General Motors Co
Form 10-Q
October 23, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
Form 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-34960

GENERAL MOTORS COMPANY
(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE	27-0756180
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
300 Renaissance Center, Detroit, Michigan	48265-3000
(Address of Principal Executive Offices)	(Zip Code)

(313) 556-5000
(Registrant’s telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

As of October 16, 2014 the number of shares outstanding of common stock was 1,606,696,287 shares.

Website Access to Company's Reports

General Motors Company's internet website address is www.gm.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

PART I

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENTS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net sales and revenue				
Automotive	$37,999	$ 38,120	$112,776	$ 112,704
GM Financial	1,256	863	3,536	2,238
Total net sales and revenue	39,255	38,983	116,312	114,942
Costs and expenses				
Automotive cost of sales (Note 8)	34,054	33,166	104,032	99,607
GM Financial operating and other expenses	1,053	625	2,854	1,556
Automotive selling, general and administrative expense	2,921	2,876	9,205	8,753
Goodwill impairment charges	—	60	—	60
Total costs and expenses	38,028	36,727	116,091	109,976
Operating income	1,227	2,256	221	4,966
Automotive interest expense	96	65	299	217
Interest income and other non-operating income (loss), net	239	(82)	409	340
Gain (loss) on extinguishment of debt (Note 7)	2	2	2	(238)
Equity income (Note 5)	497	436	1,625	1,420
Income before income taxes	1,869	2,547	1,958	6,271
Income tax expense (benefit) (Note 11)	427	842	(51)	1,993
Net income	1,442	1,705	2,009	4,278
Net (income) loss attributable to noncontrolling interests	29	12	(47)	28
Net income attributable to stockholders	$1,471	$ 1,717	$1,962	$ 4,306
Net income attributable to common stockholders	$1,384	$ 698	$1,699	$ 2,857
Earnings per share (Note 14)				
Basic				
Basic earnings per common share	$0.86	$ 0.50	$1.06	$ 2.07
Weighted-average common shares outstanding	1,612	1,386	1,603	1,378
Diluted				
Diluted earnings per common share	$0.81	$ 0.45	$0.99	$ 1.82
Weighted-average common shares outstanding	1,691	1,681	1,690	1,672
Dividends declared per common share	$0.30	$ —	$0.90	$ —

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	$1,442	$ 1,705	$2,009	$ 4,278
Other comprehensive income (loss), net of tax (Note 13)				
Foreign currency translation adjustments	(79)	(154)	(131)	(397)
Unrealized gains (losses) on securities, net	(6)	201	(3)	183
Defined benefit plans, net	280	9	304	271
Other comprehensive income, net of tax	195	56	170	57
Comprehensive income	1,637	1,761	2,179	4,335
Comprehensive (income) loss attributable to noncontrolling interests	37	15	(34)	42
Comprehensive income attributable to stockholders	$1,674	$ 1,776	$2,145	$ 4,377

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$18,060	$20,021
Marketable securities (Note 2)	9,570	8,972
Restricted cash and marketable securities (Note 2)	1,375	1,247
Accounts and notes receivable (net of allowance of $358 and $344)	10,892	8,535
GM Financial receivables, net (Note 3)($11,002 and $10,001 at VIEs; Note 6)	15,660	14,278
Inventories (Note 4)	15,210	14,039
Equipment on operating leases, net	4,044	2,398
Deferred income taxes	9,978	10,349
Other current assets	1,851	1,662
Total current assets	86,640	81,501
Non-current Assets		
Restricted cash and marketable securities (Note 2)	915	829
GM Financial receivables, net (Note 3)($11,271 and $11,216 at VIEs; Note 6)	15,604	14,354
Equity in net assets of nonconsolidated affiliates (Note 5)	7,983	8,094
Property, net	27,375	25,867
Goodwill	1,559	1,560
Intangible assets, net	5,085	5,668
GM Financial equipment on operating leases, net ($2,817 and $1,803 at VIEs; Note 6)	5,796	3,383
Deferred income taxes	23,574	22,736
Other assets	2,377	2,352
Total non-current assets	90,268	84,843
Total Assets	$176,908	$166,344
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	$24,773	$23,621
Short-term debt and current portion of long-term debt (Note 7)		
Automotive ($133 and $219 at VIEs; Note 6)	578	564
GM Financial ($9,137 and $10,088 at VIEs; Note 6)	12,808	13,594
Accrued liabilities	29,170	24,633
Total current liabilities	67,329	62,412
Non-current Liabilities		
Long-term debt (Note 7)		
Automotive ($28 and $23 at VIEs; Note 6)	6,753	6,573
GM Financial ($11,184 and $9,330 at VIEs; Note 6)	20,966	15,452
Postretirement benefits other than pensions (Note 9)	5,815	5,897
Pensions (Note 9)	18,111	19,483
Other liabilities and deferred income taxes	14,371	13,353
Total non-current liabilities	66,016	60,758

Total Liabilities	133,345	123,170
Commitments and contingencies (Note 10)		
Equity (Note 13)		
Series A preferred stock, $0.01 par value	3,109	3,109
Common stock, $0.01 par value	16	15
Additional paid-in capital	28,832	28,780
Retained earnings	13,975	13,816
Accumulated other comprehensive loss	(2,930)	(3,113)
Total stockholders' equity	43,002	42,607
Noncontrolling interests	561	567
Total Equity	43,563	43,174
Total Liabilities and Equity	$176,908	$166,344

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In millions)
(Unaudited)

			Common Stockholders'					
	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance at December 31, 2012	$ 5,536	$ 4,855	$ 14	$ 23,834	$ 10,057	$ (8,052)	$ 756	$ 37,000
Net income	—	—	—	—	4,306	—	(28)	4,278
Other comprehensive income	—	—	—	—	—	71	(14)	57
Purchase and cancellation of Series A Preferred Stock	(2,427)	—	—	—	—	—	—	(2,427)
Exercise of common stock warrants	—	—	—	3	—	—	—	3
Stock based compensation	—	—	—	27	—	—	—	27
Cash dividends paid on Series A Preferred Stock, charge related to purchase of Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(1,460)	—	—	(1,460)
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(82)	(82)
Other	—	—	—	14	—	—	(49)	(35)
Balance at September 30, 2013	$ 3,109	$ 4,855	$ 14	$ 23,878	$ 12,903	$ (7,981)	$ 583	$ 37,361
Balance at December 31, 2013	$ 3,109		$ 15	$ 28,780	$ 13,816	$ (3,113)	$ 567	$ 43,174
Net income	—		—	—	1,962	—	47	2,009
Other comprehensive income	—		—	—	—	183	(13)	170
Purchase of common stock	—		—	(85)	(83)	—	—	(168)
Exercise of common stock warrants	—		1	16	—	—	—	17
Stock based compensation	—		—	122	(12)	—	—	110
Cash dividends paid on Series A Preferred Stock	—		—	—	(263)	—	—	(263)
Cash dividends paid on Common Stock	—		—	—	(1,445)	—	—	(1,445)
	—		—	—	—	—	(73)	(73)

