reported for the assets in question assumes that business earnings are sufficient to support the value conclusion; otherwise the appraisal report may be misleading.[10]

There may be times, however, when the appraisal's purpose, use, or other requirements preclude the appraiser from assuming that earnings are sufficient to support the value conclusion. In such cases, the appraiser needs to actually determine whether the business earnings are sufficient to support the value conclusion. The appraiser can conduct the analysis personally, or if not qualified, involve another, qualified, appraiser.

Using the previous example, suppose that the option of merely assuming sufficient earnings is not available to the appraiser. Recall that we had just concluded that the preliminary indication[11] of *fair market value in continued use (with assumed earnings)* is $240,000. Suppose that further investigation reveals that the vacuum molding line is one of the plant's five production lines, the total facility generates $300,000 of net cash flow annually, the subject line contributes approximately 20% of the total net cash flow, the subject production line is expected to generate this cash flow for ten more years, and the discount

rate is 12%. Because the present value of $60,000 ($300,000 × 20%) per year for ten years is greater than $240,000,[12] the appraiser can conclude that there is in fact sufficient cash flow to support the preliminary indication of $240,000 as the correct *fair market value in continued use with an earnings analysis*.

On the other hand, if the subject line is generating net cash flow of only $30,000 per year, the present value of the cash flow stream generated by the line would be substantially less than the $240,000 preliminary indication of value.[13] This result would suggest the possibility that the subject's value has been further reduced, from what it would otherwise be, by plant-specific obsolescence that the used equipment market is not capable of measuring. *Plant-specific obsolescence* refers to a condition within the particular plant that reduces the utility or profitability of the subject property. At this point, appraisers should ask themselves what kinds of obsolescence, especially economic obsolescence, is the used equipment market not capable of measuring.

An example of *plant-specific obsolescence* not measurable by the used equipment market would be a production bottleneck caused by the slower capacity of equipment installed ahead of the subject in the production process. Assume that the subject production line has a capacity of 1,000 units per hour but that slower capacity equipment installed ahead of the subject limits it to actual production of only 800 units per hour; that there is sufficient economic demand for the extra 200 units; that except for the slower capacity equipment that is creating the bottleneck, there is no reason why the subject line could not produce 1,000 units per hour; and that the company owning the facility plans to expend the capital required to remove the production bottleneck (in appraisal language, to cure the obsolescence), but that due to constraints on the company's capital spending, it will be three years from the effective date of the appraisal before the company can cure the obsolescence.

In this instance, the appraiser has several alternatives for determining whether the subject's *fair market value in continued use* is affected by obsolescence not measured by the used equipment market. If there are market sales of 800-unit-perhour vacuum molding lines, those could be used as comparables instead of market sales of 1,000-unit-per-hour lines. There are two possible problems with this analysis: first, the bottleneck is scheduled to be removed in three years; and second, suppose (as often is the case) that there are no sales of 800-unit-per-hour lines available to be used as comparables (perhaps because, for example, the next lower-capacity model available for sale has a 500-unit-per-hour capacity).

A second possible way to analyze the situation would be to focus on quantifying the reduction in utility (and thus value) caused by the line operating at only 80% of its rated capacity (the reader is referred to the discussion of this subject in the cost approach chapter). A possible problem with this analysis in the given case is that this inutility is not permanent.

A third possible way of analyzing the situation would be to determine the present value of the lost cash flow caused by the bottleneck during the next three years.[14] The kind of information necessary to make this calculation often is available, if the appraiser is able to identify the condition in the first place. For example, usually the management of a process plant is able to provide the appraiser with the kind of data that enable the appraiser to estimate the present value of lost cash flow caused by a condition such as the above.

The essential point here is that when appraising *fair market value in continued use,* the appraiser should remember that the used equipment market may not automatically measure all depreciation and obsolescence, especially as it pertains to certain forms of economic obsolescence that may be apparent in the subject company but which may not be evident in any other property. Appraisers always should ask themselves whether there may be additional depreciation or obsolescence that the used equipment market does not reflect. The appraiser may not become aware of the possible existence of unmeasured obsolescence unless the *preliminary* value indication of the sales comparison approach is independently checked against income- or cost-based analyses.

Fair Market Value–Installed—Production Line

It can be seen from the above discussion that it is difficult for an MTS appraiser to find the adjustment to the costs (value) to reflect *fair market value in continued use* versus *fair market value–installed*. However, there are differences as taught in both the basic advanced courses of the ASA. Except for sale/leaseback, other lease types, and a few other purposes, the appraiser rarely will be called upon to perform a *fair market value–installed* appraisal of only one production line in a facility containing multiple lines. If the facility were sold, it probably would be sold as an overall facility, and it would be necessary to value all of the lines. However, if only one line needs to be valued, such as in an appraisal in connection with a sale and leaseback, it should generally consider the same factors as a *fair market value in continued use* appraisal, except that it would not be necessary to assume (or independently determine) that there are sufficient earnings to support the underlying asset value conclusion. Other things to consider would be the segregation of utilities, workforce, and other considerations that generally could point to a lower value than *fair market value in continued use*.

Fair Market Value-Removed—Production Line[15]

This valuation concept is similar to the *fair market value–installed* or *fair market value in continued use* concept, except that the cost of removal must be considered. Recall that the market comparables (in an earlier example) indicated a *fair market value* of $200,000 for the subject vacuum line. The removed concept applies to a property within a dealer's warehouse, a property ready to ship or currently installed. Under certain circumstances, if the cost of removing or reinstalling is significant, an adjustment may be required for the additional removal expense. Many times this is the case with production lines. A potential buyer would pay no more than $200,000 for the equipment if it were ready to be picked up and delivered to the buyer. The appraiser must be aware, however, that buyers of installed equipment under liquidation or market value conditions often make conscious (and sometimes unconscious) adjustments to the price offered to cover any removal or relocation costs.[16] The appraiser needs to determine if this is the case with the subject production line.

Orderly Liquidation Value—Production Line

Orderly liquidation value is typically lower than *fair market value,* due to the compulsion to sell inherent in the definition. It is, however, possible for the value to be very close to *fair market value*, with the difference being that under the premise of orderly liquidation there is a limited period in which to sell. The seller is compelled to sell, although

without the same sense of immediacy or urgency that is assumed in a forced liquidation sale (see the following *forced liquidation value* discussion). The orderly liquidation sale may be necessitated by a bankruptcy court ruling, a leasing company, a bank, or another institution holding a note. The company may need to sell assets for some other reason. Regardless of the reason for the sale, the compulsion factor must be present. Additionally, there is generally an assumption that all assets will be sold, though over a longer period than in a forced liquidation in order to obtain greater net results.

Forced Liquidation Value—Production Line

Under the *forced liquidation value* premise, a sense of immediacy or urgency affects the period of time and circumstances of the sale. In *forced* liquidation, the means of sale are a properly advertised auction or other public sale. It is important to note that in some instances, auction sales may result in prices equal to *fair market value* because of the desirability of the equipment, proper advertisement, and/or high attendance at the auction. At other times, auction sales can result in prices substantially below the assets' *fair market value*. It is incorrect to automatically assume that the results of an auction always produce a *forced liquidation value*. An independent study of the circumstances of each auction sale should be conducted. An auction is a method of sale, not a value premise. The auction attendees have a wide range of motivations that are reflected in their bid, which may or may not mirror the premise of forced liquidation value.

Liquidation Value in Place—Production Line

Under the *liquidation value in place* premise, because of the limited time to complete the sale, the value for the subject production line usually would decrease considerably. The dilemma the appraiser faces is how to quantify the amount of this decrease. When analyzing the market data gathered, the appraiser always should ask how long the similar items (about which market data has been collected) were exposed to the market and whether there was an excess of this type of asset on the used equipment market at the time of the sale. One option for measuring this is to look at sales in which a line of similar complexity has sold, and compare those to what they might be worth under anther premise such as cost or fair market, thereby determining what difference may be applied to the subject.

Appraising an Industrial Facility

Applying the sales comparison approach to an entire industrial facility introduces complexities not encountered when appraising a single asset. This is especially true when using the approach to appraise an operating facility under the premise of *fair market value in continued use* or *fair market value–installed* (capable of being used).

The appraiser using the sales comparison approach to determine the *fair market value–installed* or *fair market value in continued use* of an entire industrial facility has, in theory, two alternative methodologies. The first alternative is to use the methods already discussed to, in effect, replicate the process of a plant owner assembling an operating package of assets from the used equipment market—that is, purchase individual assets in the used market (possibly considering the need to dismantle the assets if installed); and add the value of the various assemblage costs, such as sales tax (if applicable), freight, installation, connection, and other costs, including any adjustments for level of trade.

The second alternative is to compare the subject property (an entire industrial facility) to sales of comparable industrial facilities. In the following discussion, these sales will be referred to as "whole plant sales," and the method will be referred to as "the whole plant sales comparison approach." Several of the ASA's machinery and technical specialties courses include exercises using the whole plant approach to value using all of the three approaches to value.

Limitations of the Whole Plant Approach

Before discussing the whole plant sales comparison approach, it is important to note that this approach often will not be feasible. Most industrial facilities infrequently change ownership. Their unique characteristics make comparability difficult to evaluate and adjustments difficult to quantify without undue speculation. Most industrial facilities change ownership based on the parties' perceptions of the present value of the future cash flow that the facility is capable of generating. Differences in perceived profitability are crucial and often explain the large difference in the selling prices of ostensibly comparable facilities. The details of industrial facility transactions are usually confidential. Often even the selling price, let alone other vital details such as future cash flow projections, is difficult or impossible to obtain.

In addition to the above problems, the reported selling price of an industrial facility often includes the value of working capital, other business enterprise intangibles, or other assets (such as land) that are not included in the subject property the MTS appraiser needs to value. The value of these assets often is difficult to segregate from the total selling price. For example, the total selling price of a paper mill may include the value of large timber reserves, in addition to working capital and other business enterprise intangibles.

Notwithstanding the above, there are situations in which these difficulties do not exist or can be overcome, and in those cases the whole plant sales comparison approach may be useful. The approach is best used when the comparables are virtually identical to the subject and have been sold relatively recently and in an active market. Obviously, the use of this approach requires extensive research and analysis of comparability, adjustments, and other issues. To employ this approach, the MTS appraiser may need to have an adequate understanding of business or real property valuation, or to work closely with appraisers from those disciplines.

Methodology

The whole plant sales comparison approach compares the subject property to whole plant sales of comparable industrial facilities. It is based on the observation of actual market sales involving comparable facilities. The market sales that are initially identified as possible comparables should be analyzed carefully to ensure that their profitability and risk characteristics are sufficiently similar to those of the subject facility. While the sold facilities may differ from the subject facility, the effect of these differences should be minimized by initially selecting transactions that possess characteristics as similar as possible to the subject facility.

