

May 18, 2006

Two GM Financial Officials To Leave in Shake-Up

Consultant Is Hired to Aid In Accounting Overhaul; Revamp Has More Hurdles

By LEE HAWKINS JR.

May 18, 2006; Page A3

General Motors Corp., which earlier this year disclosed a series of accounting problems and Securities and Exchange Commission probes, shook up its financial staff and hired an outside firm to help overhaul its internal accounting processes.

The announcement jolted GM's share price amid a broadly lower stock market, as investors reacted to the reminder that the struggling auto giant has more hurdles to clear in its massive and complex restructuring effort. In addition, **Honda Motor Co.** announced plans to expand its production capacity world-wide, including adding a new factory in the U.S., the latest sign that Japanese auto makers are prepared to keep pushing for market share at GM's expense. ([See related article](#)¹.)

GM shares dropped 4.2%, or \$1.07, to \$24.46 at 4 p.m. in New York Stock Exchange composite trading.


GM said the company's controller and chief accounting officer will leave the company and their jobs will be combined. The auto maker said it has hired Hinsdale, Ill., executive recruiter Crist Associates to begin a candidate search. And GM said it has hired AlixPartners, a Southfield, Mich., restructuring adviser, "to help with the transition" and work on "a broad range of accounting, financial reporting and related matters."

AlixPartners has helped to solve a variety of problems for GM in the past, including guiding the restructuring and eventual sale of GM's National Rental Car unit in the early 1990s. AlixPartners' Web site lists among the firm's specialties advising companies in handling accounting investigations and regulatory-compliance matters. GM spokeswoman Toni Simonetti said GM hired AlixPartners only "to help us assess our financial-reporting and internal-control system," not for turnaround purposes.

GM said that as part of the reorganization, Chief Accounting Officer Peter Bible, 48 years old, "has elected to resign from the company to pursue other career options, effective June 1." The company said it has asked Mr. Bible to "support GM during the transition in a consulting role." In addition, Controller Paul Schmidt, 61, will retire later this year. Neither returned requests for comment; Ms. Simonetti said both men declined to comment.

The moves, announced by GM's new vice chairman and chief financial officer, Frederick "Fritz" Henderson, represent more fallout from the company's disclosure in March that its results from 2002 through the third quarter of 2005 could no longer be relied upon because of accounting errors and had to be corrected. Further, GM previously disclosed it had received a subpoena from a federal grand jury investigating its handling of payments or "credits" from suppliers and said it had found "material weaknesses" or "significant deficiencies" in certain areas of its accounting controls. The company also said it had received a subpoena from the SEC in connection with a previously disclosed probe of GM's transactions in precious-metal raw materials.

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

ACCOUNTING ISSUES

- [GM Gets Approval to Revise Results](#)²
05/09/06
- [GM Chief Apologizes to Holders](#)³
04/28/06
- [GM Races to Correct Errors for SEC Report](#)⁴
03/27/06

Over the past several months, GM has disclosed the receipt of six subpoenas from the SEC and two subpoenas from federal grand juries. Two of the SEC inquiries are related to GM's business dealings with Delphi Corp., its former subsidiary. One federal grand jury matter is part of a broader investigation of the reinsurance business, including GM's General Motors Acceptance Corp. finance arm and many of its competitors.

Since the March disclosures, GM management has been under pressure from the company's outside directors, investors and federal regulators to take aggressive steps to resolve the accounting issues. "The company has to take strong action," said Mr. Henderson, who took over as chief financial officer in January.

Dan Genter, president and chief executive of RNC Genter, a Los Angeles investment firm that owns short-term bonds of GMAC, said it views the move "as positive." He added: "They have financial and fundamental issues to deal with, and they need someone to come in fresh and look at it without old allegiances."

Write to Lee Hawkins Jr. at lee.hawkins@wsj.com⁵

URL for this article:

<http://online.wsj.com/article/SB114787923768655457.html>

Hyperlinks in this Article:

- (1) <http://online.wsj.com/article/SB114784333810755191.html>
- (2) <http://online.wsj.com/article/SB114713094164747192.html>
- (3) <http://online.wsj.com/article/SB114625862781139134.html>
- (4) <http://online.wsj.com/article/SB114341932643308634.html>
- (5) <mailto:lee.hawkins@wsj.com>

Copyright 2006 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.