Dividends declared or paid to noncontrolling interests							
Other	—	—	(1)	—	—	33	32
Balance at September 30, 2014	$ 3,109	$ 16	$ 28,832	$ 13,975	$ (2,930)	$ 561	$ 43,563

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Net cash provided by operating activities	$6,894	$9,572
Cash flows from investing activities		
Expenditures for property	(5,089)	(5,780)
Available-for-sale marketable securities, acquisitions	(6,203)	(4,247)
Trading marketable securities, acquisitions	(1,426)	(3,214)
Available-for-sale marketable securities, liquidations	5,242	2,777
Trading marketable securities, liquidations	1,696	5,311
Acquisition of companies, net of cash acquired	(51)	(2,111)
Proceeds from sale of business units/investments, net of cash disposed	1	(65)
Increase in restricted cash and marketable securities	(672)	(694)
Decrease in restricted cash and marketable securities	368	961
Purchases of finance receivables	(10,824)	(6,966)
Principal collections and recoveries on finance receivables	8,124	5,092
Purchases of leased vehicles, net	(3,169)	(1,733)
Proceeds from termination of leased vehicles	395	142
Other investing activities	183	(62)
Net cash used in investing activities	(11,425)	(10,589)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(936)	69
Proceeds from issuance of debt (original maturities greater than three months)	21,848	21,068
Payments on debt (original maturities greater than three months)	(15,526)	(13,714)
Payments to purchase stock	(168)	(2,438)
Dividends paid (including charge related to purchase of Series A Preferred Stock)	(1,781)	(1,519)
Other financing activities	(77)	(147)
Net cash provided by financing activities	3,360	3,319
Effect of exchange rate changes on cash and cash equivalents	(790)	(369)
Net increase (decrease) in cash and cash equivalents	(1,961)	1,933
Cash and cash equivalents at beginning of period	20,021	18,422
Cash and cash equivalents at end of period	$18,060	$20,355
Supplemental cash flow information:		
Non-cash property additions	$3,372	$3,326

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Basis of Presentation

General Motors Company is sometimes referred to in this Quarterly Report on Form 10-Q as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM.” We design, build and sell cars, trucks and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial). We analyze the results of our business through the following segments: GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Nonsegment operations are classified as Corporate. Corporate includes certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

As discussed in Note 8 we announced recalls of approximately 34 million vehicles and recorded recall-related charges of approximately $2.7 billion in the nine months ended September 30, 2014 and as discussed in Note 10 we announced the creation of a compensation program related to faulty ignition switches and recorded a charge of $400 million in the three months ended June 30, 2014.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Accordingly they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments and transactions or events discretely impacting the interim periods, considered necessary by management to fairly state our results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K) as filed with the SEC. Certain prior year amounts were reclassified to conform to our current year presentation.

In the three months ended March 31, 2014 we changed our managerial and financial reporting structure to reclassify the results of our Russian subsidiaries previously reported in our GMIO segment to our GME segment. We have retrospectively revised the segment presentation for all periods presented. Refer to Note 15 for additional information on our segment reporting.

Change in Accounting Estimate

We have historically accrued estimated costs related to recall campaigns in GMNA when they are probable and reasonably estimable, which typically occurred once it was determined a specific recall campaign was needed and announced. During the three months ended June 30, 2014, following the significant increase in the number of vehicles subject to recall in GMNA, the results of our ongoing comprehensive safety review, additional engineering analysis, the creation of a new Global Product Integrity organization, the appointment of a new Global Vice President of Vehicle Safety responsible for the safety development of our vehicle systems and our overall commitment to customer satisfaction, we accumulated sufficient historical data in GMNA to support the use of an actuarial-based estimation technique for recall campaigns. As such, we now accrue at the time of vehicle sale in GMNA the costs for recall campaigns. Based on expanded historical data, we recorded a catch-up adjustment of $874 million in Automotive cost of sales in the three months ended June 30, 2014 to adjust the estimate for recall costs for previously sold vehicles. In other geographical regions the historical claims data did not support the application of an actuarial-based model; therefore, recall campaigns are accrued when probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced.

Recently Adopted Accounting Principles

On January 1, 2014 we adopted Accounting Standards Update (ASU) 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" (ASU 2013-11) which was issued to eliminate diversity in practice. This update requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority. The adoption of ASU 2013-11 did not have an effect on our condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —— (Continued)

In May 2014 the Financial Accounting Standards Board issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09) which requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. This update is effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein and requires expanded disclosures. We are currently assessing the impact the adoption of ASU 2014-09 will have on our condensed consolidated financial statements.

Note 2. Marketable Securities

The following table summarizes information regarding marketable securities (dollars in millions):

	Fair Value Level	September 30, 2014		December 31, 2013	
		Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents					
Available-for-sale securities					
U.S. government and agencies	2	$1,618	$1,618	$1,437	$1,437
Sovereign debt	2	991	991	515	515
Money market funds	1	1,384	1,384	1,262	1,262
Corporate debt	2	6,521	6,521	7,598	7,598
Total available-for-sale securities		$10,514	10,514	$10,812	10,812
Trading securities – corporate debt	2		—		25
Total marketable securities classified as cash equivalents			10,514		10,837
Cash, cash equivalents and time deposits			7,546		9,184
Total cash and cash equivalents			$18,060		$20,021
Marketable securities					
Available-for-sale securities					
U.S. government and agencies	2	$6,257	$6,258	$5,343	$5,344
Corporate debt	2	1,912	1,912	1,889	1,891
Total available-for-sale securities		$8,169	8,170	$7,232	7,235
Trading securities – sovereign debt	2		1,400		1,737
Total marketable securities			$9,570		$8,972
Restricted cash and marketable securities					
Available-for-sale securities					
Money market funds	1	$1,378	$1,378	$897	$897
Other	2	46	46	34	35
Total marketable securities classified as restricted cash and marketable securities		$1,424	1,424	$931	932
Restricted cash and cash equivalents and time deposits			866		1,144
Total restricted cash and marketable securities			$2,290		$2,076

We are required to post cash and marketable securities as collateral for certain agreements that we enter into as part of our operations. Cash and marketable securities subject to contractual restrictions and not readily available are classified as Restricted cash and marketable securities. Restricted cash and marketable securities are invested in accordance with the terms of the underlying agreements and include amounts related to securitizations, escrows and other cash collateral requirements.