After gathering market sales data, the appraiser makes adjustments to the comparables to reflect differences between them and the subject with respect to numerous factors, including such things as current and future profitability, future growth, product, future market for the product, transaction terms and date, market conditions, physical characteristics

such as facility size and capacity, physical condition, deferred maintenance, raw material costs, labor costs, impact of labor unions, facility location, and distance from market for finished goods, and numerous other factors that affect value.

After the selling prices of the comparables have been adjusted to equate them with the subject, the adjusted selling prices are then converted to a common unit of measure, such as price per unit of output capacity. An indication of the subject facility's value can then be developed by multiplying its productive capacity by the price per unit of output derived from the comparable facility transactions.

Example 2: Whole plant sales comparison approach.

You have been asked to determine the *fair market value in continued use* or *fair market value–installed* of a 500-megawatt (mw) coal-fired electric generating facility.[17] You have performed an income approach (or had another appraiser do it), and are now considering whether a whole plant sales comparison approach is feasible. Industry research and discussions with knowledgeable persons have disclosed a significant number of relatively recent sales (say, within the past two years) of coal-fired electric generating facilities. You are aware that the whole plant sales comparison approach is best applied when the comparables are virtually identical to, or at least extremely similar to, the subject property. Potential sources of information regarding electric generating facility transactions include United States Securities and Exchange Commission (SEC) filings, corporate annual reports, industry trade publications, and news articles.

After much research, you have concluded that only six of the relatively recent market sales meet the threshold requirements for comparability. Some of the sales have involved facilities using other sources than coal—gas, oil, or hydroelectric—to produce power. You have rejected other sales because of significant differences between them and the subject with respect to future cash flow potential, growth in cash flow, and capacity. You are now satisfied that the six sales that have survived the "comparable qualification" process are extremely similar to the subject property; that is, they are truly comparable to the subject. These six sales are listed in Table 4.5 for illustration purposes only.

Purchaser	Selling Price	Capacity (kW)	$/kW
Sale 1	$425,000,000	550,000	$773
Sale 2	$350,000,000	425,000	$824
Sale 3	$400,000,000	525,000	$762
Sale 4	$365,000,000	450,000	$811
Sale 5	$400,000,000	500,000	$800
Sale 6	$310,000,000	400,000	$775
Subject	To Be Determined	500,000	To Be Determined

Table 4.5. Comparable Sales of Electric Generating Facilities.

Analysis of these transactions indicates the selling price per kW ranges from $762 to $824 and has a mean of approximately $791. Because you eliminated all market sales except those that were virtually identical to the subject in all important respects relating to value, you conclude that no adjustments to the

comparables are needed. The indicated range of values for the subject is $380 million to $412 million ($762/kW × 500,000 kW = $381 million and $824/kW × 500,000 kW = $412 million), with a mean of $395,500 ($791/kw × 500,000 kW). The best use of the whole plant sales comparison approach may be to indicate a reasonable range of value rather than a specific point value estimate, in which case the appraiser could stop here. If a point value estimate is required, assume that Sale 5 is virtually a direct match to the subject, in which case the appraiser might give it extra weight and conclude that the subject's *fair market value in continued use* (or *fair market value–installed)* is $800 per kilowatt, or $400 million ($800/kW × 500,000 kW = $400 million). Once the $400 million conclusion of value is reached by the sales comparison approach, it should be compared to the results indicated by the income approach (which we have assumed was also done). If the results of the sales comparison approach are substantially higher than those of the income approach, the appraiser should check for additional plant-specific functional or economic obsolescence that has not been measured by the sales comparison approach.

Example 3: Whole plant sales comparison approach using percentage of cost technique.

Your task is to estimate the *fair market value in continued use* or *fair market value–installed* of a coal preparation plant. The subject is ten years old and rated at 800 tons per day. The facility receives maintenance on a preventive basis and the plant is in reasonably good condition. Investigation reveals a recent upturn in the coal mining industry, and because of this, there seems to be an increased demand for coal preparation plants. Having already concluded a value by the cost approach (and possibly the income approach), your investigation of the facts also has disclosed two sales of coal preparation plants within the past year.

The first sale involved the purchase of an operating company, including both its tangible and intangible assets. The company assets included the coal preparation plant, a fleet of trucks, other above-ground mining equipment, and two long-term contracts negotiated before the sale of the company. The company's primary business is to process coal for two nearby strip mines. You have been told that the operating company was purchased for approximately $10 million. You talk to the new owner who says the $10 million is "a little high," but does not disclose the exact purchase price; he adds that he "wanted the contracts."

Based on the above information, you conclude that the first sale is not a valid comparable to the subject property because this was a sale of an operating company that included intangible assets, including contracts and other business enterprise intangibles (such as net working capital). In addition, you have not been able to obtain sufficient verified facts to serve as a basis of comparison.

The second sale involved the purchase of a coal preparation plant rated at 1,000 tons per day. The facility had been idle for two years before the sale. Its former owner declared bankruptcy in the midst of a recession. The bank retained ownership and contracted with a local equipment broker to maintain the facility and subsequently to sell it in operating condition. It recently was purchased by a large

coal company that relocated it so it could operate in conjunction with another of the purchaser's nearby operations (note that although the plant was idle for two years, the purchaser clearly purchased it with the intention of operating it). The dealer who sold the plant confirmed that the bank had held the asset, hoping the market would rebound, which in fact it did. The dealer also said there was substantial interest from many companies, but the facility was ultimately purchased by a company that had another operation nearby.

The second sale plant was eight years old and required minimal capital expenditures, since the broker operated the plant periodically to verify that everything worked. The buyer tells you that the purchase price was $3.5 million and that an additional $1.5 million was spent to dismantle, move, and install it at their nearby site. The buyer is satisfied and feels the purchase was a good deal, because the current replacement cost new of a plant of the same capacity is approximately $12 million installed. The buyer is planning to operate the purchased plant at a mine with a limited remaining economic life, estimated to be five years, and the purchase of a new plant for that application could not be justified.

Since you rejected using the first sale, you are left with only this one market sale of a coal preparation plant, and you must decide if this second sale can be used. Although the plant was idle for two years before the sale, the buyer clearly purchased it with the intention of operating it. You have confirmed with the dealer who sold the plant that the bank held the asset hoping that the market would rebound, which in fact it did. You also have learned that several buyers were interested in buying the plant for continued use. On the basis of these facts, you decide this is a valid comparable sale. In this situation, it would be appropriate to use the %age-of-cost technique (discussed previously). The ratio of the $5 million purchase price (including relocation cost) to the current cost new of $12 million is approximately 40% ($5 million ÷ $12 million = 0.417 or 41.7%, rounded to 40%).

The subject is somewhat less desirable than the comparable because it is a little smaller and two years older, and the subject's installation and other assemblage value components are not new. Thus, because the subject is somewhat less desirable than the comparable, something less than 40% of cost new would be appropriate for the subject. For illustration purposes assume the conclusion that 35% is a reasonable ratio of value to cost new for the subject. If the cost new of the subject is determined to be $10 million (it is smaller than the comparable, and so the cost new would be less than $12 million), then the subject's *fair market value in continued use* is approximately $3.5 million ($10 million × 35%).

Once the $3.5 million conclusion of value is reached by the sales comparison approach it should be compared to the results indicated by the cost approach (which we assume was also done). If the results of the cost approach are substantially higher than $3.5 million, the sales comparison approach may be used as a basis to conclude the existence of additional depreciation (probably economic obsolescence). If the results of the two approaches are reasonably close, both value conclusions are probably reasonable. If the results of the cost approach are significantly lower than $3.5 million, the value derived

by the sales comparison approach may be a more reasonable answer, reflecting additional desirability in the marketplace.[18]

Key Points

- The MTS appraiser uses the sales comparison approach to indicate value by analyzing recent sales (or offering prices) of property that are similar (i.e., comparable) to the subject property. If the comparables are not exactly like the assets being appraised, adjustments are made to the selling prices of the comparables to equate them to the characteristics of the assets being appraised. The basic procedure is to gather data on sales and offerings of similar properties, determine whether they are for continued used or for an alternative use even if left in place, determine their comparability to the subject property, determine the appropriate units of comparison, collect and array the data, analyze and adjust the data, and apply the results to the subject.
- The sales comparison approach is most reliable when there is an active market providing a sufficient number of sales of comparable property that can be independently verified through reliable sources. Examples of assets generally having markets meeting this definition include automobiles and trucks, computers, aircraft, and standard machine tools, and other assets with an identifiable market.
- The sales comparison approach is not feasible when the subject property is unique. Even if the subject property is not unique, the approach generally will not be feasible if an active market does not exist. An inactive market or limited number of sales of comparable property often indicates a lack of demand and may indicate the existence of economic obsolescence, which may be measured using the income approach or cost approach.
- The implementation of the sales comparison approach may differ significantly depending on whether the subject is an individual asset, a related group of assets, or an entire facility.
- The appraiser should remember that adjustments are made to the comparables, not to the subject property. Elements of comparison are the comparable's chronological age and effective age, condition, capacity, location, size, date of sale, circumstances of sale (e.g., level of trade or to a dealer, "as-is, where-is" condition), environmental compliance, safety compliance, and other factors.
- The three most commonly used techniques for establishing value of individual items of machinery and equipment using the sales comparison approach are direct match, comparable match, and percentage of cost.
- Using the sales comparison approach to appraise an installed group of related assets or an entire industrial facility introduces complexities not encountered when appraising a single asset. This is especially true when using the approach to appraise the group or plant under the premise of *fair market value in continued use* or *fair market value–installed* (capable of being used). In such a case, the appraised value may be more appropriately found through the cost approach.

- Appraising machinery and equipment under the premise of continued use requires adding to the value of the base units the value contribution of the costs (direct and indirect) required to get the base units installed in the plant and ready to operate. In effect, the appraiser converts the market price of the base unit into *fair market value in continued use* or *fair market value–installed* (capable of being used) depending on the proper application.
- One definition of *fair market value in continued use* includes an *assumption* that there are sufficient business earnings to support the value conclusion as to the assets in question. The appraiser has two options for dealing with the issue of sufficient business earnings. Under *fair market value in continued with assumed earnings,* the appraiser assumes, without verification, that there are sufficient earnings. Under *fair market value in continued with an earnings analysis,* the appraiser uses income approach methods to actually determine whether there are sufficient earnings.
- There are a limited number of situations in which it may be feasible to use the "whole plant" sales comparison approach to value an entire industrial plant. This approach often will not be feasible because most industrial facilities infrequently change ownership; their unique characteristics make comparability difficult to evaluate and adjustments difficult to quantify without undue speculation; most facilities change ownership based on the parties' perceptions of the present value of the future cash flow that the facility is capable of generating; differences in profitability are crucial and often explain the large difference in the selling prices of ostensibly comparable facilities; the reported selling price of an industrial facility often includes the value of net working capital; or the presence of other business enterprise intangibles or other assets (such as land) that are not included in the subject property the appraiser needs to value.
- Notwithstanding the above, there are situations in which these difficulties do not exist or can be overcome, and in those cases the whole plant sales comparison approach may be useful. The approach is best used when the comparables are virtually identical to the subject and have sold relatively recently in an active market. The use of this approach requires extensive research and analysis of comparability, adjustments, and other issues. Just as real property or business appraisers may need to have an adequate understanding of MTS appraisal techniques, it may be that the MTS appraiser will need to have an adequate understanding of business or real property valuation, or work closely with appraisers from those disciplines.

