General Motors Co
Form 10-Q
October 21, 2015

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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, 2015
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 14, 2015 the number of shares outstanding of common stock was 1,556,176,910 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 Securities Exchange Act of 1934 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, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net sales and revenue				
Automotive	$37,140	$ 37,999	$108,174	$ 112,776
GM Financial	1,703	1,256	4,561	3,536
Total net sales and revenue	38,843	39,255	112,735	116,312
Costs and expenses				
Automotive cost of sales (Note 8)	32,058	34,054	95,329	104,032
GM Financial interest, operating and other expenses	1,506	1,053	3,992	2,854
Automotive selling, general and administrative expense (Note 10)	4,282	2,921	10,376	9,205
Total costs and expenses	37,846	38,028	109,697	116,091
Operating income	997	1,227	3,038	221
Automotive interest expense	112	96	330	299
Interest income and other non-operating income, net	119	239	373	409
Gain on extinguishment of debt	—	2	—	2
Equity income (Note 5)	502	497	1,579	1,625
Income before income taxes	1,506	1,869	4,660	1,958
Income tax expense (benefit) (Note 11)	165	427	1,271	(51)
Net income	1,341	1,442	3,389	2,009
Net (income) loss attributable to noncontrolling interests	18	29	32	(47)
Net income attributable to stockholders	$1,359	$ 1,471	$3,421	$ 1,962
Net income attributable to common stockholders	$1,359	$ 1,384	$3,421	$ 1,699
Earnings per share (Note 14)				
Basic				
Basic earnings per common share	$0.86	$ 0.86	$2.14	$ 1.06
Weighted-average common shares outstanding	1,577	1,612	1,597	1,603
Diluted				
Diluted earnings per common share	$0.84	$ 0.81	$2.07	$ 0.99
Weighted-average common shares outstanding	1,618	1,691	1,655	1,690
Dividends declared per common share	$0.36	$ 0.30	$1.02	$ 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, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	$1,341	$ 1,442	$3,389	$ 2,009
Other comprehensive income (loss), net of tax (Note 13)				
Foreign currency translation adjustments	(645)	(79)	(596)	(131)
Unrealized gains (losses) on securities, net	2	(6)	2	(3)
Defined benefit plans, net	154	280	643	304
Other comprehensive income (loss), net of tax	(489)	195	49	170
Comprehensive income	852	1,637	3,438	2,179
Comprehensive (income) loss attributable to noncontrolling interests	16	37	22	(34)
Comprehensive income attributable to stockholders	$868	$ 1,674	$3,460	$ 2,145

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, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$15,433	$18,954
Marketable securities (Note 2)	8,029	9,222
Restricted cash and marketable securities (Note 2; Note 6 at VIEs)	1,519	1,338
Accounts and notes receivable (net of allowance of $329 and $340)	10,486	9,078
GM Financial receivables, net (Note 3; Note 6 at VIEs)	17,217	16,528
Inventories (Note 4)	14,368	13,642
Equipment on operating leases, net	4,596	3,564
Deferred income taxes	9,208	9,760
Other current assets	1,485	1,584
Total current assets	82,341	83,670
Non-current Assets		
Restricted cash and marketable securities (Note 2; Note 6 at VIEs)	593	935
GM Financial receivables, net (Note 3; Note 6 at VIEs)	17,671	16,006
Equity in net assets of nonconsolidated affiliates (Note 5)	8,872	8,350
Property, net	29,381	27,743
Goodwill and intangible assets, net	6,083	6,410
GM Financial equipment on operating leases, net (Note 6 at VIEs)	16,915	7,060
Deferred income taxes	24,799	25,414
Other assets	2,345	2,089
Total non-current assets	106,659	94,007
Total Assets	$189,000	$177,677
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	$25,188	$22,529
Short-term debt and current portion of long-term debt (Note 7)		
Automotive	641	500
GM Financial (Note 6 at VIEs)	16,361	14,488
Accrued liabilities	30,549	28,184
Total current liabilities	72,739	65,701
Non-current Liabilities		
Long-term debt (Note 7)		
Automotive	8,503	8,910
GM Financial (Note 6 at VIEs)	31,898	22,943
Postretirement benefits other than pensions (Note 9)	5,959	6,229
Pensions (Note 9)	21,618	23,788
Other liabilities	13,148	14,082
Total non-current liabilities	81,126	75,952
Total Liabilities	153,865	141,653
Commitments and contingencies (Note 10)		

Equity (Note 13)		
Common stock, $0.01 par value	16	16
Additional paid-in capital	27,744	28,937
Retained earnings	14,912	14,577
Accumulated other comprehensive loss	(8,034)	(8,073)
Total stockholders’ equity	34,638	35,457
Noncontrolling interests	497	567
Total Equity	35,135	36,024
Total Liabilities and Equity	$189,000	$177,677

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	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	$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 common stock	—	—	—	(1,445)	—	—	(1,445)
Cash dividends paid on Series A preferred stock	—	—	—	(263)	—	—	(263)
Dividends declared or paid to noncontrolling interests	—	—	—	—	—	(73)	(73)
Other	—	—	(1)	—	—	33	32
Balance at September 30, 2014	$3,109	$16	$28,832	$13,975	$(2,930)	$561	$43,563
Balance at January 1, 2015		$16	$28,937	$14,577	$(8,073)	$567	$36,024
Net income		—	—	3,421	—	(32)	3,389
Other comprehensive income		—	—		39	10	49
Purchase of common stock		—	(1,441)	(1,447)	—	—	(2,888)
Exercise of common stock warrants		—	44		—	—	44
Stock based compensation		—	204	(21)	—	—	183
Cash dividends paid on common stock		—	—	(1,618)	—	—	(1,618)
Dividends declared or paid to noncontrolling interests		—	—	—	—	(72)	(72)
Other		—	—	—	—	24	24
Balance at September 30, 2015		$16	$27,744	$14,912	$(8,034)	$497	$35,135