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were $663 million and $917 million in the three months ended September 30, 2014 and 2013 and $2.1 billion and $2.6 billion in the nine months ended September 30, 2014 and 2013. Cumulative unrealized gains and losses on available-for-sale securities were insignificant at September 30, 2014 and December 31, 2013 and net unrealized gains and losses on trading securities were insignificant in the three and nine months ended September 30, 2014 and 2013. The following table summarizes the amortized cost and the fair value of investments classified as available-for-sale by contractual maturity at September 30, 2014 (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$15,379	$15,381
Due after one year through five years	1,966	1,965
Total available-for-sale securities with contractual maturities	$17,345	$17,346

Note 3. GM Financial Receivables, net

As a result of our October 2010 acquisition of GM Financial and GM Financial's acquisition of certain of the Ally Financial Inc. (Ally Financial) international operations in the year ended December 31, 2013, finance receivables are reported in two portfolios: pre-acquisition and post-acquisition portfolios. The pre-acquisition finance receivables portfolio consists of finance receivables that were considered to have had deterioration in credit quality at the time they were acquired with the acquisitions of GM Financial and the Ally Financial international operations. The pre-acquisition portfolio will decrease over time with the amortization of the acquired receivables. The post-acquisition finance receivables portfolio consists of finance receivables that were considered to have had no deterioration in credit quality at the time they were acquired with the acquisition of the Ally Financial international operations and finance receivables originated since the acquisitions of GM Financial and the Ally Financial international operations. The post-acquisition portfolio is expected to grow over time as GM Financial originates new receivables.

The following table summarizes the components of consumer and commercial finance receivables, net (dollars in millions):

	September 30, 2014			December 31, 2013		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Pre-acquisition finance receivables, outstanding amount	$660	$ —	$660	$1,294	$ —	$1,294
Pre-acquisition finance receivables, carrying amount	$598	$ —	$598	$1,174	$ —	$1,174
Post-acquisition finance receivables, net of fees	24,618	6,693	31,311	21,956	6,050	28,006
Finance receivables	25,216	6,693	31,909	23,130	6,050	29,180
Less: allowance for loan losses	(608)	(37)	(645)	(497)	(51)	(548)
GM Financial receivables, net	$24,608	$ 6,656	$31,264	$22,633	$ 5,999	$28,632
Fair value of GM Financial receivables, net			$31,607			$28,668

Of the total allowance for loan losses in the above table, $502 million and $427 million were classified as current at September 30, 2014 and December 31, 2013.

GM Financial determined the fair value of consumer finance receivables using observable and unobservable inputs within a cash flow model. The inputs reflect assumptions regarding expected prepayments, deferrals, delinquencies, recoveries and charge-offs of the loans within the portfolio. The cash flow model produces an estimated amortization schedule of the finance receivables which is the basis for the calculation of the series of cash flows that derive the fair value of the portfolio. The series of cash flows is calculated and discounted using a weighted-average cost of capital using unobservable debt and equity percentages, an unobservable cost of equity and an observable cost of debt based on companies with a similar credit rating and maturity profile as the portfolio. Macroeconomic factors could negatively affect the credit performance of the portfolio and therefore could potentially affect the assumptions used in

GM Financial's cash flow model. A substantial majority of commercial finance receivables have variable interest rates and maturities of one year or less. Therefore the carrying amount is considered to be a reasonable estimate of fair value.

The following table summarizes activity for the allowance for loan losses on consumer and commercial finance receivables (dollars in millions):

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —— (Continued)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Balance at beginning of period	$615	$ 447	$548	$ 351
Provision for loan losses	160	117	408	311
Charge-offs	(230)	(171)	(645)	(419)
Recoveries	106	103	340	253
Effect of foreign currency	(6)	—	(6)	—
Balance at end of period	$645	$ 496	$645	$ 496

The balances and activity of the allowance for commercial loan losses included in the above table at and in the three and nine months ended September 30, 2014 and 2013 were insignificant.

Credit Quality

Consumer Finance Receivables

GM Financial uses proprietary scoring systems that measure the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g. FICO score) and contract characteristics. In addition to GM Financial's proprietary scoring systems GM Financial considers other individual consumer factors such as employment history, financial stability and capacity to pay. Subsequent to origination GM Financial reviews the credit quality of retail receivables based on customer payment activity. At the time of loan origination substantially all of GM Financial's international consumers had prime credit scores. At the time of loan origination many consumers in North America had sub-prime credit scores, which are defined as FICO scores of less than 620. At September 30, 2014 87% of the consumer finance receivables in North America were from consumers with FICO scores of less than 620.

GM Financial purchases consumer finance contracts from automobile dealers without recourse, and accordingly, the dealer has no liability to GM Financial if the consumer defaults on the contract. Finance receivables are collateralized by vehicle titles and GM Financial has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract.

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. At September 30, 2014 and December 31, 2013 the accrual of finance charge income has been suspended on delinquent consumer finance receivables with contractual amounts due of $675 million and $642 million. The following table summarizes the contractual amount of delinquent contracts, which is not significantly different than the recorded investment of the consumer finance receivables (dollars in millions):

	September 30, 2014		September 30, 2013	
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due
31-to-60 days delinquent	$979	3.9 %	$739	3.8 %
Greater-than-60 days delinquent	425	1.7 %	291	1.5 %
Total finance receivables more than 30 days delinquent	1,404	5.6 %	1,030	5.3 %
In repossession	49	0.2 %	45	0.3 %
	$1,453	5.8 %	$1,075	5.6 %

Total finance receivables more than 30 days delinquent or in repossession
Impaired Finance Receivables - Troubled Debt Restructurings (TDRs)

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Consumer finance receivables in the post-acquisition portfolio that become classified as TDRs because of payment deferral or other reasons are separately assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate. The following table summarizes the outstanding recorded investment for consumer finance receivables that are considered to be TDRs and the related allowance (dollars in millions):

	September 30, 2014	December 31, 2013
Outstanding recorded investment	$1,123	$767
Less: allowance for loan losses	(140)	(103)
Outstanding recorded investment, net of allowance	$983	$664
Unpaid principal balance	$1,142	$779

Commercial Finance Receivables

GM Financial's commercial finance receivables consist of dealer financings, primarily for inventory purchases. A proprietary model is used to assign a risk rating to each dealer. A credit review of each dealer is performed at least annually, and if necessary, the dealer's risk rating is adjusted on the basis of the review. At September 30, 2014 and December 31, 2013 the commercial finance receivables on non-accrual status were insignificant. The following table summarizes the credit risk profile by dealer grouping of the commercial finance receivables (dollars in millions):

	September 30, 2014	December 31, 2013
Group I - Dealers with superior financial metrics	$699	$549
Group II - Dealers with strong financial metrics	1,679	1,460
Group III - Dealers with fair financial metrics	2,376	1,982
Group IV - Dealers with weak financial metrics	1,214	1,462
Group V - Dealers warranting special mention due to potential weaknesses	557	385
Group VI - Dealers with loans classified as substandard, doubtful or impaired	168	212
	$6,693	$6,050

The credit lines for Group VI dealers are suspended and no further funding is extended to these dealers.

