

General Motors Co  
Form 10-Q  
April 24, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549-1004

Form 10-Q

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

For the quarterly period ended March 31, 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

(I.R.S. Employer

Incorporation or Organization)

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  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  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  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

As of April 17, 2014 the number of shares outstanding of common stock was 1,603,718,400 shares.

Website Access to Company's Reports

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General Motors Company's internet website address is [www.gm.com](http://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	
	March 31, 2014	March 31, 2013
Net sales and revenue		
Automotive	\$36,315	\$36,344
GM Financial	1,093	540
Total net sales and revenue	37,408	36,884
Costs and expenses		
Automotive cost of sales (Note 8)	34,127	32,617
GM Financial operating and other expenses	875	356
Automotive selling, general and administrative expense	2,941	2,952
Total costs and expenses	37,943	35,925
Operating income (loss)	(535	) 959
Automotive interest expense	103	91
Interest income and other non-operating income, net	89	171
Equity income (Note 5)	605	555
Income before income taxes	56	1,594
Income tax expense (benefit) (Note 11)	(224	) 409
Net income	280	1,185
Net income attributable to noncontrolling interests	(67	) (10
Net income attributable to stockholders	\$213	\$1,175
Net income attributable to common stockholders	\$125	\$865
Earnings per share (Note 14)		
Basic		
Basic earnings per common share	\$0.08	\$0.63
Weighted-average common shares outstanding	1,587	1,372
Diluted		
Diluted earnings per common share	\$0.06	\$0.58
Weighted-average common shares outstanding	1,691	1,507
Dividends declared per common share	\$0.30	\$—

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		
	March 31, 2014	March 31, 2013	
Net income	\$280	\$1,185	
Other comprehensive income (loss), net of tax (Note 13)			
Foreign currency translation adjustments	(98	) 263	
Unrealized gains (losses) on securities, net	3	(13	)
Defined benefit plans, net	67	183	
Other comprehensive income (loss), net of tax	(28	) 433	
Comprehensive income	252	1,618	
Comprehensive income attributable to noncontrolling interests	(64	) (2	)
Comprehensive income attributable to stockholders	\$188	\$1,616	

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)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 19,426	\$ 20,021
Marketable securities (Note 2)	8,716	8,972
Restricted cash and marketable securities (Note 2)	1,288	1,247
Accounts and notes receivable (net of allowance of \$344 and \$344)	11,734	8,535
GM Financial receivables, net (Note 3)(including receivables at VIEs of \$10,158 and \$10,001; Note 6)	15,055	14,278
Inventories (Note 4)	14,837	14,039
Equipment on operating leases, net	3,432	2,398
Deferred income taxes	10,590	10,349
Other current assets	1,747	1,662
Total current assets	86,825	81,501
Non-current Assets		
Restricted cash and marketable securities (Note 2)	906	829
GM Financial receivables, net (Note 3)(including receivables at VIEs of \$11,197 and \$11,216; Note 6)	14,866	14,354
Equity in net assets of nonconsolidated affiliates (Note 5)	8,747	8,094
Property, net	26,367	25,867
Goodwill	1,563	1,560
Intangible assets, net	5,442	5,668
GM Financial equipment on operating leases, net (including assets at VIEs of \$2,679 and \$1,803; Note 6)	3,726	3,383
Deferred income taxes	22,840	22,736
Other assets	2,324	2,352
Total non-current assets	86,781	84,843
Total Assets	\$ 173,606	\$ 166,344
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable (principally trade)	\$ 27,715	\$ 23,621
Short-term debt and current portion of long-term debt (Note 7)		
Automotive (including certain debt at VIEs of \$193 and \$219; Note 6)	522	564
GM Financial (including certain debt at VIEs of \$10,204 and \$10,088; Note 6)	14,327	13,594
Accrued liabilities	26,658	24,633
Total current liabilities	69,222	62,412
Non-current Liabilities		
Long-term debt (Note 7)		
Automotive (including certain debt at VIEs of \$24 and \$23; Note 6)	6,687	6,573
GM Financial (including certain debt at VIEs of \$10,241 and \$9,330; Note 6)	16,231	15,452
Postretirement benefits other than pensions (Note 9)	5,814	5,897
Pensions (Note 9)	19,171	19,483

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Other liabilities and deferred income taxes	13,641	13,353
Total non-current liabilities	61,544	60,758
Total Liabilities	130,766	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	28,778	28,780
Retained earnings	13,457	13,816
Accumulated other comprehensive loss	(3,138	) (3,113
Total stockholders' equity	42,222	42,607
Noncontrolling interests	618	567
Total Equity	42,840	43,174
Total Liabilities and Equity	\$173,606	\$166,344