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, 2015	September 30, 2014
Net cash provided by operating activities	$9,469	$6,894
Cash flows from investing activities		
Expenditures for property	(5,324)	(5,089)
Available-for-sale marketable securities, acquisitions	(6,868)	(6,203)
Trading marketable securities, acquisitions	(1,028)	(1,426)
Available-for-sale marketable securities, liquidations	7,485	5,242
Trading marketable securities, liquidations	1,441	1,696
Acquisition of companies/investments, net of cash acquired	(928)	(51)
Increase in restricted cash and marketable securities	(599)	(672)
Decrease in restricted cash and marketable securities	310	368
Purchases of finance receivables	(13,101)	(10,824)
Principal collections and recoveries on finance receivables	8,718	8,124
Purchases of leased vehicles, net	(11,036)	(3,169)
Proceeds from termination of leased vehicles	662	395
Other investing activities	89	184
Net cash used in investing activities	(20,179)	(11,425)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	487	(936)
Proceeds from issuance of debt (original maturities greater than three months)	24,816	21,848
Payments on debt (original maturities greater than three months)	(12,323)	(15,526)
Payments to purchase stock	(2,888)	(168)
Dividends paid	(1,678)	(1,781)
Other financing activities	(70)	(77)
Net cash provided by financing activities	8,344	3,360
Effect of exchange rate changes on cash and cash equivalents	(1,155)	(790)
Net decrease in cash and cash equivalents	(3,521)	(1,961)
Cash and cash equivalents at beginning of period	18,954	20,021
Cash and cash equivalents at end of period	$15,433	$18,060
Supplemental cash flow information:		
Non-cash property additions	$4,192	$3,372

Reference should be made to the 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.

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, which consist 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 audited consolidated financial statements and notes thereto included in our 2014 Form 10-K.

Accounting Standards Not Yet Adopted

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 and requires expanded disclosures. ASU 2014-09 was originally effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein. In August 2015 the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning on or after December 15, 2017 while also providing for early adoption but not before the original effective date. We are currently assessing the impact the adoption of ASU 2014-09 will have on our consolidated financial statements.

Note 2. Marketable Securities

The following table summarizes the fair value of marketable securities which approximates cost (dollars in millions):

	Fair Value Level	September 30, 2015	December 31, 2014
Cash and cash equivalents			
Available-for-sale securities			
U.S. government and agencies	2	$150	$1,600
Sovereign debt	2	2,468	774
Money market funds	1	909	2,480
Corporate debt	2	4,240	6,036
Total available-for-sale securities		7,767	10,890
Trading securities – sovereign and corporate debt	2	13	431
Total marketable securities classified as cash equivalents		7,780	11,321
Cash, cash equivalents and time deposits		7,653	7,633
Total cash and cash equivalents		$15,433	$18,954
Marketable securities			
Available-for-sale securities			
U.S. government and agencies	2	$5,088	$5,957
Corporate debt	2	2,246	1,998
Total available-for-sale securities		7,334	7,955
Trading securities – sovereign debt	2	695	1,267
Total marketable securities		$8,029	$9,222
Restricted cash and marketable securities			
Available-for-sale securities, primarily money market funds	1	$1,318	$1,427
Restricted cash, cash equivalents and time deposits		794	846
Total restricted cash and marketable securities		$2,112	$2,273
Available-for-sale securities included above with contractual maturities			
Due in one year or less		$12,273	
Due between one year and five years		1,945	
Total available-for-sale securities with contractual maturities		$14,218	

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were $1.1 billion and $663 million in the three months ended September 30, 2015 and 2014 and $7.0 billion and $2.1 billion in the nine months ended September 30, 2015 and 2014. Cumulative unrealized gains and losses on available-for-sale securities were insignificant at September 30, 2015 and December 31, 2014 and net unrealized gains and losses on trading securities were insignificant in the three and nine months ended September 30, 2015 and 2014.

Note 3. GM Financial Receivables, net

The following table summarizes the components of GM Financial receivables, net (dollars in millions):

	September 30, 2015			December 31, 2014		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Finance receivables	$27,987	$7,659	$35,646	$25,623	$7,606	$33,229
Less: allowance for loan losses	(718)	(40)	(758)	(655)	(40)	(695)
GM Financial receivables, net	$27,269	$7,619	$34,888	$24,968	$7,566	$32,534
Fair value of GM Financial receivables, net			$35,039			$33,106

Allowance for loan losses classified as current	$(573)	$(529)

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GM Financial estimates the fair value of consumer finance receivables using observable and unobservable inputs within a cash flow model, a Level 3 input. 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 or current interest rates. The weighted-average cost of capital uses 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 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 GM Financial's 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 using Level 2 inputs.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Balance at beginning of period	$760	$ 615	$695	$ 548
Provision for loan losses	144	160	440	408
Charge-offs	(256)	(230)	(710)	(645)
Recoveries	124	106	357	340
Effect of foreign currency	(14)	(6)	(24)	(6)
Balance at end of period	$758	$ 645	$758	$ 645

The activity for the allowance for commercial loan losses was insignificant in the three and nine months ended September 30, 2015 and 2014.

Credit Quality

Consumer Finance Receivables

GM Financial uses proprietary scoring systems in its underwriting process that measure the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g. FICO scores) 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 were considered to be prime credit quality. At September 30, 2015 and December 31, 2014, 65% and 83% of the consumer finance receivables in North America were from consumers with sub-prime credit scores, which are defined as FICO scores of less than 620 at the time of loan origination.

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, 2015 and December 31, 2014 the accrual of finance charge income has been suspended on delinquent consumer finance receivables with contractual amounts due of $726 million and $682 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, 2015	September 30, 2014
	Amount	Amount

		Percent of Contractual Amount Due			Percent of Contractual Amount Due	
31-to-60 days delinquent	$1,137	4.0	%	$979	3.9	%
Greater-than-60 days delinquent	454	1.6	%	425	1.7	%
Total finance receivables more than 30 days delinquent	1,591	5.6	%	1,404	5.6	%
In repossession	53	0.2	%	49	0.2	%
Total finance receivables more than 30 days delinquent or in repossession	$1,644	5.8	%	$1,453	5.8	%

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

Impaired Finance Receivables – Troubled Debt Restructurings

The following table summarizes the outstanding recorded investment for consumer finance receivables that are considered to be troubled debt restructurings and the related allowance (dollars in millions):

	September 30, 2015	December 31, 2014
Outstanding recorded investment	$1,515	$1,234
Less: allowance for loan losses	(215)	(172)
Outstanding recorded investment, net of allowance	$1,300	$1,062
Unpaid principal balance	$1,543	$1,255
Outstanding recorded investment percentage of finance receivables	5.4%	4.8%