Note 4. Inventories

The following table summarizes the components of Inventories (dollars in millions):

	September 30, 2014	December 31, 2013
Productive material, supplies and work in process	$6,172	$5,872
Finished product, including service parts	9,038	8,167
Total inventories	$15,210	$14,039

Note 5. Equity in Net Assets of Nonconsolidated Affiliates

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

Sales and income of our China joint ventures (China JVs) are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity income. There have been no significant ownership changes in our China JVs since December 31, 2013. The following table summarizes information regarding Equity income (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
China JVs	$484	$ 425	$1,555	$ 1,391
Others	13	11	70	29
Total equity income	$497	$ 436	$1,625	$ 1,420

We received dividends from nonconsolidated affiliates of $506 million and $0 in the three months ended September 30, 2014 and 2013 and $1.8 billion and $1.6 billion in the nine months ended September 30, 2014 and 2013. At September 30, 2014 and December 31, 2013 we had undistributed earnings including dividends declared but not received of $1.5 billion and $1.8 billion related to our nonconsolidated affiliates.

Transactions with Nonconsolidated Affiliates

Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and automobile parts. We purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. We also sell component parts and vehicles to certain nonconsolidated affiliates. The following tables summarize the effects of transactions with nonconsolidated affiliates (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Results of operations				
Automotive sales and revenue	$659	$ 599	$2,211	$ 1,900
Automotive purchases, net	$64	$ 239	$287	$ 614
Cash flows				
Operating			$3,767	$ 3,015

	September 30, 2014	December 31, 2013
Financial position		
Accounts and notes receivable, net	$592	$756
Accounts payable	$200	$183

Note 6. Variable Interest Entities

Consolidated Variable Interest Entities (VIEs)

Automotive

VIEs that we do not control through a majority voting interest that are consolidated because we are the primary beneficiary include certain vehicle assembling, manufacturing and selling venture arrangements, the most significant of which is GM Egypt. Certain voting and other rights permit us to direct those activities of GM Egypt that most significantly affect its economic performance. The assets and liabilities recorded related to these VIEs consist primarily of Cash and cash equivalents, Restricted cash and marketable securities, Accounts and notes receivable, net, Inventories, Property, net, Accounts payable (principally trade), Accrued liabilities and short-term and long-term debt. Liabilities recognized as a result of consolidating VIEs generally do not represent claims against us or our other subsidiaries and assets recognized generally are for the benefit of the VIEs' operations and cannot be used to satisfy our obligations. The following tables summarize the carrying amounts of assets and liabilities and amounts recorded in earnings related to these consolidated VIEs stated prior to intercompany eliminations (dollars in millions):

	September 30, 2014	December 31, 2013
Total assets	$705	$564
Total liabilities	$506	$395

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	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Total net sales and revenue	$321	$ 226	$926	$ 720
Net income	$28	$ 13	$83	$ 51

Automotive Financing - GM Financial

GM Financial uses special purpose entities (SPEs) that are considered VIEs to issue variable funding notes to third party bank-sponsored warehouse facilities or asset-backed securities to investors in securitization transactions. The debt issued by these VIEs is backed by the cash flows related to finance receivables and leasing related assets transferred by GM Financial to the VIEs (Securitized Assets). GM Financial holds variable interests in the VIEs that could potentially be significant to the VIEs. GM Financial determined that they are the primary beneficiary of the SPEs because: (1) the servicing responsibilities for the Securitized Assets give GM Financial the power to direct the activities that most significantly impact the performance of the VIEs; and (2) the variable interests in the VIEs give GM Financial the obligation to absorb losses and the right to receive residual returns that could potentially be significant. The assets and liabilities of the VIEs are included in GM Financial's condensed consolidated balance sheets. The following table summarizes the assets and liabilities related to GM Financial's consolidated VIEs prior to intercompany eliminations (dollars in millions):

	September 30, 2014	December 31, 2013
Restricted cash	$1,696	$1,523
Securitized Assets	$25,512	$23,584
Securitization notes payable and other credit facilities	$20,321	$19,448

Restricted cash represents collections from the underlying Securitized Assets and certain reserve accounts held as credit enhancement for securitizations held by GM Financial for the benefit of the noteholders. Except for acquisition accounting adjustments, which are not recorded in SPE trusts, GM Financial recognizes finance charge income, leased vehicle income and other income on the Securitized Assets and interest expense on the secured debt issued by the SPEs. GM Financial also maintains an allowance for estimated probable credit losses on securitized receivables. Cash pledged to support the secured borrowings is deposited to a restricted cash account and recorded as restricted cash, which is invested in highly liquid securities with original maturities of 90 days or less.

The assets of the VIEs and the restricted cash held by GM Financial serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to GM Financial or its other assets, with the exception of customary representation and warranty repurchase provisions and indemnities that GM Financial provides as the servicer. GM Financial is not required and does not currently intend to provide additional financial support to these SPEs. While these subsidiaries are included in GM Financial's condensed consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and are not available to GM Financial's creditors.

Nonconsolidated VIEs

Automotive

VIEs that are not consolidated include certain vehicle assembling, manufacturing and selling venture arrangements and other automotive related entities to which we provided financial support including Ally Financial. We concluded these entities are VIEs because they do not have sufficient equity at risk or may require additional subordinated financial support. We currently lack the power or authority through voting or similar rights to direct the activities of these entities that most significantly affect their economic performance. Our variable interests in these nonconsolidated VIEs include accounts and notes receivable, equity in net assets, guarantees and financial support, some of which were provided to certain current or previously divested suppliers in order to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns. The following table summarizes the carrying amounts of assets and liabilities and total off-balance sheet arrangements related to nonconsolidated VIEs (dollars in millions):

	September 30, 2014	December 31, 2013
Total assets	$223	$169
Total liabilities	$855	$838
Off-balance sheet arrangements	$49	$115

Assets and liabilities consist primarily of Equity in net assets of nonconsolidated affiliates, Short-term debt and current portion of long-term debt and Accrued liabilities. Off-balance sheet arrangements consist of commitments and other liquidity arrangements. Our maximum exposure to loss related to nonconsolidated VIEs approximated the carrying amount of total assets and the amount of off-balance sheet arrangements at September 30, 2014 and December 31, 2013. Refer to Note 10 for additional information on our maximum exposure to loss under agreements with Ally Financial.

Note 7. Short-Term and Long-Term Debt

Automotive

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

	September 30, 2014	December 31, 2013
Carrying amount	$7,331	$7,137
Fair value	$7,271	$6,837

The fair value of debt includes $4.9 billion measured utilizing Level 1 inputs at September 30, 2014 and $2.4 billion and $6.8 billion measured utilizing Level 2 inputs at September 30, 2014 and December 31, 2013. The fair value of debt measured utilizing Level 1 inputs was based on quoted prices in active markets for identical instruments that a market participant can access at the measurement date. The fair value of debt measured utilizing Level 2 inputs was based on quoted market prices in inactive markets for identical instruments and if unavailable, a discounted cash flow model. This model utilizes observable inputs such as contractual repayment terms and benchmark yield curves, plus a spread based on our senior unsecured notes that is intended to represent our nonperformance risk. We obtain the benchmark yield curves and yields on unsecured notes from independent sources that are widely used in the financial industry.