Notes[19]

[1] The sales comparison approach is sometimes referred to as the market approach or market data approach.

[2] Comparable sales may not measure some of the types of obsolescence that the used market cannot reflect because of facts that may not be apparent to outside parties, such as functional or economic obsolescence caused by (1) the relationship of the subject machine to other machines in its production line (e.g., a production bottleneck ahead of the subject property); (2) the subject's relationship to a building or other structure in which it is located (e.g., lower productivity or other obsolescence caused by multiple buildings or poor layout); (3) localized economic obsolescence due to regional raw material shortages; or(4) other conditions or circumstances that the used market could not possibly reflect. Appraisers always should ask themselves what kinds of obsolescence the used equipment market is measuring and what kinds of obsolescence it is not reflecting, and the appraiser then may need to make adjustments as appropriate.

[3] In some instances, the income approach may be the best method for measuring economic obsolescence, but some forms of economic obsolescence can be at least partially measured by the cost or sales comparison approaches; see discussion of economic obsolescence in the cost and income approach chapters.

[4] According to FAS 157, fair value requires the appraiser to value the assets in the most advantageous marketplace, which relates market value to the level of trade. USPAP also requires the appraiser to address the appropriate level of trade. If the asset would provide maximum value to a market participant in combination with other assets (i.e., its highest and best use is to be used as part of an ongoing operation), then an in-use premise should be utilized. Under this scenario, the asset would assume to be sold, and consequently operated, with the other assets in its group. Under this scenario, fair value relates to the MTS definitions of *fair market value in continued use* or, under certain situations, *fair market value–installe*d. However, if the asset would provide maximum value to a market participant as a stand-alone asset (i.e., its highest and best use is to be sold on a stand-alone basis and removed), due to a lack of income support or for any other reason, then another premise of value should be used. A valuation on this basis would assume that the assets would sell independent of each other and not necessarily in concert with the other assets in its group. Under this scenario, fair value typically relates to the definitions of fair market value as defined in this text. In some limited cases, such as under SFAS 144, fair value may relate to the definition of orderly liquidation value as defined in this text. See Chapter 9 (Valuing for Financial Reporting) and the Glossary for more details.

[5] For this discussion, it is assumed that the sales by the used equipment dealers have already considered the used dealers' costs of dismantling and removal. When analyzing sales of comparable items, the appraiser may need to make adjustments for any such dismantling and removal costs. In most instances, fair market value will not go below the amount for which a used equipment dealer would sell the item.

[6] The appraiser will have to use considerable caution and judgment concerning the handling of freight, taxes, and dismantling and removal costs. While the subject's initial installation may have incurred all applicable freight and taxes, these historical new costs may not be the same as that which would be applicable to used costs; if they are significantly different, they could cause problems when the appraiser attempts to correlate the results of the sales comparison approach with the results of the cost approach. Similarly, while dismantling and removal cost may occur with used data, such costs obviously were not involved when the subject was first installed new, and these costs also could cause reconciliation disparities that would need to be addressed by the appraiser.

[7] Whether assemblage costs (i.e. freight, taxes, installation, and other such costs) should or should not be depreciated continues to be a matter of debate even amongst members of the MTS Committee of the American Society of Appraisers. As of the date of publication of this text, most appraisers take the position that appraisals for *fair market value in continued use* or *fair market value–installed*, assemblage costs should be depreciated, and that is the position consistently adopted in this text. Most appraisers agree that when an owner sells assets on *an in continued-use* or on an *installed* basis, or when a potential buyer of those assets purchases on that basis, the transaction entails used assets and used assemblage costs and therefore the assemblage costs should be depreciated along with the asset itself. However, there may be occasions when it is appropriate not to depreciate assemblage costs. This position arises most often regarding insurance appraisals, especially where an actual loss has occurred, but differing opinions do arise regarding appraisals for other purposes. Ultimately it is up to the appraiser to weigh all of the factors surrounding the purpose and intended use of any appraisal, including the intent and terms of any insurance policy, to determine how to proceed.

[8] See notes 2 and 7.

[9] See notes 2 and 7, and further discussion below.

[10] This assumption cannot apply to valuations performed for financial reporting purposes. For these appraisals, an overall business enterprise valuation is typically performed as part of the valuation (by a business valuation firm), and as such economic support is either indicated as being present or not being present. If it is present, the MTS appraiser should indicate this. If it is not there, this should be indicated as well and the fair market value may have to be adjusted accordingly. (Also see note 4.)

[11] The result was reflected as preliminary, because the adequacy of earnings issue had not yet been addressed.

[12] The present value annuity factor for ten years at a discount rate of 12% is 5.650223 (see financial tables in Appendix C) or $60,000 × 5.650223 = $339,013.

[13] The present value annuity factor would be the same as the previous calculation (see note 12), but the present value would be only $169,507 ($30,000 × 5.650223 = $169,507).

[14] It is important to note that any obsolescence penalties quantified by sales comparison, income, or cost approach methods cannot be greater than the cost to cure the problem.

[15] *Fair market value* as it pertains to MTS appraisals is sometimes also called *fair market value – removed*. In any case, the underlying concept of machinery and equipment *fair market value* analysis is that the item being appraised probably will not remain where it presently exists, as in the case where an appraisal is done on an *in continued-use* or *installed* basis. Confusion occurs in legal definitions that usually have their root origin based in real property (i.e., land and its improvements thereon), where it is understood that the property will not be removed. However, personal property is portable in nature and therefore often requires further expansion or clarification of the definition of *fair market value*. Therefore, MTS appraisers use the terms of *fair market value in continued use* and *fair market value–installed* to reflect installed properties and *fair market value* (and sometimes even *fair market value–removed*) to delineate properties that are not to continue as installed properties.

[16] See note 11. If the equipment is installed in a facility, the prudent buyer probably would not pay $200,000 for the line. Assume that the buyer wants to purchase the given line and is willing to pay whatever it costs to ship it to the buyer's facility but the buyer wishes to pay no more than $200,000 for the line. If the line is still installed, and if the cost of dismantling and removal is estimated to be $30,000, then the buyer probably would only offer $170,000 for the line. Buyers often knowingly or unknowingly make this type of analysis in buying decisions, and the appraiser needs to be aware of these factors and make adjustments as appropriate.

[17] The editors do not intend to imply that electrical generating facilities, as a class of property, necessarily meet the requirements discussed above for use of this approach; the selection of this particular kind of property is for purposes of illustration only.

[18] Remember that the results of the cost and sales comparison approaches also must be considered in light of the results of the income approach.

[19] Portions of this chapter were excerpted, with the author's prior assent, from "Fair Market Value Concepts," a chapter authored by Robert S. Svoboda, ASA, in the book *Appraising Machinery and Equipment* (Herndon, VA: American Society of Appraisers, 1989).

Exhibit F

CONFIDENTIAL – SUBJECT TO PROTECTIVE ORDER

EXPERT WITNESS REPORT OF
David K. Goesling

Appraisal and Fixture Classification Analysis of 40 Representative Assets as of June 30, 2009

Issued: November 23, 2016
Amended: February 6, 2017

Presented in:

Motors Liquidation Company Avoidance Action Trust v. JPMorgan Chase Bank, N.A.

CHAPTER 11 CASE NO. 09-50026 (MG)
ADVERSARY PROCEEDING CASE NO. 09-00504 (MG)

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

SRR
STOUT | RISIUS | ROSS

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EXHIBITS

Section I

Introduction and Summary of Opinions

I. INTRODUCTION AND SUMMARY OF OPINIONS

I and my firm Stout, Risius, Ross ("SRR") were retained by Wilmington Trust Company, acting as trustee and trust administrator of the Motors Liquidation Company Avoidance Action Trust ("AAT" or the "Client"), through its counsel, Binder & Schwartz LLP ("Counsel to the AAT"), to prepare a fixture analysis and appraisal of certain specific assets formerly owned by General Motors Corporation and its affiliated debtors ("Old GM") in connection with *Motors Liquidation Company Avoidance Action Trust v. JPMorgan Chase Bank, N.A.*, Case No. 09-00504 (MG) in the United States Bankruptcy Court, Southern District of New York (the "Surviving Collateral Dispute").

It is my understanding that the defendants in the above named case ("Defendants") were parties to a syndicated term loan (the "Term Loan") of approximately $1.5 billion extended to Old GM pursuant to a term loan agreement, dated as of November 29, 2006, as amended on March 4, 2009 (the "Term Loan Agreement"). The Term Loan was secured by a large number of Old GM's assets, including all of Old GM's equipment and fixtures at 42 of Old GM's domestic manufacturing facilities, including Saturn equipment and fixtures at a facility in Delaware (the "Collateral").

JPMorgan Chase Bank, N.A. ("JPMorgan"), the administrative and collateral agent for the Term Loan, took a security interest in the Collateral and caused a UCC-1 financing statement to be filed with the Delaware Secretary of State that perfected the term lenders' security interest in all the equipment and fixtures at the 42 Old GM facilities other than the Saturn equipment and fixtures in Delaware (the "Main Lien"). JPMorgan also caused 26 fixture filings to be filed with respect to certain facilities listed in Schedule 3.12 to the Term Loan Agreement (the "Fixture Filings").

In 2008, the financing statement perfecting the Main Lien was terminated. Old GM filed for Chapter 11 bankruptcy protection on June 1, 2009, and obtained debtor-in-possession financing from Treasury and Export Development Canada in the amount of $33.3 billion. The bankruptcy court authorized Old GM to repay the Term Loan subject to a litigation carve-out for the Surviving Collateral Dispute. The Defendants were paid more than $1.4 billion on June 30, 2009.

However, due to termination of the financing statement perfecting the Main Lien, the Defendants had no perfected security interest in any of the personal property at the 42 facilities or the fixtures at the facilities not covered by a Fixture Filing (except the Saturn equipment and fixtures at the Delaware facility covered by a separate UCC-1 financing statement). Defendants only had a perfected security in the fixtures covered by the Fixture Filings (and the Saturn equipment and fixtures at the Delaware facility) (the "Surviving Collateral").

In dispute is the proper amount of the Defendants' secured claim, which is the value of the Surviving Collateral as of June 30, 2009. The issues in dispute include (i) which facilities are covered by the fixture filings; (ii) which of the assets at those facilities are fixtures; and (iii) what those fixtures were worth.