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. The credit lines for Group VI dealers are typically suspended and no further funding is extended to these dealers. At September 30, 2015 and December 31, 2014 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, 2015	December 31, 2014
Group I – Dealers with superior financial metrics	$1,191	$1,050
Group II – Dealers with strong financial metrics	2,269	2,022
Group III – Dealers with fair financial metrics	2,498	2,599
Group IV – Dealers with weak financial metrics	1,088	1,173
Group V – Dealers warranting special mention due to potential weaknesses	408	524
Group VI – Dealers with loans classified as substandard, doubtful or impaired	205	238
	$7,659	$7,606

Note 4. Inventories

The following tables summarize the components of Inventories (dollars in millions):

	September 30, 2015				
	GMNA	GME	GMIO	GMSA	Total
Total productive material, supplies and work in process	$3,136	$751	$1,193	$727	$5,807
Finished product, including service parts	4,215	2,250	1,104	992	8,561
Total inventories	$7,351	$3,001	$2,297	$1,719	$14,368

	December 31, 2014				
	GMNA	GME	GMIO	GMSA	Total
Total productive material, supplies and work in process	$2,592	$778	$1,216	$794	$5,380
Finished product, including service parts	4,320	2,394	1,026	522	8,262
Total inventories	$6,912	$3,172	$2,242	$1,316	$13,642

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. Our nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and

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

automobile parts. We enter into transactions with certain nonconsolidated affiliates to purchase and sell component parts and vehicles.

Revenue and expenses of our Automotive China joint ventures (Automotive 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 Automotive China JVs since December 31, 2014. The following table summarizes information regarding Equity income (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Automotive China JVs	$463	$ 484	$1,485	$ 1,555
Other joint ventures	39	13	94	70
Total equity income	$502	$ 497	$1,579	$ 1,625

On January 2, 2015 GM Financial completed its acquisition of Ally Financial, Inc.'s (Ally Financial) 40% equity interest in SAIC-GMAC Automotive Finance Company Limited (SAIC-GMAC) in China. The aggregate purchase price was $1.0 billion. Also on January 2, 2015 GM Financial sold a 5% equity interest in SAIC-GMAC to Shanghai Automotive Group Finance Company Ltd. (SAICFC), a current shareholder of SAIC-GMAC, for proceeds of $125 million. As a result of these transactions GM Financial now owns 35%, SAICFC owns 45% and, in the aggregate, GM indirectly owns 45% of SAIC-GMAC. GM Financial's share of earnings of SAIC-GMAC is included in the Equity income of Other joint ventures in the table above. The difference between GM Financial's carrying amount of its investment and its share of the underlying net assets of SAIC-GMAC was $356 million at September 30, 2015, which was primarily related to goodwill. The pro forma effect on earnings had this acquisition occurred on January 1, 2014 was not significant.

The following tables summarize transactions with and additional information related to our nonconsolidated affiliates (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Automotive sales and revenue	$416	$ 659	$1,292	$ 2,211
Automotive purchases, net	$31	$ 64	$94	$ 287
Dividends received	$315	$ 506	$1,742	$ 1,793
Operating cash flows			$2,839	$ 3,767

	September 30, 2015	December 31, 2014
Accounts and notes receivable, net	$995	$706
Accounts payable	$189	$205
Undistributed earnings including dividends declared but not received	$1,848	$2,011

Note 6. Variable Interest Entities

GM Financial uses special purpose entities (SPEs) that are considered variable interest entities (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 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 it is 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 of the VIEs serve as the sole source of repayment for the debt 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, they are separate legal entities and their assets are legally owned by them and are not available to GM Financial's creditors.

The following table summarizes the assets and liabilities related to GM Financial's consolidated VIEs (dollars in millions):

	September 30, 2015	December 31, 2014
Restricted cash – current	$1,348	$1,110
Restricted cash – non-current	$538	$611
GM Financial receivables, net – current	$12,762	$11,134
GM Financial receivables, net – non-current	$12,869	$11,583
GM Financial equipment on operating leases, net	$7,202	$4,595
GM Financial short-term debt and current portion of long-term debt	$13,119	$10,502
GM Financial long-term debt	$13,797	$12,292

GM Financial recognizes finance charge, leased vehicle and fee income on the Securitized Assets and interest expense on the secured debt issued in a securitization transaction and records a provision for loan losses to recognize probable loan losses inherent in the Securitized Assets.

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, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total Automotive debt	$9,144	$9,052	$9,410	$9,799
Fair value utilizing Level 1 inputs		$7,033		$7,550
Fair value utilizing Level 2 inputs		$2,019		$2,249

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 a discounted cash flow model using observable inputs. 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.

Automotive Financing – GM Financial

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

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Secured debt	$28,284	$28,290	$25,214	$25,228
Unsecured debt	19,975	19,903	12,217	12,479

Total GM Financial debt	$48,259	$48,193	$37,431	$37,707
Fair value utilizing Level 2 inputs		$43,157		$32,790
Fair value utilizing Level 3 inputs		$5,036		$4,917

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

The fair value of debt measured utilizing Level 2 inputs was based on quoted market prices for identical instruments and if unavailable, quoted market prices of similar instruments. 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

Secured debt consists of revolving credit facilities and securitization notes payable. 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 on GM Financial's involvement with VIEs. In the nine months ended September 30, 2015 GM Financial issued securitization notes payable of $9.4 billion and entered into new or renewed credit facilities with substantially the same terms as existing debt and a total net additional borrowing capacity of $4.5 billion.

Unsecured Debt

Unsecured debt consists of senior notes, credit facilities and other unsecured debt. In the nine months ended September 30, 2015 GM Financial issued the following notes:

- $2.25 billion in aggregate principal amount of senior notes issued in January comprising $1.0 billion of 3.15% notes due in January 2020, $1.0 billion of 4.0% notes due in January 2025 and $250 million of floating rate notes due in January 2020;
- Euro 650 million of 0.85% term notes issued in February and due in February 2018;
- $2.4 billion in aggregate principal amount of senior notes issued in April comprising $850 million of 2.4% notes due in April 2018, $1.25 billion of 3.45% notes due in April 2022 and $300 million of floating rate notes due in April 2018;
- Canadian Dollar (CAD) $500 million of 3.08% senior notes issued in May and due in May 2020; and
- $2.3 billion in aggregate principal amount of senior notes issued in July comprising $1.5 billion of 3.2% notes due in July 2020 and $800 million of 4.3% notes due in July 2025.