Revolving Credit Facilities

We received an investment grade corporate rating from Moody's Investor Service (Moody's) in September 2013 and from Standard & Poor's (S&P) in September 2014 which allowed the release of the collateral securing our $11.0 billion revolving credit facilities under their terms.

In October 2014 we amended our two primary revolving credit facilities, increasing our aggregate borrowing capacity from $11.0 billion to $12.5 billion. These facilities consist of a three-year, $5.0 billion facility and a five-year, $7.5 billion facility. Both facilities are available to the Company as well as certain wholly-owned subsidiaries, including GM Financial. The three-year, $5.0 billion facility allows for borrowings in U.S. Dollars and other currencies and includes a GM Financial borrowing sub-limit of $2.0 billion, a letter of credit sub-facility of $1.6 billion and a Brazilian Real sub-facility of $305 million. The five-year, $7.5 billion facility allows for borrowings in U.S. Dollars and other currencies and includes a GM Financial borrowing sub-limit of $2.0 billion, a letter of credit sub-limit of $500 million and a Brazilian Real sub-facility of $195 million.

The revolving credit facilities contain representations, warranties and covenants that are typical for these types of facilities. The facilities also require us to maintain at least $4.0 billion in global liquidity and at least $2.0 billion in U.S. liquidity and to guarantee any borrowings by our subsidiaries. If we fail to maintain an investment grade corporate rating from two or more of the following credit rating agencies: Fitch Ratings (Fitch), Moody's and S&P, we will be required to provide guarantees from certain domestic subsidiaries under the terms of the facilities. Interest rates on obligations under the revolving credit facilities are based on prevailing annual interest rates for Eurodollar loans or an alternative base rate, plus an applicable margin.

Extinguishment of Debt

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GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —— (Continued)

In the nine months ended September 30, 2013 we prepaid and retired debt obligations with a total carrying amount of $532 million and recorded a net loss on extinguishment of debt of $238 million which primarily represented the unamortized debt discount on GM Korea Company's (GM Korea) mandatorily redeemable preferred stock of $240 million.

Automotive Financing - GM Financial

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Secured debt	$22,932	$22,985	$22,073	$22,170
Unsecured debt	10,842	11,002	6,973	7,078
Total GM Financial debt	$33,774	$33,987	$29,046	$29,248

The fair value of debt included $29.2 billion and $23.0 billion measured utilizing Level 2 inputs and $4.8 billion and $6.2 billion measured utilizing Level 3 inputs at September 30, 2014 and December 31, 2013. The fair value of debt measured utilizing Level 2 inputs was based on quoted market prices and if unavailable, quoted market prices of similar securities. For debt that has terms of one year or less or has been priced within the last six months, the carrying amount or par value is considered to be a reasonable estimate of fair value. The fair value of debt measured utilizing Level 3 inputs was based on the discounted future net cash flows expected to be settled using current risk-adjusted rates.

Secured Debt

Most of the secured debt was issued by VIEs and is repayable only from proceeds related to the underlying pledged finance receivables and leases. Refer to Note 6 for additional information relating to GM Financial's involvement with VIEs. In the nine months ended September 30, 2014 GM Financial issued securitization notes payable of $7.1 billion through securitization transactions with a weighted-average interest rate of 1.4% maturing on various dates through 2022.

Unsecured Debt

In May 2014 GM Financial issued Canadian Dollar $400 million of 3.25% senior notes which are due in May 2017 with interest payable semiannually. In July 2014 GM Financial issued $1.5 billion in aggregate principal amount of senior notes comprising $700 million of 2.625% notes due in July 2017 and $800 million of 3.5% notes due in July 2019. In September 2014 GM Financial issued $2.0 billion in aggregate principal amount of senior notes comprising $750 million of 3.0% notes due in September 2017 and $1.25 billion of 4.375% notes due in September 2021. In October 2014 GM Financial issued Euro 500 million of 1.875% term notes which are due in October 2019.

Note 8. Product Warranty and Related Liabilities

The following table summarizes activity for policy, product warranty, recall campaigns and courtesy transportation (dollars in millions):

	Nine Months Ended	
	September 30, 2014	September 30, 2013

Balance at beginning of period	$7,601	$ 7,633
Warranties issued and assumed in period - recall campaigns and courtesy transportation	2,658	481
Warranties issued and assumed in period - policy and warranty	1,904	2,090
Payments	(3,103)	(2,437)
Adjustments to pre-existing warranties	1,095	5
Effect of foreign currency and other	(132)	(191)
Balance at end of period	$10,023	$ 7,581

In the nine months ended September 30, 2014 we recorded charges of approximately $2.7 billion in Automotive cost of sales relating to recall campaigns and courtesy transportation, of which approximately 90% was recorded in GMNA. The recorded charges primarily comprised: (1) approximately $680 million for 2.6 million vehicles to repair ignition switches that could result in a loss of electrical power under certain circumstances that may prevent front airbags from deploying in the event of a crash (accident victims who died or suffered physical injury associated with these vehicles (or their families) may be eligible to participate in a compensation program, as more fully described in Note 10); to fix ignition lock cylinders that could allow removal of the ignition key while the engine is running, leading to possible rollaway or crash; and to provide courtesy transportation to owners of affected vehicles; partially offset by adjustments of approximately $95 million for courtesy transportation as a result of greater part availability and fewer customers utilizing courtesy transportation than originally estimated and approximately $80 million for costs originally estimated separately for ignition switches and ignition lock cylinders that are now being shipped and repaired at the same time resulting in reduced costs; (2) approximately $340 million for 1.9 million vehicles to replace either the power steering motor, the steering column, the power steering motor control unit or a combination of the steering column and the power steering motor control unit as the electric power steering could fail under certain circumstances; (3) approximately $185 million for 1.3 million vehicles prone to non-deployment of the side impact restraints if vehicles are not serviced when the Service Air Bag warning light is illuminated; (4) approximately $90 million for 2.7 million vehicles to modify the brake lamp wiring harness that could have corrosion develop due to micro-vibration; (5) approximately $80 million for 1.5 million vehicles to replace front safety lap belt cables that could fatigue and separate over time; (6) approximately $150 million for 1.4 million vehicles to replace the shift cable that could wear out over time resulting in mismatches of the gear position indicated by the shift lever; (7) approximately $325 million for 12.1 million vehicles to rework or replace ignition keys because the ignition switch may move out of the “run” position which may impact power steering and power braking and, depending on the timing of the key movement relative to the activation of the sensing algorithm of a crash event, may result in airbags not deploying; and (8) approximately $520 million for 5.2 million vehicles for other matters.