I was initially provided with a ledger listing approximately 253,000 line items, describing Old GM's fixed assets at 35 U.S. facilities. Some of the line items described a single asset, others described only a portion of an asset, and some described multiple assets. The parties selected 40 specified assets from the fixed asset ledger located at Old GM production facilities in Lansing, Warren, and Grand Rapids, Michigan and Defiance and Mansfield, Ohio (the "40 Representative Assets"). The Listing of 40 Representative Assets is set forth in Exhibit B. Some of the 40 Representative Assets have since been moved or sold.

I have been asked to determine whether the 40 Representative Assets are personal or real property and also whether they are fixtures or non-fixtures. In addition, I have been asked to provide an expert opinion of the value of the 40 Representative Assets as of June 30, 2009 (the "Valuation Date"), without regard to their classification.

I. INTRODUCTION AND SUMMARY OF OPINIONS

My conclusion as to whether each of the 40 Representative Assets is a fixture and the value of each of the 40 Representative Assets, as of June 30, 2009, is summarized in the table "Summary of 40 Representative Asset Classifications and Appraisals" below.

My explanation of my process and assumptions as to the classification is contained in Section IV and my process and assumptions as to the appraisals are contained in Section V and Section VI. My review, report, and analyses are subject to the Statement of Assumptions and Limiting Conditions set forth in Exhibit A. A list of the sources of information considered is presented in Exhibit F. My curriculum vitae and lists of recent testimony, publications, and relevant presentations are presented in Exhibit G.

Summary of 40 Representative Asset Classifications and Appraisals

Location	Asset ID	Description	3 Part Test Met?			Concluded to be Fixture?	Orderly Liquidation Value ($)
			Attached	Adapted	Intent		
LDT Ass'y	100017544	GA PITS & TRENCHES	Yes	Yes	Yes	Yes	0
LDT Ass'y	100037892	PAINT BLDG LINES - PROCESS WASTE ELPO	Yes	Yes	Yes	Yes	0
LDT Ass'y	100037940	PAINT MIX & CIRCULATION- ELECTRICAL	Yes	No	No	No	152,000
LDT Ass'y	100037954	PAINT DIP CONVEYOR - ELPO OVEN IMC	Yes	No	No	No	7,000
LDT Ass'y	100038004	PAINT TC AUTOMATION SOFTWARE	No	No	No	No	0
LDT Ass'y	100038035	GA EOL PAINT SPOT REPROCESS SYS PAINT MIX ROOM	Yes	No	No	No	82,500
LDT Ass'y	100038119	PAINT TC2 CC BELL ZONE	Yes	No	No	No	263,400
LDT Ass'y	100041920	OPTICELL - ROBOTIC MEASUREMENT SYSTEM	Yes	No	No	No	73,000
LDT Ass'y	100045909	LANSING DELTA TOWNSHIP ASSEMBLY UTILITY SERVICES	No & Yes	No & Yes	No & Yes	No & Yes	2,367,000
LDT Ass'y	100048169	BS ROBOT LAZN-150R1	Yes	No	No	No	25,000
LDT Ass'y	100050513	BS WELD BUS DUCTS	Yes	No	No	No	681,000
LDT Ass'y	100060623	GA T/W: SOAP; MOUNT AND INFLATE	Yes	No	No	No	59,000
LDT Ass'y	100061079	BS SKID CONVEYOR – LAZA	Yes	No	No	No	15,000
LDT Ass'y	100061614	BS P&F CONVEYOR - BODY SIDE INNER LH DEL	Yes	No	No	No	24,000
LDT Ass'y	100062269	GA CONVEYOR: VERTICAL ADJUSTING CARRIER SYS - CARRIERS (QTY 87)	No	No	No	No	59,000
LDT Ass'y	100064667	BS CMM FULL BODY MACHINE - LY90	No	No	No	No	39,000
LDT Ass'y	100065640	GA CONVEYOR SUB-ASM RECEIVING: WTD1000 - WHEEL & TIRE DELIVERY	Yes	No	No	No	5,000
LDT Ass'y	100066809	GA CONVEYOR: SKILLET - FINAL - LEG 1	Yes	No	No	No	1,000
Lansing Reg Stamping	BUY11820901	DANLY 4000 TON PRESS	Yes	No	No	No	276,000
Lansing Reg Stamping	BUYR503469FA	AA-11 SCHULER #1 AA CROSSBAR TRANSFER PRESS	Yes	No	No	No	3,675,000
Lansing Reg Stamping	BUYR503481FA	B3-5 TRANSFER PRESS SYSTEM INCL. DESTACKER AND EOL	Yes	No	No	No	2,400,000
Defiance PT	100095344	CORE DELIVERY CONVEYOR SYSTEM CB116 & 122	Yes	No	No	No	1,000
Defiance PT	100098085	EMISSIONS SYSTEM #4 CUPOLA	Yes	No & Yes	No & Yes	No *	131,000
Defiance PT	100099125	100 TON VERTICAL CHANNEL HOLDING FURNACE	Yes	No & Yes	No & Yes	No *	8,000
Defiance PT	NJL2924414P	SYSTEM GAS CLEANING NO.4 CUPOLA	Yes	No & Yes	No & Yes	No *	24,000
Defiance PT	NJL2983009	CB 91 ROBOT	Yes	No	No	No	8,000
Defiance PT	NJL6084400	P & H 7 1/2 TON CHARGER CRANE 6E CUPOLA	No	No	No	No	10,000
Warren PT	100006527	OP-150 SELECT; CHECK PLACE SHIMS AUTO STATION	Yes	No	No	No	3,000
Warren PT	100033438	POWER ZONE ROLLER CONVEYOR AUTOMATION TCH MOD 3	Yes	No	No	No	3,000

I. INTRODUCTION AND SUMMARY OF OPINIONS

Location	Asset ID	Description	3 Part Test Met?			Concluded to be Fixture?	Orderly Liquidation Value ($)
			Attached	Adapted	Intent		
Warren PT	100053677	LEAK TEST BASE MACHINE QTY = 1	Yes	No	No	No	9,000
Warren PT	100069322	FANUC M-710IB/70T ROBOT – ASSEMBLY	Yes	No	No	No	32,000
Warren PT	100070012	ALUMINUM MACHINING SYSTEM	Yes	No & Yes	No & Yes	No & Yes	14,000
Warren PT	100071009	LFS220 BASE SHAPING MACHINE-OP 20 TRANS. DRIVE GEAR	No & Yes	No	No	No	224,000
Warren PT	NIT219381	BUILD LINE W/FOUNDATION	Yes	Unknown	No	No	45,000
Warren PT	NITC03340	BUTTON UP AND TEST CONVEYOR SYSTEM	Yes	No	No	No	2,000
Warren PT	NITC03507	HELICAL BROACHING EQUIPMENT	No	No	No	No	150,000
Warren PT	NITW0S11026A	COURTYARD ENCLOSURE	Yes	Yes	Yes	No **	0
Mansfield Stamping	BGI20163301	TP-14 CS1-1 TRANSFER PRESS DANLY ET-2	Yes	No	No	No	800,000
Grand Rapids MFD	BF2016822 01	TRANSFER PRESS-GG-1	Yes	No	No	No	261,000
Warren PT	100071022	LIEBHERR HOBB MACHINE FROM ST. CATHARINES	No & Yes	No	No	No	244,000

* Not a fixture due to being situated in Ohio and not essential to the use of the real estate.
** Not a fixture due to being real estate.

The analyses and opinions expressed in this report are my own. I am being compensated at my usual rate of $525 per hour. I have been assisted in this matter by staff at SRR, who worked under my direction. My compensation is not based on the content of my opinions or the outcome of this or any other matter.

A detailed description of my procedures, methodologies, assumptions, and conclusions is contained in this report. This summary should not be separated from, nor considered independent of, the report of which it is a part.

Changes to this amended report are as follows:

Table of Contents page – Certification and Exhibits page numbers updated;
Pages 3 and 4 – Summary table revised;
Page 25 – Added discussion of classification considerations and application to three part test;
Page 117 – Corrected GM property tax classification
Page 335 – Correction of typographical error
Pages 334 and 335 - Summary table revised
Page 359 – Exhibit header corrected

Section V

Valuation of 40 Representative Assets

V. VALUATION OF 40 REPRESENTATIVE ASSETS

Overview

This appraisal was prepared in conformance with the current USPAP of the Appraisal Foundation and The Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers. My report is considered to be a Summary Report.

In estimating the value of the 40 Representative Assets, I determined, for the reasons discussed below, that Value in Exchange was the appropriate premise of value. Specifically, given Old GM's economic situation as of the Valuation Date, I applied the Orderly Liquidation in Exchange premise of value. Finally, I considered the potential applicability of the three standard appraisal techniques.

Extraordinary Assumptions

My analysis and report are subject to the Statement of Assumptions and Limiting Conditions set forth in Exhibit A of this report. In addition to the assumptions shown in Exhibit A, it was necessary for me to make an extraordinary assumption.

An extraordinary assumption is defined in USPAP as "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions." USPAP further comments, "Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

Because my analysis and report occurred more than seven years after the Valuation Date, my work is considered to be a retrospective appraisal. I have made the extraordinary assumption that, unless informed otherwise and except for normal physical deterioration, the observed condition of the assets that were inspected in May and June 2016 was not materially different than the condition as of the Valuation Date. If this assumption is found to be false, the appraisal-related conclusions could be affected.

Definitions

Orderly Liquidation Value, as used in this report, is defined as:

> *An opinion of the gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.*

My opinion of Orderly Liquidation Value is a gross amount, and I have not considered the expenses of conducting a sale, such as liquidator's fees, storage or warehousing costs, accounting or legal fees, or any other expenses associated with the cost of liquidation.

The following additional terms, as used in this report, are defined as follows:

- *Reproduction Cost New*: The cost of reproducing a new replica of a property on the basis of current prices with the same or closely similar materials, as of a specific date.[1]
- *Replacement Cost New*: The current cost of a similar new property having the nearest equivalent utility as the property being appraised, as of specific date.[2]

[1] Machinery and Technical Specialties Committee, *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets – Third Edition* (Washington, DC: American Society of Appraisers, 2011), p. 555.
[2] Ibid, p. 554.