In October 2015 GM Financial issued $1.75 billion in aggregate principal amount of senior notes comprising $1.5 billion of 3.1% notes due in January 2019 and $250 million of floating rate notes due in January 2019.

In the three months ended September 30, 2015 GM Financial began accepting deposits from retail banking customers in Germany. At September 30, 2015 the outstanding balance of these deposits was $611 million, of which 39% were overnight deposits.

Note 8. Product Warranty and Related Liabilities

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

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Balance at beginning of period	$9,296	$10,528	$9,646	$7,601
	299	173	685	2,658

Warranties issued and assumed in period – recall campaigns and courtesy transportation				
Warranties issued and assumed in period – policy and product warranty	576	595	1,742	1,904
Payments	(939)	(1,319)	(3,045)	(3,103)
Adjustments to pre-existing warranties	132	206	461	1,095
Effect of foreign currency and other	(111)	(160)	(236)	(132)
Balance at end of period	$9,253	$10,023	$9,253	$10,023

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

In the nine months ended September 30, 2014 we recorded charges of approximately $2.7 billion in Automotive cost of sales for the recall of approximately 34 million vehicles as described in our 2014 Form 10-K. We had historically accrued estimated costs related to recall campaigns in GMNA when probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is needed and announced. During the three months ended September 30, 2014 we began accruing the costs for recall campaigns at the time of vehicle sale in GMNA.

Note 9. Pensions and Other Postretirement Benefits

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

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Pension Benefits		Global OPEB Plans	Pension Benefits		Global OPEB Plans
	U.S.	Non-U.S.		U.S.	Non-U.S.	
Service cost	$101	$116	$6	$94	$92	$7
Interest cost	689	184	59	765	259	66
Expected return on plan assets	(974)	(193)	—	(978)	(221)	—
Amortization of prior service cost (credit)	(1)	3	(4)	(1)	4	(4)
Amortization of net actuarial (gains) losses	2	58	10	(22)	37	2
Curtailments, settlements and other	—	1	—	3	3	—
Net periodic pension and OPEB (income) expense	$(183)	$169	$71	$(139)	$174	$71

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Pension Benefits		Global OPEB Plans	Pension Benefits		Global OPEB Plans
	U.S.	Non-U.S.		U.S.	Non-U.S.	
Service cost	$304	$311	$18	$285	$297	$18
Interest cost	2,066	575	178	2,295	784	203
Expected return on plan assets	(2,922)	(598)	—	(2,935)	(662)	—
Amortization of prior service cost (credit)	(3)	11	(10)	(3)	13	(12)
Amortization of net actuarial (gains) losses	6	175	27	(68)	117	6
Curtailments, settlements and other	—	108	—	1	4	—
Net periodic pension and OPEB (income) expense	$(549)	$582	$213	$(425)	$553	$215

The curtailment charges recorded in the nine months ended September 30, 2015 were due primarily to the General Motors Canada Limited (GMCL) hourly pension plan that was remeasured as a result of a voluntary separation program.

Note 10. Commitments and Contingencies

The following table summarizes information related to the liabilities recorded for Commitments and contingencies (dollars in millions):

	September 30, 2015	December 31, 2014
Litigation-related liability and tax administrative matters	$1,422	$1,000
Product liability	$798	$732
Ignition switch recall compensation program	$190	$315
Guarantees for product-related indemnification agreements	$44	$51
Guarantees for third party commercial loans and other obligations	$35	$37

Litigation-Related Liability and Tax Administrative Matters

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In the normal course of business we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business as a global company. We have identified below all material individual proceedings and investigatory activity where we believe a material loss is reasonably possible or probable.

With regard to the litigation matters, reserves have been established for matters for which we believe that losses are probable and can be reasonably estimated. However in many proceedings it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition even where loss is possible or an exposure to a loss exists in excess of the liability accrued with respect to a loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss. 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 position, results of operations and cash flows in any particular reporting period. Reserves for litigation losses are recorded in Accrued liabilities and Other liabilities.

Proceedings Related to Ignition Switch Recall and Other Recalls

In the year ended December 31, 2014 we announced various recalls relating to safety, customer satisfaction and other matters. Those recalls included recalls to repair ignition switches that could under certain circumstances unintentionally move from the “run” position to the “accessory” or “off” position with a corresponding loss of power, which could in turn prevent airbags from deploying in the event of a crash.

Through October 16, 2015 we were aware of 101 putative class actions pending against GM in various federal and state trial courts in the U.S. alleging that consumers who purchased or leased vehicles manufactured by GM or General Motors Corporation had been economically harmed by one or more of the recalls announced in 2014 and/or the underlying vehicle conditions associated with those recalls (economic-loss cases). Additionally, through October 16, 2015 we were aware of 21 putative class actions pending in various Provincial Courts in Canada seeking relief similar to that sought in the economic-loss cases in the U.S. In the aggregate these economic-loss cases seek recovery for purported compensatory damages, such as alleged diminution in value of the vehicles, as well as punitive damages, injunctive relief and other relief. Additionally there are two civil actions brought by governmental entities relating to the 2014 recalls which seek injunctive relief as well as economic damages for alleged violations of state consumer protection statutes, as well as attorneys' fees.

Through October 16, 2015 we were aware of 208 actions pending in various federal and state trial courts in the U.S. against GM alleging injury or death as a result of defects that may be the subject of recalls announced in 2014 (personal injury cases). Additionally, through October 16, 2015 we were aware of 9 actions pending in various Provincial Courts in Canada seeking relief similar to that sought in the personal injury cases in the U.S. In the aggregate these personal injury cases seek recovery for purported compensatory damages, punitive or exemplary damages and other relief.

Since June 2014 the United States Judicial Panel on Multidistrict Litigation (JPML) has issued orders from time to time directing that certain pending economic-loss and personal injury federal lawsuits involving faulty or allegedly faulty ignition switches or other defects that may be related to the recalls announced in the year ended December 31, 2014 be transferred to, and consolidated in, a single federal court, the Southern District of New York (the multidistrict litigation). Through October 16, 2015 the JPML has transferred 233 pending cases to, and consolidated them with, the multidistrict litigation. At the court's suggestion, the parties to the multidistrict litigation engage from time to time in discussions of possible mechanisms to resolve pending litigation. As described below, on September 17, 2015 we announced that we had reached a memorandum of understanding with certain personal injury claimants.