We have historically accrued estimated costs related to recall campaigns in GMNA when they are probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced. During the three months ended June 30, 2014, following the significant increase in the number of vehicles subject to recall in GMNA, the results of our ongoing comprehensive safety review, additional engineering analysis, the creation of a new Global Product Integrity organization, the appointment of a new Global Vice President of Vehicle Safety responsible for the safety development of our vehicle systems and our overall commitment to customer satisfaction, we accumulated sufficient historical data in GMNA to support the use of an actuarial-based estimation technique for recall campaigns. As such, we now accrue at the time of vehicle sale in GMNA the costs for recall campaigns. Based on the expanded historical data we recorded a catch-up adjustment of $874 million in the three months ended June 30, 2014 to adjust the estimate for recall costs for previously sold vehicles, which is included in Adjustments to pre-existing warranties in the nine months ended September 30, 2014. The estimation technique for recall campaigns takes into account our historical experience, including incident rates of recall campaigns. In the three months ended September 30, 2014 we announced ten recalls covering approximately 3.5 million vehicles related to safety, customer satisfaction and other matters. The costs for these recalls are comprehended in the catch-up adjustment.

Note 9. Pensions and Other Postretirement Benefits

The following table summarizes the components of net periodic pension and other postretirement benefits (OPEB) (income) expense (dollars in millions):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013

	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$94	$ 92	$4	$ 3	$98	$ 116	$6	$ 3
Interest cost	765	259	52	14	710	251	54	15
Expected return on plan assets	(978)	(221)	—	—	(891)	(204)	—	—
Amortization of prior service cost (credit)	(1)	4	(1)	(3)	(1)	4	(28)	(4)
Amortization of net actuarial (gains) losses	(22)	37	3	(1)	2	56	21	2
Curtailments, settlements and other (gains) losses	3	3	—	—	(3)	(4)	(83)	—
Net periodic pension and OPEB (income) expense	$(139)	$ 174	$58	$ 13	$(85)	$ 219	$(30)	$ 16

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	Nine Months Ended September 30, 2014				Nine Months Ended September 30, 2013			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$285	$ 297	$10	$ 8	$296	$ 309	$19	$ 10
Interest cost	2,295	784	162	41	2,128	757	164	43
Expected return on plan assets	(2,935)	(662)	—	—	(2,672)	(618)	—	—
Amortization of prior service cost (credit)	(3)	13	(2)	(10)	(3)	14	(87)	(11)
Amortization of net actuarial (gains) losses	(68)	117	10	(4)	5	156	67	5
Curtailments, settlements and other (gains) losses	1	4	—	—	2	(1)	(83)	—
Net periodic pension and OPEB (income) expense	$(425)	$ 553	$180	$ 35	$(244)	$ 617	$80	$ 47

In September 2013 we amended the U.S. salaried life insurance plan effective January 1, 2014 to eliminate benefits for retirees and eligible employees retiring on or after August 1, 2009. The remeasurement, settlement and curtailment resulted in a decrease in the OPEB liability of $319 million, a decrease in the net pre-tax actuarial loss component of Accumulated other comprehensive loss of $236 million and a pre-tax gain of $83 million.

Note 10. Commitments and Contingencies

The following tables summarize information related to Commitments and contingencies (dollars in millions):

	September 30, 2014		December 31, 2013	
	Liability Recorded	Maximum Liability(a)	Liability Recorded	Maximum Liability(a)
Guarantees				
Third party commercial loans and other obligations(b)	$14	$ 2,442	$51	$ 15,616
Other product-related claims	$54	$ 2,338	$54	$ 1,317

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(a) Calculated as future undiscounted payments.

(b) Includes liabilities recorded of $1 million and $10 million and maximum liabilities of $2.3 billion and $15.3 billion related to Ally Financial repurchase obligations at September 30, 2014 and December 31, 2013.

	Liability Recorded	
	September 30, 2014	December 31, 2013
Other litigation-related liability and tax administrative matters	$1,061	$1,227
Product liability	$741	$690
Ignition switch recall compensation program	$400	
Environmental liability	$141	$154

Guarantees

We provide payment guarantees on commercial loans outstanding with third parties such as dealers or rental car companies. We determined the fair value ascribed to the guarantees at inception and subsequent to inception to be insignificant based on the credit worthiness of the third parties. In March 2014 a new agreement was signed with Ally Financial that removed the repurchase obligation for vehicles invoiced after December 31, 2013. The existing repurchase obligation for vehicles invoiced prior to December 31, 2013 is maintained until December 31, 2014 at which time repurchase obligations will expire for all vehicles.

Agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and other obligations expire in 2014 through 2019 or are ongoing, or upon the occurrence of specific events.

In some instances certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered. If vehicles are required to be repurchased under vehicle repurchase obligations, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer.

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions and other closure costs pertaining to real property we owned. We periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. Insignificant amounts have been recorded for such obligations as the majority of them are not probable or estimable at this time and the fair value of the guarantees at issuance was insignificant. In addition we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees terminate in years ranging from 2020 to 2029.

Other Litigation-Related Liability and Tax Administrative Matters

Various legal actions, governmental investigations, claims and proceedings are pending against us, including matters arising out of alleged product defects; employment-related matters; governmental regulations relating to safety, emissions and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to Accounting Standards Codification (ASC) 740, "Income Taxes" (indirect tax-related matters) and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which we believe that losses are probable and can be reasonably estimated, the majority of which are associated with indirect tax-related matters as well as non-U.S. labor-related matters. Indirect tax-related matters are being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non-U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance and other compensation matters. Certain South American administrative proceedings are indirect tax-related and may require that we deposit funds in escrow. Escrow deposits may range from $500 million to $800 million. Some of the matters may involve compensatory, punitive or other treble damage claims, environmental remediation programs or sanctions that, if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at September 30, 2014. We believe that appropriate accruals have been established for such matters based on information currently available. Reserves for litigation losses are recorded in Accrued liabilities and Other liabilities and deferred income taxes. Litigation is inherently unpredictable however; and unfavorable resolutions could occur. Accordingly it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows in any particular reporting period.

Proceedings Related to Ignition Switch Recall

In the three months ended March 31, 2014, we announced recalls to repair ignition switches that under certain circumstances could unintentionally move from the “run” position to the “accessory” or “off” position with a corresponding loss of power, which in turn may prevent airbags from deploying in the event of a crash. Those recalls included

Chevrolet Cobalt, HHR, Pontiac G5, Pursuit, Solstice, and Saturn ION and Sky vehicles. Since those recalls, we have announced a number of additional recalls in the nine months ending September 30, 2014, relating to safety, customer satisfaction, and other matters.