V. VALUATION OF 40 REPRESENTATIVE ASSETS

- *Highest and Best Use*: The most probable and legal use of a property (including machinery and equipment), which is physically possible, appropriately supported, financially feasible, and that results in the highest value.[3]
- *Chronological Age*: The number of years that have elapsed since an item or property was originally built or placed in service for the first time.[4]
- *Effective Age*: The apparent age of a property in comparison with a new property of like kind, that is, the age indicated by the actual condition of a property.[5]
- *Remaining Useful Life*: The estimated period during which a property of a certain effective age is expected to actually be used before it is retired from service.[6]
- *Historical Cost*: The original total purchase price (including all freight and installation) of a property when it was first placed into service by its first owner.[7]
- *Original Cost*: The initial capitalized cost of an asset in the hands of its present owner.[8]
- *Depreciation*: The actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence. Depreciation may be curable or incurable. The estimated loss in value of an asset.[9]
- *Physical Deterioration*: A form of depreciation where the loss in value or usefulness of a property is due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. Physical deterioration may be curable (or partially curable), by replacement or rebuilding, to some percentage of its full physical life.[10]
- *Functional Obsolescence*: A form of depreciation in which the loss in value or usefulness of a property is caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property that new technology and changes in design, materials, or process that result in inadequacy, overcapacity, excess construction, lack of functional utility, excess operating costs, etc. has developed. Symptoms suggesting the presence of functional obsolescence are excess operating cost, excess construction (excess capital cost), over-capacity, inadequacy, lack of utility, or similar conditions.[11]
- *Economic Obsolescence*: A form of depreciation or loss in value or usefulness of a property caused by factors external to the property. These may include such things as the economics of the industry; availability of financing; loss of material and/or labor sources; passage of new legislation; changes in ordinances; increased cost of raw materials, labor or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates; or similar factors.[12]

Highest and Best Use

Consideration of the highest and best use of an asset (or group of assets) establishes the appropriate premise to apply in valuing the property. Determination of the highest and best use of the 40 Representative Assets includes an analysis of the current use and alternative uses of the property, considering what is

[3] Machinery and Technical Specialties Committee, *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets – Third Edition* (Washington, DC: American Society of Appraisers, 2011), p. 529.
[4] Ibid, p. 512.
[5] Ibid, p. 520.
[6] Ibid, p. 554.
[7] Ibid, p. 529.
[8] Ibid, p. 547.
[9] Ibid, p. 517.
[10] Ibid, p. 549.
[11] Ibid, p. 526.
[12] Ibid, p. 526.

V. VALUATION OF 40 REPRESENTATIVE ASSETS

legally permissible, physically possible, financially feasible, and maximally productive. The highest and best use of the property is a use that meets all four criteria.

I am not aware of any legal restrictions limiting the use of the 40 Representative Assets, so any reasonable use of the property would likely be allowed. The physical use of the 40 Representative Assets has been demonstrated by their prior and/or current use as part of an automotive manufacturing business. I have been asked to assume that Old GM would have been unable to continue as a going concern absent a substantial government subsidy, and so continued use of the 40 Representative Assets by Old GM was not financially feasible, and would not have been maximally productive.

Premise of Value

The definition of value must take into account the purpose of the appraisal and the highest and best use of the asset. Value can be broadly classified into two premises, which are distinguished mainly by an asset's anticipated use:

- Value in Exchange: Under this value premise, it is anticipated that the asset will be removed from its current location and sold for a similar or alternate use; and
- Value in Continued Use: Under this value premise, it is anticipated that the asset will continue to be used in the same location and for the same purpose for which it was designed, acquired, and installed.

There must be an adequate return on investment to justify the continued use of those assets. The appraiser can either assume there is an economic justification for the reported value or perform an analysis of the business earnings to provide justification for the reported value. The Value in Continued Use premise values the property as part of a business enterprise in circumstances where the collective assemblage of all of a company's assets has going-concern value.

I have been asked to assume by Counsel to the AAT that Old GM would have been unable to continue as a going concern absent a substantial government subsidy. Such an assumption comports with my understanding of the state of Old GM's business enterprise as of June 30, 2009.

Because Old GM was not a going concern as of the Valuation Date, Value in Exchange is the appropriate premise to use in a valuation of the 40 Representative Assets and has been used in my analysis. To determine the Value in Exchange, I applied Liquidation Value in Exchange. That premise of value is appropriate because Old GM was in bankruptcy and thus did not have an unlimited time to sell its assets.

Under the Liquidation Value in Exchange premise, the seller has a limited time in which to sell. If the seller has a reasonable but limited amount of time to sell the asset, an Orderly Liquidation Value in Exchange premise is used. If a seller is forced to sell in a severely restricted timeframe, such as a quick sale auction occurring in 30 to 60 days, then a Forced Liquidation Value in Exchange premise is used. Although the abbreviated time frame makes it reasonable to use Forced Liquidation Value in Exchange as the premise of value, I have conservatively assumed an Orderly Liquidation Value in Exchange premise of value (which yields a higher value). Under Forced Liquidation Value in Exchange, my appraisal values would have been significantly lower.

Application of Orderly Liquidation

In calculating the Orderly Liquidation Value, I kept the following principles in mind. First, the valuation recognizes that the assets are being sold "as is, where is." "As is" means that the equipment is offered for sale without any warranties, guarantees, or representations of fitness for use; if there are any defects in the equipment, buyers will have to remedy them at their own expense. Such a "buyer beware" situation may

V. VALUATION OF 40 REPRESENTATIVE ASSETS

have an adverse impact on the marketability of the machinery given that alternative equipment may be available in the market from other sources. The "where is" component means that assets are being sold for removal at the expense of the buyer. A buyer will have to consider the removal and reinstallation costs at its facilities, potentially lowering the sale price.

Second, the valuation recognized that there are usually two types of buyers of automotive assets: end users, who purchase the assets for their own use, or used machinery dealers or brokers, who purchase the assets in anticipation of its future resale. End users are more apt to pay more for automotive assets than speculative purchasers, who must take into consideration holding costs, including warehousing; any necessary repair or rebuild; marketing; and warranty expense, as well as profit. The less time that the seller has to sell an asset, the more likely it is that the seller will be forced to sell to dealers or brokers at a lower price. In the absence of either end users or used machinery dealers, there is a possibility that certain assets (or portions thereof) may be sold for scrap. Here, because I am applying Orderly Liquidation, I have assumed that buyers would be a mix of end users, speculative purchasers, and scrap dealers. Had I used a Forced Liquidation Value, I would have assumed a higher percentage of speculative purchasers and scrap dealers.

Because I am determining the Orderly Liquidation Value of the 40 Representative Assets, the state of the economy as of the Valuation Date had a significant impact on the value of Old GM's assets. As of the Valuation Date, the manufacturing sector was significantly affected by poor economic conditions: Many manufacturers had curtailed production and/or closed plants, resulting in idle capacity; investment in capital equipment had slowed dramatically; and equipment manufacturers had responded to poor sales by lowering prices and offering favorable financing terms on new purchases. Such conditions negatively affected the value of Old GM's used assets.

Liquidations of automotive machinery and equipment in early 2009 produced mixed results. Machinery that had experienced good demand and marketability in the past had become difficult to sell. In many sales in 2009, equipment remained unsold, due to an excessive amount of similar assets available in the marketplace, a lack of buyer interest, or unreasonable expectations on the seller's part regarding the value of the assets.

In order to fully understand the automotive market as of the Valuation Date, I conducted significant research of the economic conditions. Every effort has been made to reach value conclusions that are supportable and representative of the automobile market as it was at the time, based on the best information available. In cases where there has been little or no recent activity involving transactions of similar equipment capacity, I have relied heavily on my experience, judgment, and opinion in reaching the value estimates. The assigned value estimates for the equipment are my best-informed opinion regarding the level of value at which a knowledgeable buyer would be motivated to purchase.

Appraisal Techniques

In order to determine the Orderly Liquidation Value, I considered the potential applicability of the three standard appraisal techniques. As is my general practice, I considered all three techniques, but I ultimately did not use the Income Approach because it is in general not possible to reliably allocate earning capacity when valuing individual assets. I applied both the Cost and the Market Approaches but ultimately determined that the Market Approach was the most accurate.

Under the Cost Approach, Replacement Cost New ("RCN") of an asset normally sets the upper limit of value. RCN is estimated using either an indirect or direct approach. The indirect approach applies specific

V. VALUATION OF 40 REPRESENTATIVE ASSETS

indices to the historical cost of an asset to estimate current replacement cost. The direct approach involves using published sources, cost estimating techniques, and input from dealers and manufacturers.

Because the 40 Representative Assets are not brand new, accrued depreciation (defined as loss in value) needs to be deducted to arrive at the indication of value, including physical deterioration, functional obsolescence, and economic obsolescence. Although I calculated value for each asset using the Cost Approach, market conditions as of the Valuation Date made it extremely difficult to reasonably estimate depreciation from all causes. Accordingly, the Cost Approach was useful to check my values under the Market Approach but was not appropriate for directly valuing the 40 Representative Assets unless relevant sales data was unavailable.

The Market Approach relies on the assumption that the value of the property to be appraised can be measured by the selling or asking prices of similar assets, either individually or collectively, in the used market. Under this approach, the best evidence of the value of each of the 40 Representative Assets would be market sales of the same type of asset. Where there is insufficient sales data for a particular representative asset, the best evidence is the sales and asking prices of similar assets with adjustments made for any differences. Examples of possible adjustments include those for the age, condition, and capacity of the assets or the location, date, and type of sale (e.g., retail sale, auction sale, or asking price). I relied primarily on the Market Approach and relied on values derived using the Cost Approach only where reliable sales data was not available to apply the Market Approach.

The Income Approach requires that the earning capacity of the 40 Representative Assets be determined and that the expected capacity, whether derived from a past, current, or projected earnings stream, be capitalized at a rate sufficient to satisfy the investment requirements associated with ownership.

Although I considered this approach, I ultimately concluded that the Income Approach was not appropriate for valuing the 40 Representative Assets because it was not possible or practical to determine the earning capacity of the individual assets. Even when the income or earnings for a business is known or can be forecast, it is highly unlikely that some small portion of earnings can be reasonably attributed to an individual piece of machinery. For that reason, the Income Approach is rarely used when valuing individual pieces of machinery.

1. Cost Approach Methodology

To value the 40 Representative Assets under the Cost Approach, I first determined the RCN of the assets. A number of techniques are available to estimate RCN. The most prevalent techniques are the detail method and the historic cost trending method. Other methods include engineering estimating techniques, such as the investment cost per unit of capacity (sometimes referred to as “modeling”) method. Each method has strengths and weaknesses that must be considered when deciding which is most appropriate to use.

-Detail method: Under this method, each cost component of each asset is “detailed.” First, an inventory of the assets are created and then a current cost is assigned to each asset by estimating the direct and indirect costs incurred in acquiring and installing that item. Direct costs include the cost of the equipment, sales tax, freight, and installation labor and supplies. Indirect costs include costs such as design and engineering fees, permits, and debugging costs. The detail method generally provides the most accurate indication of RCN but can be difficult and very time consuming to carry out depending on the number of cost components of each asset.

V. VALUATION OF 40 REPRESENTATIVE ASSETS

-Historic cost trending method: Under this method, a cost index is applied to historical cost data to determine RCN. A cost index is a number used to measure change in prices and normally represents the percent variation from an arbitrary standard (usually 100) at some earlier point in time. The historic cost trending method is generally easier to use than other methods, but the reliability of the results depends heavily on the quality of the historical cost information used. When the historic cost and acquisition dates of the assets being appraised are reliable, the results are likely to be more accurate.