Because many plaintiffs in the actions described in the above paragraphs are suing over the conduct of General Motors Corporation or vehicles manufactured by that entity for liabilities not expressly assumed by GM, we moved to enforce the terms of the July 2009 Sale Order and Injunction issued by the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court) to preclude claims from being asserted against us for, among other things, personal injuries based on pre-sale accidents, any economic-loss claims based on acts or conduct of General Motors Corporation and claims asserting successor liability for obligations owed by General Motors Corporation (successor liability claims). On April 15, 2015 the Bankruptcy Court issued a decision precluding claims against us based upon pre-sale accidents, claims based upon the acts or conduct by General Motors Corporation and successor liability claims, except for claims asserting liabilities that had been expressly assumed by us in the July 2009 Sale Agreement and claims that could be asserted against us only if they were otherwise viable and arose solely out of our own independent post-closing acts and did not in any way rely on acts or conduct by General Motors Corporation. Plaintiffs have appealed the Bankruptcy Court’s decision. We have filed a notice of cross appeal to preserve our rights on appeal. The Second

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Circuit has accepted a direct appeal of the matter. The parties have moved for expedited briefing on the appeal. Further, the Bankruptcy Court has pending before it various motions and pleadings which may further define GM's potential liabilities in various lawsuits.

In the putative shareholder class action filed in the United States District Court for the Eastern District of Michigan (Shareholder Class Action), the court appointed the New York State Teachers' Retirement System as the lead plaintiff. On January 15, 2015 the New York State Teachers' Retirement System filed a Consolidated Class Action Complaint against GM and several current and former officers and employees (Defendants). On behalf of purchasers of GM common stock from November 17, 2010 to July 24, 2014, the Consolidated Class Action Complaint alleges that Defendants made material misstatements and omissions relating to problems with the ignition switch and other matters in SEC filings and other public statements. As described below, on September 17, 2015 we announced that we had entered into a binding term sheet regarding settlement of this matter.

With regard to the shareholder derivative actions, the two shareholder derivative actions pending in the United States District Court for the Eastern District of Michigan have been consolidated and all proceedings, including those related to the motion to dismiss we filed in that court in October 2014, remain suspended pending disposition of the parallel action being litigated in Delaware Chancery Court. With regard to that pending litigation in Delaware Chancery Court, the four shareholder derivative actions pending in that court were consolidated and plaintiffs filed an amended consolidated complaint on October 13, 2014. On June 26, 2015 the Delaware Chancery Court granted our motion to dismiss the amended consolidated complaint. Plaintiffs have appealed that decision. With regard to the two derivative actions filed in the Circuit Court of Wayne County, Michigan, those actions have been consolidated and remain stayed pending disposition of the federal derivative actions.

In connection with the 2014 recalls, various investigations, inquiries and complaints from the United States Attorney's Office for the Southern District of New York (the Office), Congress, the SEC, Transport Canada and 50 state attorneys general are ongoing. We have received subpoenas and requests for additional information and we have participated in discussions with various governmental authorities. On June 3, 2015 we received notice of an investigation by the Federal Trade Commission concerning certified pre-owned vehicle advertising where dealers had certified vehicles allegedly needing recall repairs. We continue to investigate these matters and believe we are cooperating fully with all requests for information in ongoing investigations. Such matters could in the future result in the imposition of material damages, fines, civil consent orders, civil and criminal penalties or other remedies.

As described more specifically below, substantial activity took place during the three months ended September 30, 2015 that resulted in total or partial resolution of several matters including the recognition of additional liabilities for such matters.

First, with regard to the investigation by the Office, without prior notice, the Office approached us during the quarter with a specific proposal. We were provided limited time to consider the proposal, which we accepted on September 16, 2015 and entered into a deferred prosecution agreement (the DPA) with the Office regarding its investigation of the events leading up to certain recalls regarding faulty ignition switches announced in February and March 2014. Under the DPA we consented to the filing of a two-count information (the Information) in the U.S. District Court for the Southern District of New York (the Court) charging GM with: (1) a scheme to conceal material facts from a government regulator, in violation of Title 18, United States Code, Section 1001; and (2) wire fraud, in violation of Title 18, United States Code, Section 1343. We have pled not guilty to the charges alleged in the Information. Under the DPA we agreed to pay the United States $900 million as a financial penalty. Prior to this quarter there had been little to no discussions concerning potential resolution of the matter such that no possible range of potential liability could be determined.

Pursuant to the DPA, the Office agreed to recommend to the Court that prosecution of GM on the Information be deferred for three years. The Office also agreed that if we are in compliance with all of our obligations under the DPA, the Office will, within 30 days after the expiration of the period of deferral (including any extensions thereto), seek dismissal with prejudice of the Information filed against GM. The DPA further provides that, in the event the Office determines during the period of deferral of prosecution (or any extensions thereof) that we have violated any provision of the DPA, the Office may, in its discretion, either prosecute GM on the charges alleged in the Information or impose an extension of the period of deferral of prosecution of up to one additional year, but in no event will the total term of the deferral-of-prosecution period under the DPA exceed four years.

In the DPA, we also agreed to retain an independent monitor (the Monitor) to review and assess our policies, practices or procedures related to statements about motor vehicle safety, the provision of information to those responsible for recall decisions, recall processes and addressing known defects in certified pre-owned vehicles. The Monitor's authority will extend for a period of three years. The Office has the authority to lengthen the Monitor's term for up to one year if the Office determines we have violated the DPA. Likewise, the Office may shorten the Monitor’s term if the Office determines that a monitor is no longer necessary. We are required to pay the compensation and expenses of the Monitor and of the persons hired under his or her authority.

Second, with regard to the Shareholder Class Action described previously, prior to the quarter there had been no discussions concerning potential resolution of the matter such that no possible range of potential liability could be determined. During this quarter, the parties both commenced and reached a proposed settlement of the lawsuit. On September 17, 2015 we announced we had entered into a binding term sheet for the settlement of the Shareholder Class Action for $300 million. The final settlement of the matter remains subject to a formal agreement and court approval.