Through October 20, 2014 we are aware of 107 putative class actions that are pending against GM in various U.S. District Courts and state courts alleging that consumers who purchased or leased GM vehicles have been economically harmed by one or more of the recalls announced this year and/or the underlying vehicle conditions associated with those recalls. In the aggregate, these economic-loss cases seek recovery for purported compensatory damages, including alleged diminution in value of the vehicles, punitive damages, and injunctive and other relief. In addition, through October 20, 2014, we are aware of 63 actions pending against GM alleging injury or death as a result of defects that may be the subject of recalls announced in the nine months ending September 30, 2014, including faulty ignition switches and/or the failure of air bags to properly deploy due to faulty ignition switches. In the aggregate, these personal injury cases seek recovery for purported compensatory damages, punitive damages, and other relief.

Since June 2014, the United States Judicial Panel on Multidistrict Litigation has issued orders from time to time directing that certain pending economic-loss and personal injury federal lawsuits involving alleged faulty ignition switches or other defects that may be related to the recalls announced this year be transferred to, and consolidated in, a single federal court, the Southern District of New York (the multidistrict litigation). Through October 20, 2014, 130 cases have been transferred and consolidated as part of the multidistrict litigation. GM has requested that various other recently filed federal lawsuits also be transferred and consolidated in the multidistrict litigation. The court in the multidistrict litigation has appointed lead counsel to prosecute the claims on behalf of all plaintiffs in the consolidated cases. On October 14, 2014, lead counsel filed two amended consolidated complaints. In addition to the cases pending in the multidistrict litigation, other economic-loss and personal injury cases related to ignition-switch and other alleged defects that may be the subject of recalls in 2014 are pending in various other state and federal courts throughout the country. Additionally, through October 20, 2014, 17 putative class actions have been filed in various Provincial Courts in Canada seeking similar relief as the U.S.-based cases.

With regard to the two previously reported shareholder derivative actions pending in the United States District Court for the Eastern District of Michigan against certain current and former GM directors, those actions have been consolidated and GM filed a motion to dismiss the consolidated amended complaint on October 9, 2014. With regard to the four previously reported shareholder derivative actions pending in the Chancery Court for the State of Delaware, those actions have been consolidated and plaintiffs filed an amended consolidated complaint on October 13, 2014. With regard to the two previously reported derivative actions filed in the Circuit Court of Wayne County, Michigan, those actions have been consolidated and stayed pending the federal derivative actions.

GM intends to vigorously defend all of these actions.

We are also the subject of various inquiries, investigations, subpoenas and requests for information from the U.S. Attorney’s Office for the Southern District of New York, Congress, the SEC, Transport Canada and 48 state attorneys general in connection with our recent recalls. We are also in discussions with the National Highway Traffic Safety Administration (NHTSA) on various recall related matters. We are investigating these matters and believe we are cooperating fully with all requests. Such investigations and discussions could in the future result in the imposition of material damages, fines or civil and criminal penalties and other remedies.

We are currently unable to estimate a range of reasonably possible loss for the lawsuits and investigations because these matters involve significant uncertainties at these early stages. These uncertainties include the legal theory or the nature of the claims as well as the complexity of the facts. Although we cannot estimate a reasonable range of loss based on currently available information, the resolution of these matters could have a material adverse effect on our financial position, results of operations or cash flows.

GM Korea Wage Litigation

Commencing on or about September 29, 2010 current and former hourly employees of GM Korea filed eight separate group actions in the Incheon District Court in Incheon, Korea. The cases, which in aggregate involve more than 10,000 employees, allege that GM Korea failed to include bonuses and certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. On November 23, 2012 the Seoul High Court (an intermediate level appellate court) issued a decision affirming a decision of the Incheon District Court in a case involving five GM Korea employees which was contrary to GM Korea's position. GM Korea appealed to the Supreme Court of the Republic of Korea (Supreme Court) and initiated a constitutional challenge to the adverse interpretation of the relevant statute. In December 2013 the Supreme Court rendered a decision in a case involving another company not affiliated with us which addressed many of the issues presented in the cases pending against GM

Korea and resolved many of them in a manner which we believe is favorable to GM Korea. In particular, while the Supreme Court held that fixed bonuses should be included in the calculation of Ordinary Wages, it also held that claims for retroactive application of this rule would be barred under certain circumstances. On May 29, 2014 the Supreme Court rendered its decision with respect to the case involving the five GM Korea employees and remanded the case to the Seoul High Court consistent with its December 2013 ruling. In July 2014 GM Korea and its labor union agreed to include bonuses and certain allowances in ordinary wages retroactively to March 1, 2014. Therefore our accrual related to these cases was reclassified from a contingent liability to the Pensions liability. We estimate our reasonably possible loss, as defined by ASC 450, "Contingencies," in excess of amounts accrued to be 557 billion South Korean Won (equivalent to $528 million) at September 30, 2014, which relates to periods before March 1, 2014. We are also party to litigation with current and former salaried employees over allegations relating to Ordinary Wages regulation. At September 30, 2014 we have identified a reasonably possible loss in excess of the amount of our accrual of 164 billion South Korean Won (equivalent to $155 million). Both the scope of claims asserted and GM Korea's

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assessment of any or all of the individual claim elements may change if new information becomes available. These cases are currently pending before various district courts in Korea and the Supreme Court.

GMCL Dealers' Claim

On February 12, 2010 a claim was filed in the Ontario Superior Court of Justice against General Motors of Canada Limited (GMCL) on behalf of a purported class of over 200 former GMCL dealers (the Plaintiff Dealers) which had entered into wind-down agreements with GMCL. In May 2009 in the context of the global restructuring of the business and the possibility that GMCL might be required to initiate insolvency proceedings, GMCL offered the Plaintiff Dealers the wind-down agreements to assist with their exit from the GMCL dealer network and to facilitate winding down their operations in an orderly fashion by December 31, 2009 or such other date as GMCL approved but no later than on October 31, 2010. The Plaintiff Dealers allege that the Dealer Sales and Service Agreements were wrongly terminated by GMCL and that GMCL failed to comply with certain disclosure obligations, breached its statutory duty of fair dealing and unlawfully interfered with the Plaintiff Dealers' statutory right to associate in an attempt to coerce the Plaintiff Dealers into accepting the wind-down agreements. The Plaintiff Dealers seek damages and assert that the wind-down agreements are rescindable. The Plaintiff Dealers' initial pleading makes reference to a claim “not exceeding” Canadian Dollar $750 million, without explanation of any specific measure of damages. On March 1, 2011 the court approved certification of a class for the purpose of deciding a number of specifically defined issues including: (1) whether GMCL breached its obligation of "good faith" in offering the wind-down agreements; (2) whether GMCL interfered with the Plaintiff Dealers' rights of free association; (3) whether GMCL was obligated to provide a disclosure statement and/or disclose more specific information regarding its restructuring plans in connection with proffering the wind-down agreements; and (4) assuming liability, whether the Plaintiff Dealers can recover damages in the aggregate (as opposed to proving individual damages). A number of former dealers have opted out of participation in the litigation, leaving 181 dealers in the certified class. Trial of the class issues is currently ongoing. The current prospects for liability are uncertain, but because liability is not deemed probable we have no accrual relating to this litigation. We cannot estimate the range of reasonably possible loss in the event of liability as the case presents a variety of different legal theories, none of which GMCL believes are valid.