-Engineering estimating technique: Under engineering estimating techniques, the investment cost per unit of capacity is used to estimate the cost of entire facilities or components of facilities. The cost-per-unit is derived from dividing the construction cost of a number of similar facilities by their capacity. Although the engineering estimating technique is relatively easy to apply, it cannot be used here because there are no cost-per-unit numbers for automobile manufacturing. Furthermore, the method calculates an aggregate amount that cannot easily be divided among the underlying components.

In valuing the 40 Representative Assets, I used the historic cost trending method to estimate RCN. I chose this method because I believe the costs and acquisition dates reported by General Motors in the eFAST system are accurate. Further, because of the specialized nature of many of the 40 Representative Assets, I concluded that indexing GM's historic acquisition costs is more accurate than the other costing methods described above.

I applied the Cost Approach analysis to the list of 40 Representative Assets. A summary of that information is attached as Exhibit D to this report. The summary contains, among other information, asset descriptions, acquisition dates, and the historical cost of each asset. The 40 Representative Assets were then segregated into categories of similar asset types. Ultimately, I separated the 40 Representative Assets into 15 different asset types, such as industrial furnaces, metal forming presses, cranes, quality control/test equipment, etc. The cost of each item was increased to a current cost using price indices. These cost indices were derived from recognized sources such as the United States Department of Labor's Bureau of Labor Statistics. A list of the indices used for each asset class is displayed below; a table with class codes is presented in Exhibit D.1, which allows the reader to determine the index used for any particular asset.

Asset Class	Cost Index Source	Producer Price Index
General Equipment	Bureau of Labor Statistics - Producer Price Index	WPU114
Software	Bureau of Labor Statistics - Producer Price Index	PCU511210511210502
CNC Machining Equipment	Bureau of Labor Statistics - Producer Price Index	WPU1137
Leasehold Improvements - Central States	Marshall Valuation Service	Class S Bldgs
Metal Forming Presses	Bureau of Labor Statistics - Producer Price Index	WPU1138
Cranes	Bureau of Labor Statistics - Producer Price Index	WPU114404
Conveyor Systems	Bureau of Labor Statistics - Producer Price Index	PCU333922333922
Switchgear and Electrical Equipment	Bureau of Labor Statistics - Producer Price Index	WPU1175
Metal Tanks	Bureau of Labor Statistics - Producer Price Index	PU1072
Industrial Furnaces, Kilns, Ovens	Bureau of Labor Statistics - Producer Price Index	PCU333994333994
QC/Test Equipment	Bureau of Labor Statistics - Producer Price Index	PCU334516334516
Concrete block and brick	Bureau of Labor Statistics - Producer Price Index	WPU1331
Process Piping	Bureau of Labor Statistics - Producer Price Index	WPU101706
Utilities	Bureau of Labor Statistics - Producer Price Index	PCU221

The original cost information provided by GM included all of the costs incurred to acquire, install, and startup each asset. Thus, my cost analysis includes both direct costs (the cost new of the equipment) and indirect costs (such as installation, freight, design and engineering, and the cost of startup and debugging).

V. VALUATION OF 40 REPRESENTATIVE ASSETS

To the extent possible, I verified the accuracy of the trending analysis through discussions with industry equipment dealers, publicly available data, and recognized industry cost sources. I also compared the trended costs to the cost of assets newly acquired in 2009 to test the accuracy of the trending process.

The estimated replacement costs were then reduced by the loss in value attributable to depreciation. Depreciation factors were derived from studies of actual retirement of similar assets, discussions with current manufacturers, and my experience with the automotive industry and similar assets. To determine physical deterioration, I considered the following information regarding the assets appraised: age of the asset as of the Valuation Date, current physical condition, current utilization, operating history, maintenance history, and planned future utility. This information was collected during the physical inspection of the assets and/or through discussions with New GM personnel knowledgeable about the 40 Representative Assets.

Where possible, I researched the actual age of each asset. Asset age data was obtained through numerous sources including, but not limited to, the eFAST asset listing, discussions with New GM personnel, and serial number research. I also estimated the effective age as of the Valuation Date for each asset. The effective age for a given asset varies depending on a variety of factors, including amount of use, regularity and extent of maintenance, and wear and tear. For this reason, the effective age for a given asset may be more than, less than, or equal to the actual age.

I evaluated the functional use and then-current technology for the 40 Representative Assets and made adjustments to cost where applicable. In 2009, the 40 Representative Assets ranged from being fairly new to nearly 30 years old and suffered from varying amounts of functional obsolescence.

I also considered economic obsolescence—that is, any economic or external factors that may have impacted the value of the assets. Signs of economic obsolescence can include:

1) Reduced demand for a company's products
2) Overcapacity in the industry
3) Dislocation of raw material supplies
4) Increasing costs of raw materials, labor, utilities, or transportation, while the selling price of the product remains fixed or increases at a much lower rate
5) Government regulations that require capital expenditures to be made, but offer no return on investment
6) Environmental considerations that require capital expenditures to be made, but offer no return on investment

The research conducted for the Market Approach indicated that, as of the Valuation Date, the market for manufacturing machinery was depressed, with little activity for many types of assets. Thus, additional depreciation was applied to account for economic obsolescence due to general market conditions.

Consideration has also been given to the circumstances under which the assets would be sold during an orderly liquidation. Based on discussions with buyers and sellers of used equipment, and my own observations and knowledge of used machinery transactions, I have considered that a potential buyer will ignore the seller's original installation or other indirect costs incurred to procure an asset and make it operational at the seller's location. I also considered that a buyer will deduct any costs that have to be incurred in removing the asset from the seller's premises; if the buyer were to purchase a similar asset from an equipment dealer's warehouse, those removal costs would not be incurred, so that, all other things being equal, a buyer would pay more for a machine in a dealer's inventory than installed in a plant.

The depreciation due to physical deterioration, functional obsolescence, and economic obsolescence were quantified and deducted from RCN. The loss in value of installation and the cost of deinstallation were also deducted in arriving at an indication of value for each asset.

V. VALUATION OF 40 REPRESENTATIVE ASSETS

2. Sample Cost Approach

An example of the cost approach is provided here to illustrate the steps followed in my analysis. An asset identified as NITC035071 in Exhibit C is a vertical broaching machine located at the Warren Transmission plant. Broaching is a metalworking operation that uses a toothed cutting tool to remove metal, much like a saw cuts through wood as it is pushed forward. The broaching machine pushes the cutting tool against a metal surface; each tooth on the tool is a little longer and removes a little more metal.

The subject broaching machine was manufactured by Federal Broach and was placed in service in June 2006 ("Federal Broaching Machine") This is a powerful broach, with two stations and a broaching force of 450 kilonewtons, or approximately 45 tons. It is used to cut interior helical splines in transmission components. Based on the inspection of the Federal Broaching Machine in June 2016, it appears to be in good condition overall, and was likely in very good condition in June 2009.

Following the steps described above, I estimated the value of the Federal Broaching Machine using the Cost Approach:

ASSET ID NITC035071 HELICAL BROACHING EQUIPMENT COST APPROACH			
Original cost			$1,472,023
Date acquired			1-Jun-06
Cost indices applied	CNC Machining Equipment		
Cost Index	(Jan 2009)	173.8	
Cost Index	(2006)	163.4	
Trend Factor		(173.8/163.4)	1.0636
Trended RCN			$1,565,618
Normal Useful Life (years)		10	
Age (years)		3.1	
Calculated Remaining Useful Life		6.9	
Appraiser's estimated RUL		6.9	
Percent Good		(6.9 ÷ 10)	69.2%
RCN less depreciation			$1,083,407
Adjust for Installion and Removal			-30%
Adjust for functional obsolescence			0%
			$758,385
Estimated economic obsolescence			-75%
RCN less depreciation			$189,596
Rounded Cost Approach value indication			**$187,750**

Under the indirect cost approach method, the historic cost was indexed up to a reproduction cost of $1,565,618. I have assumed the effective age of the Broaching Machine is equal to its chronological age. Accordingly, physical deterioration is estimated to be approximately 30.8%.

The adjustment for removal is based on estimates from knowledgeable industry experts, as well as my own experience with the installation and removal of similar assets. The depreciated value of installation costs was also deducted.

The adjustment for obsolescence is based on discussions with equipment dealers, as well as a review and comparison of the values indicated under the Cost Approach (before obsolescence adjustments were made) to the value indicated by the Market Approach (discussed below). The difference in the values

V. VALUATION OF 40 REPRESENTATIVE ASSETS

determined by the two approaches has been deemed to be due to unmeasured obsolescence. Thus, I adjusted the Cost Approach value indications to account for the additional depreciation which causes those differences in value.

3. Market Approach Methodology

Under the Market Approach, value was estimated based on market prices in actual transactions and on asking prices for similar assets available as of the Valuation Date. Similar assets recently sold or offered for sale in the current market were analyzed and compared with the property being valued. Adjustments were made for differences in factors such as time of sale, location, type, age, condition of the equipment, and prospective use. In developing my opinion of Orderly Liquidation Value using the Market Approach, I considered three techniques, which are as follows:

- The first technique involved establishing the value of the assets based on finding a *direct match* of a recent sale in the used market;
- The second technique involved a *comparable match*, which determined value based on the analysis of similar used equipment sales; and
- The third technique, called the *percent to cost* technique, involved an analysis of the ratio of used sales prices to the Replacement Cost New of the asset, derived by reviewing transactions in assets similar to the 40 Representative Assets in nature and age. The relationships between age, selling price, and cost were then analyzed to develop a percent to cost factor. These percent to cost factors can then be applied to the cost of similar assets for which only limited or no market data was available. This procedure involves direct application of the percent to cost factor if the subject asset is of the same vintage and utility as the assets from which the factor was extracted. If the subject asset is similar but a different age, the appropriate percent to cost factor is developed through a relationship analysis.

I applied all three techniques in applying the Market Approach. In addition, in instances where there were no comparable sales of assets (or portions of assets), I considered whether there was any scrap value for the asset or a portion thereof. I also used these Market Approach techniques to validate and modify the results of the Cost Approach. Market data was obtained from *"Data Ref" Machinery & Equipment Pricing Guide*, by L & M Publications, and various new and used automobile machinery and equipment dealer websites. In addition, values were estimated on the basis of contact with manufacturers' representatives, used machinery dealers, internal databases, discussions with other knowledgeable experts, and my experience with cost/value relationships. A complete list of market data sources is displayed in Exhibit E1.

4. Sample Market Approach

The Federal Broaching Machine described in the Cost Approach section was also valued by the Market Approach using the direct match and comparable match techniques. I located sales of two Federal broaching machines sold from Old GM's Ypsilanti, Michigan plant in August 2010. One sale was a 2006 Federal model 450Kn X 2250 MM, serial number 07-S-103, reported to be a 2007 vintage machine in good operating condition. It was sold at auction for $150,000, even though it had a total installed cost of $1,535,729 when placed in service on September 15, 2007. I determined that this broaching machine is comparable in that it is essentially the same age as the subject Federal Broaching Machine and has the same capacity. An upward adjustment for conditions of sale was required because the comparable machine was sold at auction and auction prices are typically lower than orderly liquidation values. Finally, a 10% downward adjustment was made to the comparable broaching machine to account for the used equipment market being somewhat better in August 2010 than as of the Valuation Date.