Third, GM and attorneys representing certain personal injury claimants in the multidistrict litigation engaged in substantive settlement discussions during the quarter in which agreement was reached as to both material financial and non-financial terms. On September 17, 2015 we announced we had reached a memorandum of understanding regarding a $275 million settlement of these claims that could potentially cover approximately 1,400 personal injury claimants who have lawsuits pending in the multidistrict litigation or who have otherwise asserted claims related to the ignition switch recall or certain other recalls announced in 2014. Prior to this quarter the parties had a substantial gap in their respective positions on financial issues such that no possible range of potential liability could be determined. Further, prior to the quarter the parties had also either not engaged in meaningful discussions concerning material non-financial issues necessary for any agreement or had opposing positions on these issues.

In total, we recorded charges of approximately $1.5 billion in Automotive selling, general and administrative expense in Corporate as a result of the DPA financial penalty and the settlements of the Shareholder Class Action and the multidistrict litigation and other litigation associated with the ignition switch recalls described previously. These charges were treated as adjustments for earnings before interest and taxes (EBIT)-adjusted reporting purposes in the three months ended September 30, 2015.

We believe it is probable that we will incur additional liabilities with regard to at least a portion of the remaining investigations, claims, and/or litigation relating to the ignition switch recalls and other recalls, whether through settlement or judgment. However we are currently unable to estimate a range of possible loss above the initial approximately $1.5 billion for the ongoing lawsuits, claims and investigations because these matters involve significant uncertainties. The resolution of these matters could have a material adverse effect on our financial position, results of operations or cash flows.

The uncertainties referenced above include the legal theory or the nature of the claims, the complexity of the facts, the results of any investigation or litigation, and the timing of resolution of the investigations or litigation. For example, the appeal from the Bankruptcy Court’s judgment that is currently pending before the Second Circuit (discussed previously), as well as the various motions and pleadings pending before the Bankruptcy Court could have a substantial impact in further clarifying issues such as the potential liability of GM for acts or conduct of General Motors Corporation and what claims plaintiffs may pursue against GM in the multidistrict litigation and other courts. Further, there have been little or no discussions to date concerning any potential resolution of the SEC investigation, the state attorneys general’s investigations, the various claims for economic loss, or the claims concerning death or personal injury not covered by the memorandum of understanding, discussed previously. We will continue to consider potential resolution of open matters involving ignition switch recalls and other recalls where it makes sense to do so.

GMCL Dealers' Claim

On February 12, 2010 a claim was filed in the Ontario Superior Court of Justice against 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” CAD $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) whether the Plaintiff Dealers can recover damages in the aggregate (as opposed to proving individual damages). A number of former dealers opted out of participation in the litigation, leaving 181 dealers in the certified class. Trial of the class issues was completed in the three months ended December 31, 2014. On July 8, 2015 the Ontario Superior Court dismissed the Plaintiff Dealers' claim against GMCL, holding that GMCL did not breach any common law or statutory obligations toward the class members. The court also dismissed GMCL's counterclaim against the Plaintiff Dealers for repayment of the wind-down payments made to them by GMCL as well as for other relief. All parties have filed notices of appeal. A case management judge has been assigned to manage the appeals.

GM Korea Wage Litigation

Commencing on or about September 29, 2010 current and former hourly employees of GM Korea Company (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 hourly employees and remanded the case to the Seoul High Court consistent with its December 2013 ruling. This case was heard before the Seoul High Court on September 17, 2015 and a verdict is expected by October 30, 2015. 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 in excess of amounts accrued to be 578 billion South Korean Won (equivalent to $488 million) at September 30, 2015, 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, 2015 we have identified a reasonably possible loss in excess of the amount of our accrual of 179 billion South Korean Won (equivalent to $151 million). Both the scope of claims asserted and GM Korea's assessment of any or all of the individual claim elements may change if new information becomes available. These cases are currently pending before various courts in Korea.

GM Financial Subpoena

In July 2014 GM Financial was served with a subpoena by the U.S. Department of Justice directing GM Financial to produce certain documents relating to the origination and securitization of sub-prime automobile loans by GM Financial and its subsidiaries and affiliates since 2007 in connection with an investigation by the U.S. Department of Justice in contemplation of a civil proceeding for potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Among other matters, the subpoena requests information relating to the underwriting criteria used to originate these automobile loans and the representations and warranties relating to those underwriting criteria that were made in connection with the securitization of the automobile loans. GM Financial was subsequently served with additional investigative subpoenas from state attorneys general and other governmental offices to produce documents relating to its consumer automobile loan business and securitization of automobile loans. In October 2014 GM Financial received a document request from the SEC in connection with its investigation into certain practices in sub-prime automobile loan securitization. GM Financial is investigating these matters internally and believes it is cooperating with all requests. Such investigations could in the future result in the imposition of damages, fines or civil or criminal claims and/or penalties. No assurance can be given that the ultimate outcome of the investigations or any resulting proceedings would not materially and adversely affect GM Financial or any of its subsidiaries and affiliates.

Other Litigation-Related Liability and Tax Administrative Matters

Various other 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; government regulations relating to payments to foreign companies; tax-related matters not recorded pursuant to Accounting Standards Codification 740, "Income Taxes" (indirect tax-related matters); and environmental 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 $400 million to $600 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, 2015. We believe that appropriate accruals have been established for such matters based on information currently available.

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. In addition we indemnify dealers for certain product liability related claims including products sold by General Motors Corporation's dealers. Liabilities have been recorded in Accrued liabilities and Other liabilities 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 vehicle recalls in recent years 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 recorded a charge of $400 million as a result of the creation of a compensation program (the Program) for accident victims who died or suffered physical injury (or for their families) as a result of a faulty ignition switch related to the 2.6 million vehicles recalled in the three months ended March 31, 2014. 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.