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Series A Preferred Stock	Series B Preferred Stock	Common Stockholders'			Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
			Common Stock	Additional Paid-in Capital	Retained Earnings			
Balance at December 31, 2012	\$ 5,536	\$ 4,855	\$ 14	\$ 23,834	\$ 10,057	\$ (8,052 )	\$ 756	\$ 37,000
Net income	—	—	—	—	1,175	—	10	1,185
Other comprehensive income	—	—	—	—	—	441	(8 )	433
Exercise of common stock warrants	—	—	—	1	—	—	—	1
Stock based compensation	—	—	—	(59 )	—	—	—	(59 )
Cash dividends paid on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(215 )	—	—	(215 )
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(15 )	(15 )
Other	—	—	—	—	—	—	5	5
Balance at March 31, 2013	\$ 5,536	\$ 4,855	\$ 14	\$ 23,776	\$ 11,017	\$ (7,611 )	\$ 748	\$ 38,335
Balance at December 31, 2013	\$ 3,109		\$ 15	\$ 28,780	\$ 13,816	\$ (3,113 )	\$ 567	\$ 43,174
Net income	—	—	—	—	213	—	67	280
Other comprehensive loss	—	—	—	—	—	(25 )	(3 )	(28 )
Exercise of common stock warrants	—	—	1	9	—	—	—	10
Stock based compensation	—	—	—	(11 )	(3 )	—	—	(14 )
Cash dividends paid on Common Stock	—	—	—	—	(481 )	—	—	(481 )
Cash dividends paid on Series A Preferred Stock	—	—	—	—	(88 )	—	—	(88 )
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	—	(30 )	(30 )
Other	—	—	—	—	—	—	17	17



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Balance at March 31, 2014	\$3,109	\$16	\$28,778	\$13,457	\$(3,138)	) \$618	\$42,840
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Reference should be made to the notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Net cash provided by operating activities	\$1,976	\$819
Cash flows from investing activities		
Expenditures for property	(1,759)	(1,940)
Available-for-sale marketable securities, acquisitions	(891)	(564)
Trading marketable securities, acquisitions	(302)	(1,773)
Available-for-sale marketable securities, liquidations	1,055	985
Trading marketable securities, liquidations	332	3,727
Proceeds from sale of business units/investments, net of cash disposed	—	(82)
Increase in restricted cash and marketable securities	(281)	(174)
Decrease in restricted cash and marketable securities	159	188
Purchases of finance receivables	(3,300)	(1,609)
Principal collections and recoveries on finance receivables	2,639	1,096
Purchases of leased vehicles, net	(620)	(478)
Proceeds from termination of leased vehicles	123	37
Other investing activities	8	77
Net cash used in investing activities	(2,837)	(510)
Cash flows from financing activities		
Net increase in short-term debt	384	550
Proceeds from issuance of debt (original maturities greater than three months)	5,683	3,042
Payments on debt (original maturities greater than three months)	(4,764)	(1,184)
Dividends paid	(571)	(218)
Other financing activities	(14)	(23)
Net cash provided by financing activities	718	2,167
Effect of exchange rate changes on cash and cash equivalents	(452)	(255)
Net increase (decrease) in cash and cash equivalents	(595)	2,221
Cash and cash equivalents at beginning of period	20,021	18,422
Cash and cash equivalents at end of period	\$19,426	\$20,643
Supplemental cash flow information:		
Non-cash property additions	\$1,485	\$1,673

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 our five 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 Notes 8 and 10 we announced recalls of approximately 7 million vehicles and recorded recall-related charges of approximately \$1.3 billion in the three months ended March 31, 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, 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.

Recently Adopted Accounting Principles

On January 1, 2014 we adopted Accounting Standards Update (ASU) 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” to eliminate diversity in practice. This ASU 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 this ASU did not have an effect on our consolidated financial statements.