V. VALUATION OF 40 REPRESENTATIVE ASSETS

The second sale is also a Federal broaching machine, a 2004 model 90KN X 1000MM, serial number 04-S-102, with a working area of 56 cubic feet. This machine was reportedly in good operating condition and sold for $100,000, even though it had a total installed cost of $476,728 when placed in service on September 1, 2005. This comparable broaching machine sale is older than the subject, so a small upward adjustment to the selling price is required for age and condition. Because the subject Federal Broaching Machine is more powerful than the comparable broaching machine, I adjusted the price of the comparable broaching machine up by 30% to account for its smaller capacity. The same upward adjustment for conditions of sale and downward adjustment for date of sale were made as with the other comparable broaching machine.

The Market Approach is displayed below for the Helical Broaching Machine, Asset ID NITC035071.

	Subject Asset ID NITC03507	Comparable No. 1	Comparable No. 2
Description	Helical Broaching Machine	Helical Broaching Machine	Helical Broaching Machine
Manufacturer	Federal Broach	Federal Broach	Federal Broach
Model	450KN X 2250	450KN X 2250MM	90KN X 1000MM
Serial Number	12-S-105	07-S-103	04-S-102
Vintage	2006	2007	2004
Effective Age (Years)	3	3	6
Condition	Good	Good	Good
Other	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller	Includes coolant filtration system, operators platform, hydraulic powerpacks, and Siemens controller
As of	6/30/2009	8/3/2010	8/3/2010
Consideration		150,000	100,000
Consideration Type		Sale Price (Auction)	Sale Price (Auction)
Source		MAYNARDS001952 (RACER Willow Run Auction)	MAYNARDS001952 (RACER Willow Run Auction)
Location	GM Powertrain Warren Transmission	GM - Ypsilanti, MI	GM - Ypsilanti, MI
Adjustments for:			
Age/Condition			20%
Capacity			30%
Other equipment			
Financing terms			
Conditions of sale		10%	10%
Market conditions (sale date)		-10%	-10%
Adjusted Price		$150,000	$150,000
Indicated Orderly Liquidation Value	**$150,000**		

For this particular asset, the first comparable sale (listed in the chart as “Comparable No. 1”) was an exact model match, meaning that no adjustments were required for physical characteristics. Because both comparable sales occurred on the same day, both were subject to the same adjustments for conditions of sale and market conditions. Because Comparable No. 1 broaching machine is such a close match physically, it is considered to be most comparable to the subject broaching machine, and so I relied on the value indicated by that sale.

Comparable sales data considered in my Market Approach analysis is contained in Exhibit E. For certain assets, I also considered scrap value as part of the Market Approach, either in addition to the comparable sales or in cases where comparable sales did not exist. My analysis of the scrap value considered as part of the Market Approach for certain assets is also contained in Exhibit E..

V. VALUATION OF 40 REPRESENTATIVE ASSETS

5. Sample Reconciliation of Approaches

To the extent possible, the values indicated by the Cost and Market Approaches have been reconciled into a single conclusion of value for each asset. Based on my experience as an appraiser, I determined that the unique situation of the 40 Representative Assets as of the Valuation Date made it too difficult to reasonably estimate depreciation from all causes. When both approaches were applied, I placed all weight on the Market Approach indication of value. It is my opinion that the Market Approach provides a far more reliable indication of value as of the Valuation Date, as fewer adjustments are required to develop an indication of value than in the Cost Approach.

For example, in the case of Asset ID NITC035071, the Federal Broaching Machine, discussed in the samples above, the value indicated under the Cost Approach was $187,750 and the value indicated under the Market Approach was $150,000. I concluded an Orderly Liquidation Value of $150,000 for the Federal Broach, relying exclusively on the Market Approach value indication because the comparable broaching machine was such a close match to the subject asset. I considered, but ultimately discarded, the Cost Approach analysis because it required significant adjustments to account for economic obsolescence.

Section VI

Summary of Opinions

VI. SUMMARY OF OPINIONS

Based on the foregoing analysis, my conclusion as to whether each of the 40 Representative Assets is a fixture and the value of each of the 40 Representative Assets, as of June 30, 2009, is summarized below:

Summary of 40 Representative Asset Classifications and Appraisals

Location	Asset ID	Description	3 Part Test Met?			Concluded to be Fixture?	Orderly Liquidation Value ($)
			Attached	Adapted	Intent		
LDT Ass'y	100017544	GA PITS & TRENCHES	Yes	Yes	Yes	Yes	0
LDT Ass'y	100037892	PAINT BLDG LINES - PROCESS WASTE ELPO	Yes	Yes	Yes	Yes	0
LDT Ass'y	100037940	PAINT MIX & CIRCULATION- ELECTRICAL	Yes	No	No	No	152,000
LDT Ass'y	100037954	PAINT DIP CONVEYOR - ELPO OVEN IMC	Yes	No	No	No	7,000
LDT Ass'y	100038004	PAINT TC AUTOMATION SOFTWARE	No	No	No	No	0
LDT Ass'y	100038035	GA EOL PAINT SPOT REPROCESS SYS PAINT MIX ROOM	Yes	No	No	No	82,500
LDT Ass'y	100038119	PAINT TC2 CC BELL ZONE	Yes	No	No	No	263,400
LDT Ass'y	100041920	OPTICELL - ROBOTIC MEASUREMENT SYSTEM	Yes	No	No	No	73,000
LDT Ass'y	100045909	LANSING DELTA TOWNSHIP ASSEMBLY UTILITY SERVICES	No & Yes	No & Yes	No & Yes	No & Yes	2,367,000
LDT Ass'y	100048169	BS ROBOT LAZN-150R1	Yes	No	No	No	25,000
LDT Ass'y	100050513	BS WELD BUS DUCTS	Yes	No	No	No	681,000
LDT Ass'y	100060623	GA T/W: SOAP; MOUNT AND INFLATE	Yes	No	No	No	59,000
LDT Ass'y	100061079	BS SKID CONVEYOR – LAZA	Yes	No	No	No	15,000
LDT Ass'y	100061614	BS P&F CONVEYOR - BODY SIDE INNER LH DEL	Yes	No	No	No	24,000
LDT Ass'y	100062269	GA CONVEYOR: VERTICAL ADJUSTING CARRIER SYS - CARRIERS (QTY 87)	No	No	No	No	59,000
LDT Ass'y	100064667	BS CMM FULL BODY MACHINE - LY90	No	No	No	No	39,000
LDT Ass'y	100065640	GA CONVEYOR SUB-ASM RECEIVING: WTD1000 - WHEEL & TIRE DELIVERY	Yes	No	No	No	5,000
LDT Ass'y	100066809	GA CONVEYOR: SKILLET - FINAL - LEG 1	Yes	No	No	No	1,000
Lansing Reg Stamping	BUY11820901	DANLY 4000 TON PRESS	Yes	No	No	No	276,000
Lansing Reg Stamping	BUYR503469FA	AA-11 SCHULER #1 AA CROSSBAR TRANSFER PRESS	Yes	No	No	No	3,675,000
Lansing Reg Stamping	BUYR503481FA	B3-5 TRANSFER PRESS SYSTEM INCL. DESTACKER AND EOL	Yes	No	No	No	2,400,000
Defiance PT	100095344	CORE DELIVERY CONVEYOR SYSTEM CB116 & 122	Yes	No	No	No	1,000
Defiance PT	100098085	EMISSIONS SYSTEM #4 CUPOLA	Yes	No & Yes	No & Yes	No *	131,000
Defiance PT	100099125	100 TON VERTICAL CHANNEL HOLDING FURNACE	Yes	No & Yes	No & Yes	No *	8,000
Defiance PT	NJL2924414P	SYSTEM GAS CLEANING NO.4 CUPOLA	Yes	No & Yes	No & Yes	No *	24,000
Defiance PT	NJL2983009	CB 91 ROBOT	Yes	No	No	No	8,000
Defiance PT	NJL6084400	P & H 7 1/2 TON CHARGER CRANE 6E CUPOLA	No	No	No	No	10,000
Warren PT	100006527	OP-150 SELECT; CHECK PLACE SHIMS AUTO STATION	Yes	No	No	No	3,000
Warren PT	100033438	POWER ZONE ROLLER CONVEYOR AUTOMATION TCH MOD 3	Yes	No	No	No	3,000
Warren PT	100053677	LEAK TEST BASE MACHINE QTY = 1	Yes	No	No	No	9,000
Warren PT	100069322	FANUC M-710IB/70T ROBOT – ASSEMBLY	Yes	No	No	No	32,000
Warren PT	100070012	ALUMINUM MACHINING SYSTEM	Yes	No & Yes	No & Yes	No & Yes	14,000
Warren PT	100071009	LFS220 BASE SHAPING MACHINE-OP 20 TRANS. DRIVE GEAR	No & Yes	No	No	No	224,000
Warren PT	NIT219381	BUILD LINE W/FOUNDATION	Yes	Unknown	No	No	45,000
Warren PT	NITC03340	BUTTON UP AND TEST CONVEYOR SYSTEM	Yes	No	No	No	2,000
Warren PT	NITC03507	HELICAL BROACHING EQUIPMENT	No	No	No	No	150,000
Warren PT	NITW0S11026A	COURTYARD ENCLOSURE	Yes	Yes	Yes	No **	0

VI. SUMMARY OF OPINIONS

Location	Asset ID	Description	3 Part Test Met?			Concluded to be Fixture?	Orderly Liquidation Value ($)
			Attached	Adapted	Intent		
Mansfield Stamping	BGI20163301	TP-14 CS1-1 TRANSFER PRESS DANLY ET-2	Yes	No	No	No	800,000
Grand Rapids MFD	BF2016822 01	TRANSFER PRESS-GG-1	Yes	No	No	No	261,000
Warren PT	100071022	LIEBHERR HOBB MACHINE FROM ST. CATHARINES	No & Yes	No	No	No	244,000

* Not a fixture due to being situated in Ohio and not essential to the use of the real estate.
** Not a fixture due to being real estate.