The amounts recorded for the Program were recorded in Automotive selling, general and administrative expense in Corporate and were treated as an adjustment for EBIT-adjusted reporting purposes. Based on the Program's claims experience we increased our accrual by $150 million and $75 million in the three months ended March 31, 2015 and June 30, 2015. Based on currently available information we believe our accrual at September 30, 2015 is adequate to cover the estimated costs under the Program. Total charges recorded since inception of the Program were $625 million. The following table summarizes the activity for the Program since its inception (dollars in millions):

	Activity
Balance at April 1, 2014	$—
Additions	400
Payments	(85)
Balance at December 31, 2014	315
Additions	225
Payments	(350)
Balance at September 30, 2015	$190

The Program accepted claims from August 1, 2014 through January 31, 2015 and received a total of 4,343 claims. The Program completed its claims review process in the three months ended September 30, 2015 and the independent program administrator determined that 399 claims are eligible for payment under the Program. Payments to eligible claimants began in the three months ended December 31, 2014 and will continue through the end of 2015. At October 16, 2015 we had paid approximately 300 eligible claimants $453 million under the Program. Accident victims (or their families) could choose not to participate in the Program and pursue litigation against us. Accident victims (or their families) that accept a payment under the Program agree to settle all claims against GM related to the accident.

Guarantees

We enter into indemnification agreements for liability claims involving products manufactured primarily by certain joint ventures. These guarantees terminate in years ranging from 2020 to 2030 and we believe that the related potential costs incurred are adequately covered by recorded accruals. The maximum liability for these guarantees was $2.4 billion and $2.5 billion at September 30, 2015 and December 31, 2014, calculated as future undiscounted payments.

We also provide vehicle repurchase guarantees and payment guarantees on commercial loans outstanding with third parties such as dealers. These guarantees and other obligations expire in 2015 through 2020 or upon the occurrence of specific events or are ongoing. The maximum liability for these guarantees was $171 million and $197 million at September 30, 2015 and December 31, 2014, calculated as future undiscounted payments.

In some instances certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the amount of certain guarantees. Our payables to the party whose debt or performance we have guaranteed may also reduce the amount of certain guarantees. 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.

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.

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, 2015 we believe it is reasonably assured that the program requirements will be met.

Korea Fuel Economy

In 2014 we determined the certified fuel economy ratings on our Cruze 1.8L gasoline vehicles sold in Korea were incorrect. We retested and recertified the Cruze fuel economy ratings which fell below our prior certification and self-reported this issue to local government authorities. We voluntarily announced a customer compensation program for current and previous Cruze owners and recorded an insignificant charge in the three months ended December 31, 2014. In November 2014 the Korean government released new fuel economy certification guidelines. Since then, in accordance with the new guidelines, we have completed retesting and recertification of the Chevrolet Captiva 2.0L and 2.2L diesel vehicles and the Malibu 2.0L gas, 2.4L gas and 2.0 LPG vehicles. The Captiva 2.0L diesel was subsequently selected for confirmatory testing by the Korean government and was approved. There are no other domestic models in production to be retested and recertified under the new guidelines.

India Tavera Emissions Compliance

In 2013 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. We believe our accrual at September 30, 2015 is adequate to cover the estimated costs of the recalled vehicles.

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.

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In the three months ended September 30, 2015 income tax expense of $165 million resulted from tax expense attributable to entities included in our effective tax rate calculation of $608 million, partially offset by net favorable discrete adjustments related to tax settlements, a valuation allowance reversal and other items. 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 nine months ended September 30, 2015 income tax expense of $1.3 billion resulted from tax expense attributable to entities included in our effective tax rate calculation of $1.9 billion, partially offset by net favorable discrete adjustments related to tax settlements, a valuation allowance reversal and other items. 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.

The $900 million charge recorded in the three months ended September 30, 2015 for the financial penalty under the DPA is not deductible for income tax purposes. Refer to Note 10 for additional information on the DPA.

At September 30, 2015 we had $33.2 billion of net deferred tax assets consisting of: (1) net operating losses and income tax credits; (2) capitalized research expenditures; and (3) other timing differences that are available to offset future income tax liabilities.

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, 2015	$459	$751	$166	$2	$1,378
Additions, interest accretion and other	9	127	37	11	184
Payments	(19)	(385)	(22)	(11)	(437)
Revisions to estimates and effect of foreign currency	(11)	(53)	(10)	—	(74)
Balance at March 31, 2015	438	440	171	2	1,051
Additions, interest accretion and other	65	9	54	35	163
Payments	(19)	(73)	(53)	(29)	(174)
Revisions to estimates and effect of foreign currency	1	17	(8)	—	10
Balance at June 30, 2015	485	393	164	8	1,050
Additions, interest accretion and other	9	5	58	55	127
Payments	(24)	(48)	(48)	(48)	(168)
Revisions to estimates and effect of foreign currency	(11)	(31)	(15)	(4)	(61)
Balance at September 30, 2015(a)	$459	$319	$159	$11	$948

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	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

(a) The remaining cash payments related to these reserves for restructuring and other initiatives, including temporary layoff benefits of $351 million and $352 million at September 30, 2015 and 2014 for GMNA, primarily relate to postemployment benefits to be paid.

Three and Nine Months Ended September 30, 2015

Restructuring and other initiatives related primarily to: (1) the change in our business model in Russia described below; and (2) separation and other programs in Australia, Korea, Thailand and Indonesia and the withdrawal of the Chevrolet brand from Europe which had a total cost since inception of $663 million and affected a total of approximately 5,530 employees at GMIO through September 30, 2015. We expect to complete these programs in GMIO in 2017 and incur additional restructuring and other charges of approximately $266 million.

Three and Nine Months Ended September 30, 2014

Restructuring and other initiatives related primarily to: (1) the termination of all vehicle and transmission production at our Bochum, Germany facility in 2014 which had a total cost since inception of $716 million through September 30, 2014; and (2) separation programs in Australia and Korea and programs related to the withdrawal of the Chevrolet brand from Europe which had a total cost since inception of $454 million at GMIO through September 30, 2014.

Change of Business Model in Russia

In March 2015 we announced plans to change our business model in Russia and cease manufacturing, eliminate Opel brand distribution and reduce Chevrolet brand distribution by the end of 2015. This decision impacts 300 dealers and distributors and 1,130 employees. As a result we recorded pre-tax charges of $450 million in GME and GMIO in the nine months ended September 30, 2015, net of noncontrolling interests of $44 million. These charges included dealer restructuring and other contract cancellation costs of $99 million and employee severance costs of $13 million which are reflected in the table above. The remaining charges for cumulative translation adjustment associated with the substantial liquidation of certain legal entities and other of $182 million, sales incentives and inventory related costs of $144 million and asset impairment charges of $56 million are not included in the table above. We may incur additional charges for exit costs of up to $100 million through 2016.

