Christopher T. Hatto
Vice President, Global Business Solutions and
Chief Accounting Officer

November 11, 2021

Hillary Salo, Technical Director
File Reference No. 2021-005
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 2021-005, Exposure Draft: *Proposed Accounting Standards Update: Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (the "Update")*

Dear Technical Director:

General Motors Company ("we", "our" or "GM") designs, builds and sells cars, trucks, crossovers and automobile parts worldwide and is investing in and growing an autonomous vehicle business. We also provide automotive financing services through General Motors Financial Company, Inc. ("GM Financial"). More information on GM and its subsidiaries can be found on our website at http://www.gm.com.

GM invests in ventures, which oftentimes are not publicly traded entities, and from time to time holds equity securities in other entities arising from broader transactions or relationships with the counterparty. Thus, we are required to apply the guidance under Topic 321 and Topic 820 for the equity investments that are not subject to consolidation under Topic 810 or accounted for under the equity method pursuant to Topic 323. A subset of our equity securities is often subject to contractual sale restrictions that prohibit GM from transferring, selling, assigning, or pledging the equity securities for a period of time, typically six months to one year. The existence of contractual sale restrictions has become more prevalent recently provided many of the ventures we had previously invested in are planning to become a publicly traded company through a merger with a special purpose acquisition company ("SPAC"). In such transactions, it is common for the underwriters to require existing investors to be subject to a lockup agreement. Certain exceptions to the lockup restrictions on our equity securities may exist that include: (1) transfer to a third party purchaser pursuant to a merger, stock sale or consolidation or other business combination with a third party or (2) transfer to affiliates that are wholly-owned subsidiaries of GM whereby the subsidiary would continue to be bound to the agreement, including the contractual sale restrictions.

While we appreciate that the Update aligns with concepts in Topic 820 and certain stakeholders have a desire to reduce diversity in practice when considering contractual sale restrictions in certain fair value measurements, we do not support the Update as written. Rather we believe the Board should consider (1) whether the Update aligns with the rationale behind previous Board decisions that require entities to measure equity securities with readily determinable fair values in the income statement and (2) whether not requiring an entity to account for a restriction results in accounting that ignores substantive economics.

In 2016, when the Board issued ASU 2016-01, they had concluded that it was appropriate to measure equity securities with a readily determinable fair value through the income statement because the total realizable value of most of those investments primarily could be realized ultimately by selling the equity instruments. However, equity securities with contractual sale restrictions that GM owns cannot be transferred, assigned, pledged or otherwise sold in a manner to allow GM to monetize the value of the securities during the lockout period. Therefore, we believe valuing the equity securities as if the lockup restriction does not exist is misleading because our restrictions prohibit us from ultimately selling the equity securities as of the measurement date and thus the value of the equity securities would not be realizable until such time that the restriction expires.

In this regard, we believe the discussion in Sections 13.11 thru 13.13 of the AICPA Accounting and Valuation Guide, “Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies” is appropriate and that it is acceptable to view underwriter lockups as an attribute of the position, and not an attribute of the holder. This viewpoint provides for a more meaningful accounting for the existence of the contractual restriction as opposed to accounting for the transaction as if the restriction does not exist. Furthermore, we strongly support the alternative views expressed in BC18 through BC27 of the Update other than those that would permit specialized accounting for entities subject to Topic 946. As such, we encourage the Board to revise the proposed amendments to either (1) require an adjustment to be made to the fair value of an equity security that is subject to a contractual sale restriction or (2) require that an entity separately value and account for the lockup restriction separate and apart from the equity security itself. We believe using an unadjusted market price for shares subject to contractual sale restrictions or not separately accounting for the restriction itself reduces the usefulness of the information being provided to users of financial statements given this accounting ignores the underlying economics that are created by the restriction.

Regarding the economics associated with lockup restrictions, based on our recent experience with investees that have merged with a SPAC, we have experienced significant price changes from the date the investee became publicly traded through either the end of the lockup period or, if the lockup period has not yet expired, the date of this letter[1]. We believe our experience is not unique provided the recent environment associated with SPAC mergers. As such, we believe not incorporating the fact that the equity securities cannot be sold or liquidated into our fair value measurements would have been misleading provided we are precluded from monetizing

1 The measurement alternative election in Topic 321 was applied to these equity securities in the period prior to the investee becoming a publicly traded company.

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our holdings during the period in which we are subject to a lockup restriction.

Separately, we note the agenda request submission that led to this project was specific to underwriter lockup restrictions but that the agenda request also noted that a clarification to this guidance could affect considerations of restrictions more broadly. If the conclusions reflected in the Update were influenced by concerns that permitting consideration of contractual sale restrictions in the measurement of an equity security would have unintended consequences, we would encourage the Board to consider making an exception for equity securities[2] with a clarification that entities should not analogize to this exception in other fair value measurements to prevent any inadvertent changes in practice. We recognize making piecemeal changes for one-off instances may lack technical merit, while potentially inadvertently changing practice in other areas of GAAP, and oftentimes will lead to further clarifications being issued by the Board in the future. However, in this case, we believe the benefits of permitting an exception for contractual sale restrictions associated with fair value measurements of equity securities far outweigh the potential risks of doing so.

If ultimately the Board has concerns with granting a limited exception for just equity securities, we believe a more holistic approach such as the ones outlined above or revisiting the unit of accounting guidance in Topic 820 would be warranted. This would allow the Board and staff to consider other restrictions that may be similar in form to a lockup agreement, when evaluating whether or not those restrictions should or should not be considered in measuring the fair value of assets or liabilities (or if those assets and liabilities should be subject to the fair value guidance).

Lastly, if the Board decides to move forward with these amendments, we prefer that all entities apply the same transition methodology, including those entities subject to Topic 946. To us, making an exception for entities subject to Topic 946 is arbitrary.

We appreciate the opportunity to provide comments and thank the Board in advance for consideration of the various points outlined herein. Should you have any questions or comments regarding the responses in this letter, please feel free to contact me at (313) 667-5193.

Sincerely,

/s/ Christopher T. Hatto

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[2] We believe the exception should be for all sale restrictions associated with equity securities. However, we would also support limiting the exception to just underwriter lockup restrictions associated with fair value measurements of equity securities.