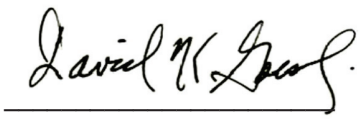
Section VII

Certification

VII. CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and accurate.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, unbiased professional analysis, opinions, and conclusions.
- The data used in this report was obtained from sources believed to be reliable. All facts known to me that have bearing on the values presented in this report have been considered, and no facts of importance have been intentionally omitted herein.
- I have no present or prospective interest in the business or property that is the subject of this report, and I and no one at SRR have any personal interest or bias with respect to the parties involved.
- I have no bias with respect to the business or property that is the subject of this report or the parties involved with this assignment.
- My and SRR's engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My and SRR's compensation for completing this assignment is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.
- I have not performed any services, as an appraiser or in any other capacity, regarding the 40 Representative Assets within the three-year period immediately preceding acceptance of this assignment.
- David K. Goesling, Kyle K. TenHuisen, ASA and Adam C. Bakula made inspections of GM facilities during May and June 2016.
- Kyle K. TenHuisen, ASA and Adam C. Bakula provided significant professional assistance to the undersigned in the preparation of this report. However, all opinions and conclusions are my own.



David K. Goesling
Managing Director

Exhibit G

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IN THE MATTER OF THE ARBITRATION BETWEEN

MOTORS LIQUIDATION COMPANY AVOIDANCE ACTION TRUST, by and through the Wilmington Trust Company, solely in its capacity as Trust Administrator and Trustee,
Plaintiff.
v.
JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent for various lenders party to the Term Loan Agreement described herein; ADVENT GLOBAL OPPORTUNITY MASTER FUND; AEGON/TRANSAMERICA SERIES TRUST MFS HIGHYIELD; ALTICOR INC., et al.,
Defendants.

PROCEEDINGS OF
Hearing Day 4
April 27, 2017
New York, New York

BEFORE
Judge Martin Glenn

REVISED FINAL [Pages 1082 through 1472]
JANE ROSE REPORTING 1-800-825-3341

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Miller - Direct/Wolinsky

P R O C E E D I N G S (9:04 a.m.)

MR. WOLINSKY: Thank you, Your Honor. One small housekeeping. Yesterday during Mr. Topping's testimony, my colleague, Ms. Reilly showed DDX 401, 402, 404 and 405 for demonstrative purposes. And so that we can follow the transcript, we're going to offer them for demonstrative purposes, so they'll be available to anyone, to Your Honor, and others.

THE COURT: Mr. Fisher?

MR. FISHER: Certainly, if they are being offered for demonstrative purposes, we have no objection.

THE COURT: Okay. They will be admitted for demonstrative purposes.

(Exhibits DDX 401, 402, 404, 405 are admitted into evidence.)

MR. WOLINSKY: Thank you. Proceed?

THE COURT: Yes, good morning.

BY MR. WOLINSKY:

Q. Good morning, Mr. Miller.

A. Good morning.

Q. Yesterday, we left off with DDX 601, the chart on the road trip. If we could put

Miller - Direct/Wolinsky

that back up on, please?

And Bunky, if you could also put up or take that down for a moment and put up the pre-trial -- plaintiff's pretrial brief of 53 and 54. And specifically, Mr. Miller, I'd like to ask you about that top sentence. "The evidence will further show that when old GM has in the past closed similar stamping facilities, several of these facilities have been converted to nonautomotive uses?"

And in context, I think the similar there, he is referring to Lansing Delta Township. If we can now go back to the list, Bunky thanks DDX 601 focusing on the stamping facilities?

Umm, is what Mr. -- is the assertions in the brief true?

A. No, it is not.

Q. And since your area is stamping, if you could comment on what happened -- what you saw?

A. Yeah. There -- there were five stamping facilities that I either visited firsthand, or I had an opportunity to look at aerials, and none of these appear to be

Miller - Direct/Wolinsky

standing based on my observation. They have all been demolished.

Q. Based on your experience in stamping operations, and the work you've done in this case, do you have an opinion as to why all of these five stamping plants were demolished rather than being repurposed for other manufacturing?

A. I do.

Q. Please tell us?

A. Yes. Stamping plants are erected for the purpose of housing stamping operations. Unless there is a stamping operation going into that facility, and it just doesn't make sense to repurpose it for any other manufacturing.

Q. And the purpose-built nature of these assets -- of these buildings, did that inform your opinion in this case?

A. Yes, it did.

Q. Can you explain for the Courthouse then?

A. Yeah, absolutely. It's -- it's my opinion that it is one of the -- the elements of intent. I think in terms of what General

flows didn't provide enough value to support this entire investment or the entire RCNLD Pre EO.

So based on that, we felt that the economics of the industry, the economics of the business indicated that an economic obsolescence penalty should apply to bring that value back in line with the results of the approach.

THE COURT: Does that equate to your professional judgment as to what a willing buyer would have paid for the asset at that time?

THE WITNESS: The underlying assumption for us is that yes, that is true, that this would be a value to a market participant. So somebody who has the ability and the resources to transact on a business like this, not necessarily on that individual asset, but to transact on that asset as it's installed in a facility and producing cars.

BY MR. KLEINHAUS:

Q. Mr. Furey, were you personally involved in determining the amount of the TIC

adjustment?

A. I was not.

Q. Were you personally involved in the economic analysis underlying the TIC adjustment?

A. I was not.

Q. And were you personally involved in any accounting analysis underlying TIC adjustment?

A. No, I was not.

Q. Who were the people who did those things?

A. That was primarily lead by our business valuation team. The two leads on that team were -- the partner was a gentleman by the name of Eric Greenwall and the -- I can't remember if he was a manager or senior manager, a gentleman by the name of Patrick Ripley.

Q. Thank you. Let's just get through the left of this line. We just talked about EO. Let's just remind us "final concluded value" and "final concluded value rounded"?

A. So final concluded value is the final RCNLD Pre EO adjusted downward for the

economic obsolescence penalty, or in this case it's actually not a penalty, it's shown as a percent good, so it's 55 percent penalty. The multiplication of those two numbers is 432,969 and 433 is that same number rounded.

Q. Okay. I want to come back to one thing we discussed earlier in terms of the TIC adjustment. If you go to the fourth asset from the bottom, I think you told this to the Judge before, if you have an asset where you are using the whole value, is that the unusual case where the TIC adjustment doesn't apply?

A. That's exactly right. So if the asset is already at its whole value or floor value, we wouldn't apply an additional TIC-based adjustment to that asset, because it would push it below what we would consider to be it's originally liquidated value in place.

Q. Okay. I want to show you a statement that's been filed in this case. This is from the Plaintiff's Motion in Limine to exclude KPMG, on page 13. I want to read you the highlighted language. It says, "KPMG's assignment of value to individual assets which

only occurred at certain interim point in its analysis was an exercise that merely involved a rote pushdown allocation of final concluded asset category values to constituent fixed assets listed in supplemental work papers. This was nothing more than a perfunctory task."

Do you agree with that statement?

A. I completely disagree with that statement. Our analysis was done at the asset level. The summaries that are shown at the asset category basis are roundup summaries to the individual assets, it could summed up to produce those summaries rather than some producing asset values at summary level and pushing them down.

Q. Are you familiar with the term "mass appraisal"?

A. Yes, I am.

Q. What's a mass appraisal?

A. Mass appraisal is generally a term that's utilized for large analyses of high volume number of assets.

Q. Was KPMG's work for New GM a mass appraisal?

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A. I wouldn't characterize it is a mass appraisal; although, we did employ certain techniques related to a mass appraisal to facilitate being able to handle the large volume of assets in this deal.

Q. Can you elaborate on what that means in terms of what KPMG did to deal with the scale of the assets, the 400,000 asset?

A. Yeah. So the basic modeling that we would undertake, you know, the assignment of assets to categories, you know, using sort of the mass modeling techniques, those would be broadly considered as a mass, you know, techniques that are utilized in a mass appraisal.

But above and beyond that we conducted the direct replacement cost analysis, which had a pretty significant adjustment in our value. We conducted a pretty thorough capacity utilization analysis, which was done at the line-by-line or the facility level.

So those are two examples of what I would not characterize as mass appraisal techniques. Those are more discrete asset

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valuation techniques. And while they're done at a facility level, we felt that was appropriate, given that most of these assets represent an assemblage of assets that were put together to produce a certain product, rather than a collection of unrelated individual assets in that listing.

Q. Were there other steps that KPMG did, took to try to control for the imprecisions of valuing so many assets at once?

A. Yes. So the site visits that we undertook for a large percentage of the facilities, that was another step that we took to -- for one, verify the accuracy of the underlying information that was provided to us, make specific, in some cases, asset-by-asset adjustments to reflect the results of the site visits. And we had countless meetings with their engineering and management teams to understand situations where there were adjustments that needed to be done, either at the asset level, line level, or in some cases even in a facility level.

Q. Can you give us a flavor of the

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countless meetings? During those nine months how often were you meeting with GM?

A. We would generally meet with them -- well, I guess it depends on how you define GM. But generally speaking, we would be meeting with somebody from GM, someone from my team would meet with somebody from GM probably, on average, two to three times a week.

We would go up to the Warren technical center pretty regularly, probably once a week or every other week to review intermedia drafts with them, to sort of show them where things were starting to shake out. And understand if there were areas where they felt we needed adjustments or didn't have a complete set of information to use in our analysis.

Q. And in terms of the levels at GM, what levels in terms of senior management or more junior people, who were you talking to?

A. It was a variety. I would say on the physical site visit, generally, those tended to be more, you know, line manager type people, but people who were very familiar with

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the facility.

Part of the reason that we generally ask to talk to those sort of people is they are more familiar with the day-to-day operations and the actual assets themselves.

For our meetings in Detroit, in Warren, both in Warren and The Renaissance Center; generally, those are with the higher level. I can't remember exact titles, but more senior manager/director level type people.

Q. Thank you. Can you put on the screen please the KPMG Report, page 102.

I'm going to at least start to transition now from personal property as KPMG called to it buildings and improvements or real property leaseholds.

Coming back to something I asked you when we started, to what extent did you work hand-in-hand with the people who are responsible for the real property and leaseholds?

A. So I was not ultimately responsible for the real property analysis, but my team was communicating heavily with the real property

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team, as real and personal property have a lot of -- I want say overlap, but a lot of interplay in terms of coming up with an overall fair value conclusion for each facility.

Q. And through that process, did you learn about the methods used for real property and leaseholds?

A. Yes, I did gain a basic understanding of their approach.

THE COURT: Are you going to do a deep dive into real property?

MR. KLEINHAUS: Not as deep, but not shallow.

THE COURT: Well, I think it would be a good time to stop then and pick up in the morning with the real property and leaseholds.

MR. KLEINHAUS: Sure.

THE COURT: So we'll adjourn for the day. See you at 9:00. Tomorrow we will end at 5:30.

(Proceedings adjourned. Time noted is 6:25 p.m.)

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C E R T I F I C A T E

STATE OF NEW YORK
COUNTY OF NEW YORK

I, Mary Agnes Drury, a Registered Professional Reporter and Notary Public within and for the State of New York, do hereby certify:

That the foregoing transcript is a true record of the proceedings on April 28, 2017.

I further certify that I am not related to any of the parties to this action by blood or marriage and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this day of 2017.

MARY AGNES DRURY, RPR, NYSACR, CLR

EXHIBIT INDEX (RETAINED)

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