Note 2. Marketable Securities

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



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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fair Value Level	March 31, 2014		December 31, 2013	
		Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents					
Available-for-sale securities					
U.S. government and agencies	2	\$1,744	\$1,744	\$1,437	\$1,437
Sovereign debt	2	330	330	515	515
Money market funds	1	1,144	1,144	1,262	1,262
Corporate debt	2	7,582	7,582	7,598	7,598
Total available-for-sale securities		\$10,800	10,800	\$10,812	10,812
Trading securities - corporate debt	2		51		25
Total marketable securities classified as cash equivalents			10,851		10,837
Cash, cash equivalents and time deposits			8,575		9,184
Total cash and cash equivalents			\$19,426		\$20,021
Marketable securities					
Available-for-sale securities					
U.S. government and agencies	2	\$5,132	\$5,133	\$5,343	\$5,344
Corporate debt	2	1,891	1,895	1,867	1,869
Sovereign debt	2	42	42	22	22
Total available-for-sale securities		\$7,065	7,070	\$7,232	7,235
Trading securities - sovereign debt	2		1,646		1,737
Total marketable securities			\$8,716		\$8,972
Restricted cash and marketable securities					
Available-for-sale securities					
Money market funds	1	\$1,353	\$1,353	\$897	\$897
Other	2	22	23	34	35
Total marketable securities classified as restricted cash and marketable securities		\$1,375	1,376	\$931	932
Restricted cash and cash equivalents and time deposits			818		1,144
Total restricted cash and marketable securities			\$2,194		\$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 \$736 million and \$386 million in the three months ended March 31, 2014 and 2013. Cumulative unrealized gains and losses on available-for-sale securities were insignificant at March 31, 2014 and December 31, 2013 and net unrealized gains and losses on trading securities were insignificant in the three months ended March 31, 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 March 31, 2014 (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	\$14,864	\$14,866

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Due after one year through five years	1,879	1,883
Total available-for-sale securities with contractual maturities	\$16,743	\$16,749

Note 3. GM Financial Receivables, net

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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):

	March 31, 2014			December 31, 2013		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Pre-acquisition finance receivables, outstanding amount	\$ 1,028	\$ —	\$ 1,028	\$ 1,294	\$ —	\$ 1,294
Pre-acquisition finance receivables, carrying amount	\$ 930	\$ —	\$ 930	\$ 1,174	\$ —	\$ 1,174
Post-acquisition finance receivables, net of fees	23,094	6,483	29,577	21,956	6,050	28,006
Finance receivables	24,024	6,483	30,507	23,130	6,050	29,180
Less: allowance for loan losses	(537 )	(49 )	(586 )	(497 )	(51 )	(548 )
GM Financial receivables, net	\$ 23,487	\$ 6,434	\$ 29,921	\$ 22,633	\$ 5,999	\$ 28,632
Fair value of GM Financial receivables, net			\$ 30,397			\$ 28,668

Of the total allowance for loan losses in the above table, \$466 million and \$427 million were current at March 31, 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):

	Three Months Ended	
	March 31, 2014	March 31, 2013

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Balance at beginning of period	\$548	\$351
Provision for loan losses	135	94
Charge-offs	(224	) (132
Recoveries	127	80
Balance at end of period	\$586	\$393

The balances and activity of the allowance for commercial loan losses included in the above table at and in the three months ended March 31, 2014 and 2013 were insignificant.

Credit Quality

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 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 have prime credit scores. In North America sub-prime is typically defined as a loan with a borrower that has a FICO score of less than 620. At March 31, 2014 89% of the consumer finance receivables in North America were from consumers with FICO scores less than 620.

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 March 31, 2014 and December 31, 2013 the accrual of finance charge income has been suspended on delinquent consumer finance receivables with contractual amounts due of \$545 million and \$642 million.

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. 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):

	March 31, 2014		March 31, 2013		
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due	
Delinquent contracts					
31-to-60 days	\$717	3.1	% \$477	4.3	%
Greater-than-60 days	336	1.4	% 169	1.5	%
Total finance receivables more than 30 days delinquent	1,053	4.5	% 646	5.8	%
In repossession	38	0.1	% 32	0.3	%
Total finance receivables more than 30 days delinquent or in repossession	\$1,091	4.6	% \$678	6.1	%
Impaired Finance Receivables - Troubled Debt Restructurings					

Consumer finance receivables in the post-acquisition portfolio that become classified as troubled debt restructurings (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):

	March 31, 2014	December 31, 2013
Outstanding recorded investment	\$864	\$767
Less: allowance for loan losses	(104)	(103)
Outstanding recorded investment, net of allowance	\$760	\$664
Unpaid principal balance	\$880	\$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 March 31, 2014 and December 31, 2013 the commercial finance

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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):

	March 31, 2014	December 31, 2013
Group I - Dealers with strong to superior financial metrics	\$570	\$549
Group II - Dealers with fair to favorable financial metrics	1,524	1,460
Group III - Dealers with marginal to weak financial metrics	2,210	1,982
Group IV - Dealers with poor financial metrics	1,517	1,462
Group V - Dealers warranting special mention due to potential weaknesses	443	385
Group VI - Dealers with loans classified as substandard, doubtful or impaired	219	212
	\$6,483	\$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):