Note 13. Stockholders' Equity

Preferred and Common Stock

We have 2.0 billion shares of preferred stock and 5.0 billion shares of common stock authorized for issuance. We had 1.6 billion shares of common stock issued and outstanding at September 30, 2015 and December 31, 2014. In December 2014 we redeemed all of the remaining outstanding shares of our Series A preferred stock. In the nine months ended September 30, 2015 we purchased

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85 million shares of our outstanding common stock for $2.9 billion as part of the common stock repurchase program announced in March 2015.

The following table summarizes dividends paid on our preferred and common stock (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Series A preferred stock		$ 87		$ 263
Common stock	$563	$ 483	$1,618	$ 1,445

Accumulated Other Comprehensive Loss

The following table summarizes the components of Accumulated other comprehensive loss (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Foreign Currency Translation Adjustments				
Balance at beginning of period	$(1,023)	$ (661)	$(1,064)	$(614)
Other comprehensive loss before reclassification adjustment, net of tax(a)	(637)	(79)	(764)	(133)
Reclassification adjustment, net of tax(a)(b)	(8)	—	168	2
Other comprehensive loss, net of tax	(645)	(79)	(596)	(131)
Other comprehensive income (loss) attributable to noncontrolling interests, net of tax	(2)	8	(10)	13
Balance at end of period	$(1,670)	$ (732)	$(1,670)	$(732)
Defined Benefit Plans, Net				
Balance at beginning of period	$(6,517)	$ (2,477)	$(7,006)	$(2,501)
Other comprehensive loss before reclassification adjustment – prior service cost or credit, net of tax(a)	(6)	(3)	(13)	(30)
Other comprehensive income before reclassification adjustment – actuarial gains or losses, net of tax(a)	91	257	439	238
Other comprehensive income before reclassification adjustment, net of tax	85	254	426	208
Reclassification adjustment – prior service cost or credit, net of tax(a)(c)	2	4	9	14
Reclassification adjustment – actuarial losses, net of tax(a)(c)	67	22	208	82
Reclassification adjustment, net of tax(a)	69	26	217	96
Other comprehensive income, net of tax	154	280	643	304
Balance at end of period	$(6,363)	$ (2,197)	$(6,363)	$(2,197)

(a) The income tax effect was insignificant in the three and nine months ended September 30, 2015 and 2014.

(b) Related to the change of our business model in Russia. Included in Automotive cost of sales. Refer to Note 12 for additional information.

(c) Included in the computation of net periodic pension and OPEB (income) expense. Refer to Note 9 for additional information.

Note 14. Earnings Per Share

Basic and diluted earnings per share are computed by dividing Net income attributable to common stockholders by the weighted-average common shares outstanding in the period. Diluted earnings per share is computed by giving effect to all potentially dilutive securities that are outstanding. The following table summarizes basic and diluted earnings per share (in millions, except for per share amounts):

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	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Basic earnings per share				
Net income attributable to stockholders	$1,359	$ 1,471	$3,421	$ 1,962
Less: cumulative dividends on Series A preferred stock(a)		(87)		(263)
Net income attributable to common stockholders	$1,359	$ 1,384	$3,421	$ 1,699
Weighted-average common shares outstanding	1,577	1,612	1,597	1,603
Basic earnings per common share	$0.86	$ 0.86	$2.14	$ 1.06
Diluted earnings per share				
Net income attributable to common stockholders – basic	$1,359	$ 1,384	$3,421	$ 1,699
Less: earnings adjustment for dilutive stock compensation rights	(2)	(8)	(3)	(22)
Net income attributable to common stockholders – diluted	$1,357	$ 1,376	$3,418	$ 1,677
Weighted-average common shares outstanding – basic	1,577	1,612	1,597	1,603
Dilutive effect of warrants and restricted stock units (RSUs)	41	79	58	87
Weighted-average common shares outstanding – diluted	1,618	1,691	1,655	1,690
Diluted earnings per common share	$0.84	$ 0.81	$2.07	$ 0.99

(a) Includes earned but undeclared dividends of $15 million on our Series A preferred stock in the three and nine months ended September 30, 2014.

In the three and nine months ended September 30, 2015 and 2014 warrants to purchase 46 million shares were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of the common shares.

Note 15. Segment Reporting

We analyze the results of our business through the following segments: GMNA, GME, GMIO, GMSA and GM Financial. The chief operating decision maker evaluates the operating results and performance of our automotive segments through income before interest and income taxes, as adjusted for additional amounts, which is presented net of noncontrolling interests. The chief operating decision maker evaluates GM Financial through income before income taxes-adjusted because he/she believes interest income and interest expense are part of operating results when assessing and measuring the operational and financial performance of the segment. Each segment has a manager responsible for executing our strategies. Our automotive manufacturing operations are integrated within the segments, benefit from broad-based trade agreements and are subject to regulatory requirements, such as Corporate Average Fuel Economy regulations. While not all vehicles within a segment are individually profitable on a fully allocated cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. Because of these and other factors, we do not manage our business on an individual brand or vehicle basis.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Fleet sales are completed through the network of dealers and in some cases directly with fleet customers. Retail and fleet customers can obtain a wide range of after-sale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the Buick, Cadillac, Chevrolet and GMC brands. The demands of customers outside North America are primarily met with vehicles developed, manufactured and/or marketed under the Buick, Cadillac, Chevrolet, GMC, Holden, Opel and Vauxhall brands. We also have equity ownership stakes directly or indirectly in entities through various regional subsidiaries, primarily in Asia.

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These companies design, manufacture and market vehicles under the Baojun, Buick, Cadillac, Chevrolet, Jiefang and Wuling brands.

Our automotive operations' interest income and interest expense are recorded centrally in Corporate. Corporate assets consist primarily of cash and cash equivalents, marketable securities and intercompany balances. All intersegment balances and transactions have been eliminated in consolidation.

The following tables summarize key financial information by segment (dollars in millions):

	At and For the Three Months Ended September 30, 2015									
	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
Net sales and revenue	$27,794	$4,556	$3,016	$1,738	$36		$ 37,140	$ 1,707	$ (4)	$38,843
Income (loss) before automotive interest and taxes-adjusted	$3,293	$(231)	$269	$(217)	$(247)		$ 2,867	$ 231	$ (2)	$3,096
Adjustments(a)	$7	$—	$(7)	$—	$(1,500)					