Product Liability

With respect to product liability claims involving our and General Motors Corporation products, we believe that any judgment against us for actual damages will be adequately covered by our recorded accruals and, where applicable, excess liability insurance coverage. Although punitive damages are claimed in some of these lawsuits and such claims are inherently unpredictable, accruals incorporate historic experience with these types of claims. In addition we indemnify dealers for certain product liability related claims including products sold by General Motors Corporation. We monitor actual claims experience and make periodic adjustments to our estimates. Liabilities have been recorded in Accrued liabilities and Other liabilities and deferred income taxes for the expected cost of all known product liability claims plus an estimate of the expected cost for product liability claims that have already been incurred and are expected to be filed in the future for which we are self-insured. In light of recent vehicle recalls it is reasonably possible that our accruals for product liability claims may increase in future periods in material amounts, although we cannot estimate a reasonable range of incremental loss based on currently available information.

Ignition Switch Recall Compensation Program

In the three months ended June 30, 2014 we announced the creation of a compensation program (the Program) to compensate accident victims who died or suffered physical injury (or their families) as a result of a faulty ignition switch related to the 2.6 million vehicles recalled as more fully described in Note 8. It is important to our company that we reach everyone through this Program who has been impacted. The Program is being administered by an independent program administrator. The independent administrator has established a protocol that defines the eligibility requirements to participate in the Program. There is no cap on the amount of payments that can be made to claimants under the Program.

At September 30, 2014 we have an accrual of $400 million recorded in Corporate which represents our best estimate of amounts that may be paid under the Program. However, it is reasonably possible that the liability could exceed our recorded amount by approximately $200 million. The most significant estimates affecting the amount recorded include the number of participants that have eligible claims related to death and physical injury, which also contemplates the severity of injury, the length of hospital stays and related compensation amounts and the number of people who actually elect to participate in the Program. Our estimate is subject to significant uncertainties, as programs of this nature are highly unusual and each eligible claim will have a unique underlying fact pattern. While we do not anticipate material changes to our current estimate, it is possible that material changes could occur should actual eligible claims and the related compensation amounts differ from this estimate. The Program began

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accepting claims on August 1, 2014 and will continue accepting claims through December 31, 2014. Payments to eligible claimants will begin in the fourth quarter 2014 and will continue through the first half of 2015. Accident victims (or their families) could choose not to participate in the Program and pursue litigation against us. As of October 17, 2014 the Program received 1,517 claims and the independent program administrator has determined 56 claims to be eligible for payment under the Program. Remaining claims are either under review, deficient awaiting further documentation or deemed ineligible. Based on currently available information we believe our accrual at September 30, 2014 is adequate to cover the estimated costs under the Program. As of October 17, 2014 no payments have been made on any claims under the Program. Accident victims that accept a payment under the Program agree to settle all claims against GM related to the accident.

Environmental Liability

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. Liabilities have been recorded primarily in Other liabilities and deferred income taxes for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

The final outcome of environmental matters cannot be predicted with certainty at this time. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information obtained. In future periods new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change our estimates. It is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows. At September 30, 2014 we estimate the remediation losses could range from $110 million to $220 million.

Other Matters

Brazil Excise Tax Incentive

In October 2012 the Brazilian government issued a decree which increased an excise tax rate by 30 percentage points, but also provided an offsetting tax incentive that requires participating companies to meet certain criteria, such as local investment and fuel efficiency standards. Participating companies that fail to meet the required criteria are subject to clawback provisions and fines. At September 30, 2014 we believe it is reasonably assured that the program requirements will be met based on the current business model and available technologies.

India Tavera Emissions Compliance

We determined there was an emissions compliance issue with certain Tavera models produced in India. We self-reported this issue in the three months ended September 30, 2013 to local government authorities and are continuing to cooperate. We developed a solution, and while the issue was not safety related, we voluntarily recalled the vehicles to serve our customers.

Note 11. Income Taxes

For interim income tax reporting we estimate our annual effective tax rate and apply it to our year to date ordinary income (loss). Tax jurisdictions with a projected or year to date loss for which a tax benefit cannot be realized are excluded. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur.

In the three months ended September 30, 2014 income tax expense of $427 million resulted from tax expense attributable to entities included in our effective tax rate calculation of $787 million, partially offset by a net tax benefit from various tax settlements and other items. In the three months ended September 30, 2013 income tax expense of $842 million primarily resulted from tax expense attributable to entities included in our effective tax rate calculation.

In the nine months ended September 30, 2014 income tax benefit of $51 million resulted from tax expense attributable to entities included in our effective tax rate calculation of $799 million, more than offset by a net tax benefit from various tax settlements and other items. In the nine months ended September 30, 2013 income tax expense of $2.0 billion primarily resulted from tax expense attributable to entities included in our effective tax rate calculation. We have open tax years from 2006 to 2013 with various significant tax jurisdictions.

Note 12. Restructuring and Other Initiatives

We have executed various restructuring and other initiatives and we plan to execute additional initiatives in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. To the extent these programs involve voluntary separations no liabilities are generally recorded until offers to employees are accepted. If employees are involuntarily terminated a liability is generally recorded at the communication date. Related charges are recorded in Automotive cost of sales and Automotive selling, general and administrative expense.

The following tables summarize the reserves related to restructuring and other initiatives and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

	GMNA	GME	GMIO	GMSA	Total
Balance at January 1, 2014	$497	$503	$333	$16	$1,349
Additions, interest accretion and other	10	191	48	49	298
Payments	(30)	(106)	(21)	(51)	(208)
Revisions to estimates and effect of foreign currency	(6)	2	(2)	(1)	(7)
Balance at March 31, 2014	471	590	358	13	1,432
Additions, interest accretion and other	10	179	27	24	240
Payments	(26)	(68)	(116)	(29)	(239)
Revisions to estimates and effect of foreign currency	5	(2)	(5)	—	(2)
Balance at June 30, 2014	460	699	264	8	1,431
Additions, interest accretion and other	9	173	70	5	257
Payments	(21)	(60)	(141)	(10)	(232)
Revisions to estimates and effect of foreign currency	(6)	(60)	(16)	—	(82)
Balance at September 30, 2014(a)	$442	$752	$177	$3	$1,374

	GMNA	GME	GMIO	GMSA	Total
Balance at January 1, 2013	$653	$590	$39	$38	$1,320
Additions, interest accretion and other	27	35	2	22	86
Payments	(58)	(116)	(26)	(12)	(212