	March 31, 2014	December 31, 2013
Productive material, supplies and work in process	\$6,442	\$5,872
Finished product, including service parts	8,395	8,167
Total inventories	\$14,837	\$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	
	March 31, 2014	March 31, 2013
China JVs	\$595	\$548
Others	10	7
Total equity income	\$605	\$555

We received no dividends from nonconsolidated affiliates in the three months ended March 31, 2014. We received dividends from nonconsolidated affiliates of \$68 million in the three months ended March 31, 2013. At March 31, 2014 and December 31, 2013 we had undistributed earnings including dividends declared but not received of \$2.4 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):

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Results of operations		
Automotive sales and revenue	\$783	\$594
Automotive purchases, net	\$105	\$179
Cash flows		
Operating	\$541	\$401
	March 31, 2014	December 31, 2013
Financial position		
Accounts and notes receivable, net	\$850	\$756
Accounts payable	\$154	\$183

## Note 6. Variable Interest Entities

## Consolidated VIEs

## Automotive

Variable interest entities (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. 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 VIEs stated prior to intercompany eliminations (dollars in millions):

	March 31, 2014	December 31, 2013
Total assets(a)	\$567	\$564
Total liabilities(b)	\$392	\$395

(a) Composed primarily of Cash and cash equivalents, Accounts and notes receivable, net, Inventories and Property, net.

(b) Composed primarily of Accounts payable (principally trade) and Accrued liabilities.

	Three Months Ended	
	March 31, 2014	March 31, 2013
Total net sales and revenue	\$312	\$236
Net income	\$27	\$18

GM Korea Company (GM Korea) and General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively GM India) are non-wholly owned consolidated subsidiaries that we control through a majority voting interest. They are also VIEs because in the future they may require additional subordinated financial support. Combined creditors of GM Korea's and GM India's liabilities, which were composed of short-term and long-term debt, of \$217 million and \$242 million at March 31, 2014 and December 31, 2013, do not have recourse to our general credit.

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

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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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):

	March 31, 2014	December 31, 2013
Restricted cash	\$1,676	\$1,523
Securitized Assets	\$24,651	\$23,584
Securitization notes payable and other credit facilities	\$20,445	\$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 these VIEs (dollars in millions):

	March 31, 2014	December 31, 2013
Total assets(a)	\$188	\$169
Total liabilities(b)	\$971	\$838
Off-balance sheet arrangements(c)	\$90	\$115

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- (a) Composed primarily of Equity in net assets of nonconsolidated affiliates.
  - (b) Composed primarily of Accrued liabilities.
  - (c) Composed of commitments and other liquidity arrangements.

The maximum exposure to loss for total assets approximated the carrying amount at March 31, 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



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## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Automotive

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

	March 31, 2014	December 31, 2013
Carrying amount	\$7,209	\$7,137
Fair value	\$7,001	\$6,837

The fair value of debt was measured utilizing Level 2 inputs at March 31, 2014 and December 31, 2013 consisting of quoted market prices 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 acquire the benchmark yield curves and yields on unsecured notes from independent sources that are widely used in the financial industry.

## Senior Unsecured Notes

In September 2013 we issued \$4.5 billion in aggregate principal amount of senior unsecured notes. These notes contain terms and covenants customary of these types of securities including limitations on the amount of certain secured debt we may issue. In connection with the issuance of these notes, we entered into a registration rights agreement that requires us to file a registration statement with the SEC for an exchange offer with respect to the senior notes. If the registration statement has not been declared effective by the SEC within 365 days after the closing date of the debt issuance, if we fail to consummate the exchange offer within 30 business days after such target effective date or if the registration statement ceases to remain effective, we will be required to pay additional interest of 0.25% per annum for the first 90 day period following such event and an additional 0.25% per annum for each subsequent 90 day period prior to the consummation of the exchange offer up to a maximum additional interest rate of 0.5% per annum.

## Technical Defaults and Covenant Violations

Several of our loan facilities require compliance with certain financial and operational covenants as well as regular reporting to lenders, including providing certain subsidiary financial statements. Failure to meet certain of these requirements may result in a covenant violation or an event of default depending on the terms of the agreement. An event of default may allow lenders to declare amounts outstanding under these agreements immediately due and payable, to enforce their interests against collateral pledged under these agreements or restrict our ability to obtain additional borrowings. A foreign subsidiary was not in compliance with certain financial covenants under its \$75 million term loan facility. We are evaluating alternatives to cure this financial covenant issue and included this liability in Short-term debt and current portion of long-term debt at March 31, 2014 and December 31, 2013.

## Automotive Financing - GM Financial

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

March 31, 2014